

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014

		(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		53,245	51,848
Balances with other banks		68,951	193,258
Lendings to financial institutions	6	591,184	350,000
Investments	7	10,214,990	6,356,193
Advances	8	3,540,897	4,352,981
Other assets		869,684	446,138
Operating fixed assets	9	77,938	86,956
Deferred tax asset	10	257,236	283,363
		15,674,125	12,120,737
LIABILITIES			
Bills payable		-	-
Borrowings from financial institutions	11	10,140,101	5,615,747
Deposits and other accounts	12	1,768,117	2,809,423
Sub-ordinated loans		-	-
Liabilities against assets subject to finance leases		-	-
Other liabilities		332,470	375,649
Deferred tax liabilities		-	-
		12,240,688	8,800,819
NET ASSETS		3,433,437	3,319,918
REPRESENTED BY			
Share capital	13	6,141,780	6,141,780
Reserves		62,434	36,319
Accumulated losses		(2,740,971)	(2,845,431)
		3,463,243	3,332,668
Deficit on revaluation of assets - net of tax		(29,806)	(12,750)
		3,433,437	3,319,918
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

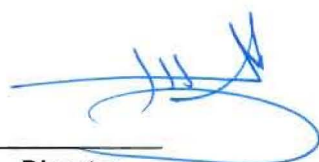
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Chief Financial Officer



Managing Director



Director



Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Quarter ended June 30, 2014	* Six months ended June 30, 2014	Quarter ended June 30, 2013	Six months ended June 30, 2013
Note	----- (Rupees in '000) -----			
Mark-up / return / interest earned	324,825	571,203	299,506	570,681
Mark-up / return / interest expensed	251,127	435,027	224,764	453,396
Net mark-up / interest income	73,698	136,176	74,742	117,285
(Reversal of provision) / provision against loans and advances - net	8.2 (112,836)	(113,218)	(39,314)	(62,268)
Provision / (reversal of provision) for diminution in value of investments - net	7.2.3 14,755	16,514	1,404	(14,944)
Bad debts written off directly	-	-	-	-
Reversal of provision against lendings to financial institutions	-	-	(3,756)	(3,756)
	(98,081)	(96,704)	(41,666)	(80,968)
Net mark-up / interest / income after provisions	171,779	232,880	116,408	198,253
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	6,387	18,950	14,822	14,822
Dividend income	8,703	18,568	3,937	24,064
Gain from trading in securities - net	15 23,451	48,989	77,549	76,956
Income from dealing in foreign currencies	-	-	-	-
Unrealised loss on revaluation of investments classified as held-for-trading	(285)	(285)	(4,472)	(3,097)
Other income	518	618	419	1,088
Total non mark-up / interest income	38,774	86,840	92,255	113,833
	210,553	319,720	208,663	312,086
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	106,255	188,317	79,130	150,016
Other provisions / write offs - net	16 2,687	(42,391)	(5,574)	(20,176)
Other charges	3,294	4,215	9,190	23,705
Total non mark-up / interest expenses	112,236	150,141	82,746	153,545
	98,317	169,579	125,917	158,541
Extra Ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	98,317	169,579	125,917	158,541
Taxation - current	5,180	13,237	10,853	12,315
- prior year	-	-	(25,000)	(25,000)
- deferred	24,209	25,767	8,725	20,084
	17 29,389	39,004	(5,422)	7,399
PROFIT AFTER TAXATION	68,928	130,575	131,339	151,142
Basic and diluted earnings per share (Rupees)	18 112.23	212.60	213.85	246.09

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

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Chief Financial Officer



Managing Director



Director



Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Quarter ended June 30, 2014	Six months ended June 30, 2014	Quarter ended June 30, 2013	Six months ended June 30, 2013
	----- (Rupees in '000) -----			
Profit after taxation	68,928	130,575	131,339	151,142
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	68,928	130,575	131,339	151,142

Surplus / (deficit) arising on revaluation of assets has been reported in accordance with the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

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Chief Financial Officer

Managing Director

Director

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014

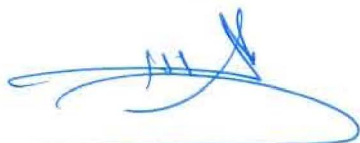
	June 30, 2014	June 30, 2013
Note	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	169,579	158,541
Less: Dividend income	(18,568)	(24,064)
	151,011	134,477
Adjustments for non-cash charges:		
Depreciation	11,409	11,012
Amortisation	281	6
(Reversal of provision) / provision against non-performing loans and advances - net	(113,218)	(62,268)
Unrealised loss on revaluation of investments classified as held-for-trading	285	3,097
Provision / (reversal of provision) for diminution in the value of investments - net	16,514	(14,944)
Reversal of provision against lendings to financial institutions	-	(3,756)
Other provisions / write offs - net	(42,391)	(20,176)
Gain on sale of operating fixed assets	(22)	(631)
	(127,142)	(87,660)
	23,869	46,817
(Increase) / decrease in operating assets:		
Lendings to financial institutions	(491,184)	(492,639)
Investments classified as held-for-trading	475,912	(1,705,870)
Advances	925,302	471,245
Other assets	(381,830)	42,810
	528,200	(1,684,454)
(Decrease) / increase in operating liabilities:		
Borrowings from financial institutions	4,524,354	(1,012,660)
Deposits and other accounts	(1,041,306)	992,000
Other liabilities	(43,179)	42,179
	3,439,869	21,519
Income tax paid	3,991,938	(1,616,118)
Net cash inflow / (outflow) from operating activities	3,979,501	(1,621,842)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of investments - net	(4,368,204)	2,262,903
Dividends received	18,443	24,601
Operating fixed assets purchased	(3,291)	(3,205)
Sale proceeds of property and equipment disposed-off	641	788
Net cash inflow from investing activities	(4,352,411)	2,285,087
(Decrease) / increase in cash and cash equivalents	(372,910)	663,245
Cash and cash equivalents at beginning of the period	595,106	102,023
Cash and cash equivalents at end of the period	21 222,196	765,268

The annexed notes from 1 to 24 form an integral part of these condensed interim financial statements.

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Chief Financial Officer



Director



Managing Director



Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Issued, subscribed and paid-up capital	Capital reserve Statutory reserve	Revenue reserve Unappropriated profit / (loss)	Total
	----- (Rupees in '000) -----			
Balance as at January 01, 2013	6,141,780	-	(2,989,420)	3,152,360
Total comprehensive income for the half year ended June 30, 2013				
Profit for the period	-	-	151,142	151,142
Other comprehensive income for the period	-	-	-	-
	-	-	151,142	151,142
Transfer to statutory reserve	-	30,228	(30,228)	-
Balance as at June 30, 2013	6,141,780	30,228	(2,868,506)	3,303,502
Total comprehensive income for the half year ended December 31, 2013				
Profit for the period	-	-	30,453	30,453
Other comprehensive income for the period	-	-	(1,287)	(1,287)
	-	-	29,166	29,166
Transfer to statutory reserve	-	6,091	(6,091)	-
Balance as at December 31, 2013	6,141,780	36,319	(2,845,431)	3,332,668
Total comprehensive income for the half year ended June 30, 2014				
Profit for the period	-	-	130,575	130,575
Other comprehensive income for the period	-	-	-	-
	-	-	130,575	130,575
Transfer to statutory reserve	-	26,115	(26,115)	-
Balance as at June 30, 2014	<u>6,141,780</u>	<u>62,434</u>	<u>(2,740,971)</u>	<u>3,463,243</u>

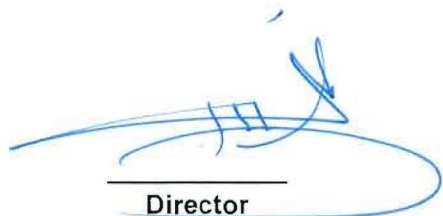
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Chief Financial Officer



Managing Director



Director



Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2014

1. STATUS AND NATURE OF BUSINESS

- 1.1** Pak-Libya Holding Company (Private) Limited (the Company) was incorporated in Pakistan as a private limited company on October 14, 1978. It is a joint venture between the Government of Pakistan and Government / State of Libya. The tenure of the Company was thirty years from the date of its establishment. The two contracting parties (i.e. both the governments) extended the tenure for further thirty years upto October 14, 2038. The objective of the Company interalia includes the promotion of economic growth of Pakistan through industrial development, to undertake other feasible business and to establish and acquire companies to conduct various businesses as may be decided from time to time. The Company is designated as a Development Financial Institution (DFI) under the BPD Circular No. 35 dated October 28, 2003 issued by the State Bank of Pakistan (SBP).

The registered office of the Company is located at 5th Floor, Tower C, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company has two sales and service centres located at Lahore and Islamabad. Effective August 05, 2012, activities of Islamabad sales and service centre have been suspended for the time being after review of the business strategy.

- 1.2** The State Bank of Pakistan (SBP) through its BSD Circular No. 19 dated September 05, 2008 has prescribed that the minimum paid-up capital (free of losses) for Development Financial Institutions (DFIs) is required to be maintained at Rs.6 billion. The paid-up capital of the Company (free of losses) as of June 30, 2014 amounted to Rs.3.401 billion (December 31, 2013: Rs.3.296 billion). The Company had utilized available statutory capital reserves during FY-2012 pursuant to the relaxation allowed by SBP vide its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012.

The Board of Directors (BoD) of the Company in its meeting held on December 09, 2012 and December 10, 2012 recommended the shareholders for increase in paid-up capital by Rs.4 billion in FY-2013. The increase in capital is aimed to comply with minimum capital requirement (MCR) for risk absorption and future growth and business prospects of the Company.

In light of the Board's recommendation, the agenda for approval of increase in authorised and paid-up capital of the Company was considered in the Annual General Meeting (AGM) of the shareholders held on April 29, 2013. After detailed deliberations on the matter in that AGM, the shareholders (Ministry of Finance (MoF), Government of Pakistan & Libyan Foreign Investment Company (LAFICO), Government/State of Libya) concluded by recognizing the importance of the Company as joint venture between the two countries and assured continued support for its success. The representatives of both the governments who attended the AGM agreed, in principle, to inject additional capital of Rs.4 billion by way of rights issue and approved the increase in the authorized capital of the Company from Rs.8 billion to Rs.12 billion. The meeting also advised the management to follow up the matter with MoF & LAFICO.

In light of the above decisions, the management has been following up the matter with the shareholders. In this respect, during January-2014, MD LAFICO along with Chairman PLHC visited Pakistan and met with the Acting Governor SBP and the Finance Minister, Government of Pakistan. These meetings are expected to have positive impact on the capital injection transaction as well as relationship between two brotherly countries.

Moreover, the status and progress of capital injection transaction was also deliberated by the shareholders in the AGM held on April 25, 2014.

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Further, the Chairman of PLHC (Libyan Nominee) in the board meeting of PLHC held on April 26, 2014 informed that BoD of LAFICO has given approval for the capital injection of Rs. 2 billion with a condition of simultaneous injection of additional capital by GoP. Moreover, MoF in its letter dated June 24, 2014 has stated that the matter of capital injection is under consideration with the Finance Division, Government of Pakistan.

Earlier, after review of the status of capital injection transaction, the Board of Directors in its meeting held on December 16, 2013 approved a fresh set of projections for a period of five years which included the revised timeline for completion of the capital injection transaction in FY-2014.

State Bank of Pakistan vide its letter no. BPRD/BA&CP/657/12830/2014 dated July 15, 2014 has granted further extension to PLHC in meeting the MCR till December 31, 2014.

Presently, necessary follow up by the management for earliest completion of capital injection transaction is underway. Further, completion of necessary legal process for increase in authorised capital of the Company, and the shareholders meeting for formal call of additional capital, will be held once the capital injection and its timeline are confirmed by both the shareholders. The Company is expecting a positive outcome on the matter.

2. STATEMENT OF COMPLIANCE

- 2.1** These condensed interim financial statements of the Company for the six months ended June 30, 2014 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.
- 2.2** The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Non-Banking Financial Institutions (NBFIs) till further instructions. Further, according to the notification of the SECP dated April 28, 2008, IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable to NBFIs. Accordingly, the requirements of these standards have not been considered in the preparation of the condensed interim financial statements.
- 2.3** The disclosures made in these condensed interim financial statements have, however, been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2013.

3. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention, except for certain investments which are carried at fair value.

These condensed interim financial statements have been presented in Pak Rupees, which is the Company's functional and presentation currency.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing these condensed interim financial statements, the estimates / judgments and associated assumptions made by management in applying the Company's accounting policies and reported amounts of assets, liabilities, income and expenses are the same as those applied in the annual audited financial statements as at and for the year ended December 31, 2013, except as disclosed in note 5 below:

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5. SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2013 other than those disclosed below:

New, Amended And Revised Standards And Interpretations of IFRSs

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective during the period:

IAS 32 – Financial Instruments : Presentation – (Amendment)

IAS 36 – Impairment of Assets – (Amendment)

IFRIC 21 – Levies

IFAS 3 – Profit and Loss Sharing on Deposits

The adoption of the above standards / amendments did not have any effect on the condensed interim financial statements.

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for the accounting periods beginning on or after January 01, 2014. Such improvements to the standards do not have impact on the Company's condensed interim financial statements.

Further, certain new standards have been issued by IASB which are effective for accounting periods beginning on or after January 01, 2013 but are yet to be notified by the SECP for the purpose of applicability in Pakistan. Accordingly, the requirements of these standards have not been considered in the preparation of the condensed interim financial statements.

5.1 The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended December 31, 2013.

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
----- (Rupees in '000) -----			
6. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreements lendings (Reverse Repo)	6.1	491,184	-
Term Deposit Receipt	6.2	100,000	350,000
Placements		47,068	47,068
		638,252	397,068
Less: Provision against Placements		(47,068)	(47,068)
		591,184	350,000

6.1 This carries mark up at the rate of 9.25% per annum and is due to mature on July 02, 2014.

6.2 This carries mark-up at rate of 10.40% (December 31, 2013: 9.80% and 10.50%) per annum and is due to mature on August 05, 2014 (December 31, 2013: February 05, 2014 and January 23, 2014 respectively).

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	Held by Company	Given as collateral	Total
	----- (Rupees in '000) -----		
Balance as at June 30, 2014 (Un-audited)	2,304,664	7,910,326	10,214,990
Balance as at December 31, 2013 (Audited)	3,064,306	3,291,887	6,356,193
Balance as at June 30, 2013 (Un-audited)	3,740,236	3,407,930	7,148,166

7.1 Investments by types

	Held by Company	Given as collateral	Total
	----- (Rupees in '000) -----		
Held-for-trading securities	20,714	-	20,714
Available-for-sale securities	3,411,261	7,922,807	11,334,068
Held-to-maturity securities	6,366	-	6,366
Investment in a joint venture Kamoki Energy Limited, a related party	404,867	-	404,867
	3,843,208	7,922,807	11,766,015
Less: Provision for diminution in value of investments	1,514,700	-	1,514,700
Investments (net of provisions)	2,328,508	7,922,807	10,251,315
Less: Deficit on revaluation of investments classified as			
- held-for-trading securities	(285)	-	(285)
- available-for-sale securities	(23,559)	(12,481)	(36,040)
Balance as at June 30, 2014	2,304,664	7,910,326	10,214,990

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	----- (Rupees in '000) -----	
7.2 Investments by segments		
Federal government securities		
Market treasury bills	784,599	3,447,290
Pakistan investment bonds	6,907,568	453,861
Fully paid-up Ordinary shares / certificates		
Listed	975,504	899,462
Unlisted	93,341	93,341
Fully paid-up preference shares		
Listed	50,000	50,000
Unlisted - Kamoki Energy Limited (KEL), a related party	7.2.1 300,000	300,000
Term Finance Certificates (TFCs)		
Listed	373,527	323,454
Unlisted	7.2.2 1,628,730	1,591,762
Participation term certificates	6,366	7,913

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	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
----- (Rupees in '000) -----			
Strategic investment in a joint venture			
Unlisted Ordinary shares			
Kamoki Energy Limited, a related party	7.2 1	404,867	404,867
Other investments			
Mutual fund units - listed		19,230	19,230
Sukuks - unlisted		222,283	267,390
Commercial Paper - Unlisted		-	36,636
Total investments		11,766,015	7,895,206
Less: Provision for diminution in value of other investments	7.2.3	(1,514,700)	(1,519,550)
Investments (net of provisions)		10,251,315	6,375,656
Less: Unrealized loss on revaluation of 'held-for-trading' securities		(285)	(119)
Deficit on revaluation of 'available-for-sale' securities		(36,040)	(19,344)
Total investments at market value		10,214,990	6,356,193

7.2.1 As at June 30, 2014, the Company has below detailed investments / exposures in KEL which is a joint venture project between the Company and Tapal Family. KEL was established in 2009 to own, construct, manage and operate a rental electric power generation plant. KEL could not commence its commercial operations.

On March 30, 2012, a decision was announced by the Honorable Supreme Court of Pakistan (Court) on the Human Rights Case with respect to Rental Power Plants (RPPs) which was initiated by the Honorable Court taking a suo moto action. In this decision, all contracts of RPPs were declared to be illegal and void ab initio and ordered to be rescinded. KEL had filed a review petition against the decision of the Court which is/was pending adjudication.

Keeping in view the above, the Board of Directors in their meeting, held on December 09 and 10, 2012, had deliberated upon different alternatives in detail with respect to the exposure in KEL and thereafter decided to take exit from KEL. The Board advised the management to explore option to sell the project to a third party.

The Company also carried out impairment test in respect of equity investments (including preference shares) held by the Company in accordance with the requirement of International Accounting Standard (IAS) 36 - "Impairment of Assets" and full provision was made for equity investments in FY-2012 which continues to be held as of June 30, 2014. Further, the provisioning against the term loans and mark-up accrued thereon has also been determined in accordance with the requirements of Prudential Regulations issued by the SBP. Accordingly, as at June 30, 2014, the Company holds provisions against diminution in the value of equity investments (ordinary and preference shares), non-performing term loans and against other receivables as detailed below.

During the current year, Ameejee Valejee & Sons (Private) Limited along with certain shareholders of KEL from Tapal Family filed a winding up petition for KEL with the Honorable High Court of Sindh (Court). PLHC, through its legal advisor responded to the said petition and gave its in-principal agreement for the winding up of KEL. Consequently, Honorable Court allowed the winding up of KEL and appointed official assignee as liquidator to conclude the winding up process. The management is following up the matter with the official liquidator to safeguard the interest of the Company and for ensuring earliest maximum recovery of PLHC's exposure in KEL through winding up process. Moreover, recent initiative of the Government of Pakistan to utilize existing RPPs as Short Term Independent Power Producers/Plants (STIPPs), once implemented, is expected to have a positive impact on marketability of the KEL project.

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Nature of assets / exposures	Book value	Provision held (Rupees in '000)	Book value
	before provision		after provision
Preference shares	300,000	(300,000)	-
Ordinary shares*	404,867	(404,867)	-
Term loan	1,250,000	(983,812)	266,188
Short term loan	34,690	(34,690)	-
Other assets - accrued income	205,690	(205,690)	-
Other assets - other receivables	10,313	(10,313)	-
Total funded exposure	2,205,560	(1,939,372)	266,188
As at December 31, 2013 (Audited)	2,200,481	(1,934,293)	266,188

* This book value is net of share of loss in KEL amounting to Rs.95.133 million which was recognized uptill June 30, 2012.

7.2.2 This includes investment in PPTFC issue of Pakistan International Airline Corporation amounting to Rs.176.933 million (December 31, 2013: Rs.176.933 million). No provision has been made against this investment which has been classified due to overdue installments. Further, SBP vide its letter no. BPRD/BRD(Policy)/2014-5785 dated April 11, 2014 has allowed relaxation to the investors of their restructured debt (including this PPTFC issue) from the requirements of Prudential Regulation no. 8 of Corporate / Commercial Banking upto June 30, 2014.

	(Un-audited)	(Audited)
	June 30, 2014	December 31, 2013
	----- (Rupees in '000) -----	
7.2.3 Provision for diminution in value of investments		
Opening balance	1,519,550	1,590,503
Charge for the period / year	18,552	6,138
Less: Reversal during the period / year	(2,038)	(20,996)
Net charge / (reversal) for the period / year	16,514	(14,858)
Less: Reversal on disposal	(21,364)	(56,095)
Closing balance	1,514,700	1,519,550

8. ADVANCES

In Pakistan

Loans		5,446,846	6,349,083
Net investment in finance lease		236,484	234,777
Consumer loans and advances		175,084	203,473
Staff loans		113,291	97,789
Long-term financing of export oriented projects - (LTF-EOP)		60,179	60,179
Long-term financing facility - (LTFF)		71,334	83,220
Advances - gross	8.1	6,103,218	7,028,521
Less: Provision against			
- Non-performing advances - specific provision	8.2	2,561,110	2,674,018
- Consumer loans and advances - general provision	8.2	1,211	1,522
		2,562,321	2,675,540
Advances - net of provision		3,540,897	4,352,981

- 8.1 Advances include amounts aggregating to Rs.3,248.914 million (December 31, 2013: Rs.3,246.848) million which have been placed under non-performing status as detailed below:

Category of classification	Domestic	Overseas	Total	Provision required	Provision held
	-----+ (Rupees in '000) -----				
Substandard	455,108	-	455,108	112,500	112,500
Doubtful	8,575	-	8,575	287	287
Loss	2,785,231	-	2,785,231	2,448,323	2,448,323
	<u>3,248,914</u>	<u>-</u>	<u>3,248,914</u>	<u>2,561,110</u>	<u>2,561,110</u>

- 8.2 Particulars of provision against non-performing advances:

	(Un-audited) June 30, 2014			(Audited) December 31, 2013		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
Opening balance	2,674,018	1,522	2,675,540	2,714,680	2,393	2,717,073
Charge for the period	19	-	19	14,697	-	14,697
Reversals	(112,927)	(311)	(113,238)	(90,049)	(871)	(90,920)
Net (reversals) / charge	(112,908)	(311)	(113,219)	(75,352)	(871)	(76,223)
Add: Transfer of provision*	-	-	-	34,690	-	34,690
Less: Amount written off	-	-	-	-	-	-
Closing balance	<u>2,561,110</u>	<u>1,211</u>	<u>2,562,321</u>	<u>2,674,018</u>	<u>1,522</u>	<u>2,675,540</u>

* This represents provision that was transferred from other receivable to short term loan on account of conversion of a portion of 'other receivable' from KEL to a 'short-term loan' amounting to Rs.34.690 million in FY-2013.

- 8.2.1 The provision against non-performing advances includes an impact of Forced Sale Value (FSV) benefit amounting to Rs.25.297 million (December 31, 2013: Rs.22.650 million) in respect of consumer financing and Rs.324.720 million (December 31, 2013: Rs.324.720 million) in respect of corporate financing which includes Rs.266.188 million (December 31, 2013: Rs.266.188 million) being the FSV benefit availed by the Company against the term loan of Kamoki Energy Limited (classified as loss) and security deposit amounting to Rs.58.532 million (December 31, 2013: Rs.58.532 million) in respect of lease financing pursuant to respective applicable Prudential Regulations for Consumer Financing and for Corporate/Commercial Banking. The FSV benefit recognised under these Prudential Regulations is not available for the distribution of cash or stock dividend/bonus to employees. Further, SBP through its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012 had also stipulated that no dividend, cash or kind, shall be paid out of the benefits realised through the relaxations allowed therein. Had no FSV benefit (including security deposits) been used, provisions held by the Company against non performing advances as of June 30, 2014 would have been higher by Rs.342.186 million.

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
----- (Rupees in '000) -----		

9. OPERATING FIXED ASSETS

Capital work-in-progress	-	603
Property and equipment	75,527	83,661
Intangible assets	2,411	2,692
	<u>77,938</u>	<u>86,956</u>

- 9.1 Additions during the six months period ended June 30, 2014 amounting to Rs.3.894 million (June 2013: Rs.20.617 million) while disposals had a cost of Rs.1.996 million (June 2013: Rs.3.871 million) and written down value of Rs.0.619 million (June 2013: Rs.0.167 million). These disposals include sale of assets to key management personnel under the Company's HR policy which had a cost of Rs.0.894 million and net book value of Rs.0.619 million resulting in a gain of Rs.0.002 million.

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	----- (Rupees in '000) -----	
10. DEFERRED TAX ASSET - net		
Deferred credit arising in respect of:		
Net investment in finance leases	(37,015)	(38,372)
Accelerated tax depreciation	(1,357)	(1,935)
Deferred debits arising in respect of:		
Provision for compensated absences	3,281	3,191
Provision for advances, investments and other assets	98,272	104,300
Unused tax losses	154,234	173,013
Share of loss in joint venture	31,394	33,297
Unrealised loss on held-for-trading investments	2,193	3,275
	<u>251,002</u>	<u>276,769</u>
Deferred tax asset on surplus on revaluation of available-for-sale Investments - net	<u>6,234</u>	<u>6,594</u>
	<u><u>257,236</u></u>	<u><u>283,363</u></u>

- 10.1 As at June 30, 2014, the Company has available deferred tax asset on provision for advances, investments and other assets (including provision against investment in KEL) amounting to Rs.1,953.220 million (2013: Rs.1,935.384 million) and on unused tax losses as of June 30, 2014 amounting to Rs.1,946.599 million (2013: Rs.2,053.881 million). However, the management has prudently recognised the tax benefits only to the extent given above based on the absorption / admissibility of the same as forecasted in the projections mentioned below. For the purpose of tax calculations, business income tax rate of 33% (December 31, 2013: 35%) has been used.

- 10.2 The management of the Company has prepared five years' financial projections which have been approved by the Board of Directors of the Company. The said projections involve certain key assumptions underlying the estimation of future taxable profits. The determination of future profits is most sensitive to certain key assumptions such as the timing for injection of further capital, of Rs. 4 billion, growth of business, revenue and expenses, return on assets, projected reversals / recovery from non-performing assets and outcome of pending tax matters etc. Any significant change in the key assumptions may have an impact on the realisability of the deferred tax asset. The management believes that it is probable that the Company will be able to achieve the profits projected in the financial projections and, consequently, the recorded deferred tax asset will be realised in the future.

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(Un-audited) (Audited)
June 30, December 31,
2014 2013
----- (Rupees in '000) -----

11. BORROWINGS FROM FINANCIAL INSTITUTIONS

Secured

Borrowings from State Bank of Pakistan under:

Long-term financing of exports oriented projects (LTF-EOP)		18,841	22,611
Long-term financing facility (LTFF)		71,334	83,220
Repurchase agreement borrowings	11.1	8,080,326	2,975,416
Privately placed term finance certificates	11.2	499,600	624,500
Borrowings from financial institutions		270,000	350,000
		8,940,101	4,055,747

Unsecured

Clean borrowings

	1,200,000	1,560,000
	<u>10,140,101</u>	<u>5,615,747</u>

11.1 The Company has arranged borrowings from various financial institutions against sale and repurchase of Government Securities and Term Finance Certificates. The outstanding facilities as at statement of financial position date are due for maturity on various dates latest by December 2014 (December 31, 2013: December 2014). The rates of mark-up on these facilities ranged from 8.25 to 11.17 ((December 31, 2013: 9.85 to 11.14) percent per annum.

11.2 This includes an amount of Rs.499.60 million (December 31, 2013: Rs.624.500 million) being the balance amount of Privately Placed Term Finance Certificates (PPTFC) of Rs.750 million raised by the Company in February 2011. The issue is secured by first fixed charge by way of hypothecation on all the present and future loans and lease receivables of the Company ranking pari passu with prior charges. This issue is rated and carries a mark-up rate of six months' KIBOR plus 1.6% percent p.a. payable on semi-annual basis. The PPTFC issue is repayable in installments by February 2016 and is held by both financial and non-financial institutions.

12. DEPOSITS AND OTHER ACCOUNTS

Customers

Certificates of investment - (in local currency)	1,023,117	2,809,423
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Financial institutions

Certificates of investment - (in local currency)	745,000	-
	<u>1,768,117</u>	<u>2,809,423</u>

12.1 The profit rates on these Certificates of Investment (COIs) range from 9.50 to 10.90 (December 31, 2013: 8.75 to 10.50) percent per annum. These COIs are due for maturity on various dates latest by June 2015 (December 31, 2013: December 2014).

13. SHARE CAPITAL

13.1 As at June 30, 2014, the Company has a shortfall of Rs.2.599 billion (December 31, 2013: Rs.2.704 billion) in meeting the Minimum Paid-up Capital Requirement (free of losses) as stipulated by the State Bank of Pakistan (SBP). SBP has granted exemption to the Company from meeting the MCR till December 31, 2014. (Refer note 1.2).

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14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

There has been no change in the status of contingencies with respect to prior tax years as disclosed under contingencies and commitments in the annual financial statements of the Company except for tax year 2013 in respect of which the Company has received a notice from Additional Commissioner Inland Revenue under section 122(9) of the Income Tax Ordinance (ITO) for amendment of assessment under section 122 (5A) of ITO. Necessary replies and information had been filed by the Company by July-2014 for which no further notice has been received.

Moreover, for the Inland Revenue Appellate Tribunal (IRAT) orders dated February 20, 2013, the Company received the appeal effect orders from Additional Commissioner Inland Revenue, which contained certain discrepancies. Applications have been filed with the tax department seeking necessary rectifications therein. Moreover, Company received notice from Honorable High Court of Sindh (SHC) against reference application filed by the Commissioner Inland Revenue Zone-II with SHC under section 133 of Income Tax Ordinance, 2001 against the said orders passed by IRAT. The Company will defend the matter through legal advisor and expects a positive outcome on the same.

Moreover, based on above IRAT orders, the Company has filed application for rectification of the order passed by Deputy Commissioner Inland Revenue (DCIR) through which a tax demand of Rs.84.392 million was raised for tax year 2011. In this application, the Company has claimed the benefit of brought forward losses amounting to Rs.77.255 million. Earlier, during FY-2012, refund claim of Rs.70.53 million was filed by the Company for tax year 2011 through a revised tax return. However, the benefit of rectification application and additional refund arising from revised return has not been recognized following a prudent stance in light of pending appeals.

	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
		----- (Rupees in '000) -----	
14.2 Commitments			
Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring:			
Government		-	-
Others	14.2.1	<u>859,369</u>	<u>860,561</u>
		<u>859,369</u>	<u>860,561</u>
14.2.1	This represents the guarantees issued on behalf of Kamoki Energy Limited (KEL), a joint venture. During FY-2012, a decision was announced by the Honorable Supreme Court of Pakistan (Court) on March 30, 2012, in which all contracts of RPPs were declared to be illegal and void ab initio and as a result of which the guarantee remained inoperative. Consequently, as per the opinion of the legal advisor, there cannot be any exposure of the Company under the same. Moreover, as disclosed in note 7.2.1, the process of winding up of KEL is underway.		
14.3 Trade - related contingent liabilities			
Contingent liabilities in respect of letters of credit favouring:			
Government		-	-
Others		<u>84,680</u>	<u>270,341</u>
		<u>84,680</u>	<u>270,341</u>
14.4 Commitments to extent credit		<u>606,655</u>	<u>771,983</u>
14.5 Commitments for acquisition of operating fixed assets		<u>600</u>	<u>561</u>

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	Note	(Un-audited)	(Audited)
		June 30, 2014	December 31, 2013
14.6 Unsettled investment transactions for:		----- (Rupees in '000) -----	
Sale of market treasury bills		-	496,945
Sale of listed ordinary shares - net		89,044	30,157
Purchase of listed ordinary shares - net		28,317	54,098
		<u>117,361</u>	<u>581,200</u>

15. GAIN FROM TRADING IN SECURITIES - NET

This is stated net of the loss from trading in government securities amounting to Rs.0.108 million (June 2013: gain of Rs.1.641 million).

	Note	(Un-audited)	(Un-audited)
		June 30, 2014	June 30, 2013
16. OTHER PROVISIONS / WRITE OFFS - NET		----- (Rupees in '000) -----	
Reversal of provision against mark-up accrued		(20,209)	(29,121)
Reversal of provision against non-banking assets acquired in satisfaction of claims	16.1	(42,261)	-
Provision against KSE Trading Rights Entitlement Certificate		15,000	-
Provision against other receivables - Kamoki Energy Limited		5,079	8,945
		<u>(42,391)</u>	<u>(20,176)</u>

16.1 This includes reversal of provision amounting to Rs.38.100 million which was made during the quarter ended March 31, 2014 to the extent of market value of non-banking assets (properties) in view of the agreement for sale of all these assets signed by the Company. As at June 30, 2014, out of the total 25 properties therein, sale of 2 properties has been recognized thereby resulting in reversal of remaining provision of Rs.4.161 million for two sold properties.

17. TAXATION

17.1 The Company has availed the benefit of brought forward tax losses against the taxable income for the period ended June 30, 2014. In view of the overall tax position, provision for minimum tax has been made in these condensed interim financial statements along with the applicable provision for taxation on dividend income and capital gains.

	Quarter ended June 30, 2014	Six months ended June 30, 2014	Quarter ended June 30, 2013	Six months ended June 30, 2013
	----- (Rupees in '000) -----			
18. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation	<u>68,928</u>	<u>130,575</u>	<u>131,339</u>	<u>151,142</u>
	----- (Number of shares) -----			
Weighted average number of Ordinary shares	<u>614,178</u>	<u>614,178</u>	<u>614,178</u>	<u>614,178</u>
	----- (Rupees) -----			
Earnings per share	<u>112.23</u>	<u>212.60</u>	<u>213.85</u>	<u>246.09</u>

19. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its joint venture, state controlled entities (by virtue of government shareholding), companies with common directorships, employees benefit plans, key management personnel and its directors.

The Company enters into transactions with related parties in the normal course of business. The transactions were carried out at contracted rates. Transactions with key management personnels are governed by the applicable policies and / or terms of employment / office. Key management personnel herein include Managing Director, Deputy Managing Director, Company Secretary and Head of Departments.

Transactions and balances with related parties are as follows:

	(Un-audited) June 30, 2014					(Audited) December 31, 2013				
	Directors	Key management personnel *	Joint venture	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture	State controlled entities	Other related parties
	----- (Rupees in '000) -----					----- (Rupees in '000) -----				
19.1 Balances										
Bank balance	-	-	-	53,192	-	-	-	-	51,789	-
Lendings to financial institutions										
Opening balance	-	-	-	350,000	-	-	-	-	-	-
Placements / reverse repo made during the period	-	-	-	2,324,923	-	-	-	-	3,700,858	-
Placements / reverse repo matured during the period	-	-	-	(2,574,923)	-	-	-	-	(3,350,858)	-
Closing balance	-	-	-	100,000	-	-	-	-	350,000	-
Investments										
Opening balance	-	-	704,867	4,249,933	500	-	-	704,867	5,417,738	54,500
Investment made during the period	-	-	-	9,331,358	-	-	-	-	13,223,124	-
Investment redeemed / disposed off during the period	-	-	-	(5,491,059)	-	-	-	-	(14,390,929)	(54,000)
Closing balance	-	-	704,867	8,090,232	500	-	-	704,867	4,249,933	500
Provision for diminution in value of investments	-	-	704,867	50,000	-	-	-	704,867	50,000	-
Surplus / (deficit) on revaluation of investments	-	-	-	(17,188)	-	-	-	-	(23,968)	-

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	(Un-audited) June 30, 2014					(Audited) December 31, 2013				
	Directors	Key management personnel *	Joint venture	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture	State controlled entities	Other related parties
	----- (Rupees in '000) -----					----- (Rupees in '000) -----				
Advances										
Opening balance	-	41,066	1,284,690	945,170	-	-	39,147	1,250,000	945,170	-
Addition / rollover during the period	-	2,216	-	-	-	-	8,674	34,690	945,170	-
Repaid / adjusted during the period	-	(5,358)	-	(945,170)	-	-	(6,755)	-	(945,170)	-
Closing balance	-	37,924	1,284,690	-	-	-	41,066	1,284,690	945,170	-
Provision held against advances	-	-	1,018,502	-	-	-	-	1,018,502	-	-
Other assets										
Mark-up receivable										
- Gross	-	131	624,724	417,459	-	-	122	541,321	81,513	-
- Suspended / provided	-	-	(624,724)	(46,300)	-	-	-	(541,321)	(36,932)	-
Closing balance	-	131	-	371,159	-	-	122	-	44,581	-
Amount receivable from Employee benefit plan	-	-	-	-	9,245	-	-	-	-	50
Other receivables	-	-	10,313	225	-	-	-	5,234	-	-
Advance taxation	-	-	-	143,311	-	-	-	-	144,112	-
Other advances										
Opening	-	1,275	-	-	860	-	3,752	-	-	-
Additions during the period	-	25	-	-	757	-	8,494	-	-	1,290
Repaid during the period	-	(1,080)	-	-	(935)	-	(10,971)	-	-	(430)
Closing balance	-	220	-	-	682	-	1,275	-	-	860
Provision against other assets	-	-	10,313	-	-	-	-	5,234	-	-
Borrowings from financial Institutions										
Opening	-	-	-	2,431,215	-	-	-	-	1,827,344	-
Borrowings during the period	-	-	-	33,369,229	-	-	-	-	84,534,228	-
Settled during the period	-	-	-	(30,827,895)	-	-	-	-	(83,930,357)	-
Closing balance	-	-	-	4,972,549	-	-	-	-	2,431,215	-
Deposits and other accounts										
Opening balance	-	2,500	-	2,724,000	50,000	-	-	-	3,978,501	110,000
Additions during the period	-	4,052	-	1,840,000	250,000	-	2,500	-	4,074,000	420,000
Repayments during the period	-	(4,510)	-	(3,111,156)	(180,000)	-	-	-	(5,328,500)	(480,000)
Closing balance	-	2,042	-	1,452,844	120,000	-	2,500	-	2,724,000	50,000

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	(Un-audited) June 30, 2014					(Audited) December 31, 2013				
	Directors	Key management personnel *	Joint venture	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture	State controlled entities	Other related parties
	----- (Rupees in '000) -----					----- (Rupees in '000) -----				
Other liabilities										
Mark-up payable	-	24	-	87,242	1,868	-	30	-	222,461	260
Amount payable to retirement benefit funds	-	-	-	-	15,154	-	-	-	-	12,356
Others	-	8,119	1,008	1,016	-	-	-	1,008	440	-
	-	8,143	1,008	88,258	17,022	-	30	1,008	222,901	12,616
Contingencies and commitments										
Letter of guarantee	-	-	859,369	-	-	-	-	860,561	-	-
Commitment to extend credit	-	4,250	-	-	-	-	-	-	-	-
Unsettled sale / purchase of investment transactions	-	-	-	22,023	-	-	-	-	551,523	-
	-	4,250	859,369	22,023	-	-	-	860,561	551,523	-

	(Un-audited) June 30, 2014					(Un-audited) June 30, 2013				
	19.2 Transactions, income and expenses									
Mark-up / return / interest earned -net	-	434	-	277,058	-	-	313	-	* 239,461	-
Mark-up / return / interest expensed	-	100	-	286,769	6,080	-	-	-	344,136	6,086
Gain / (loss) on sale of securities - net	-	-	-	8,127	-	-	-	-	12,180	(14,600)
Dividend Income	-	-	-	4,575	-	-	-	-	7,625	-
Contribution to defined contribution plan	-	-	-	-	3,041	-	-	-	-	2,228
Contribution to defined benefit plan	-	-	-	-	4,928	-	-	-	-	4,666
Non-executive directors' fee and remuneration	2,938	-	-	-	-	2,035	-	-	-	-
Remunerations	-	75,621	-	-	2,957	-	60,890	-	-	-

* Key management personnel are also entitled to the usage of certain Company assets as per their terms of employment.

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20. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	(Un-audited) June 30, 2014			(Un-audited) June 30, 2013		
	Corporate finance	Retail banking	Total	Corporate finance	Retail banking	Total
	----- (Rupees in '000) -----					
Total income	744,753	9,994	754,747	743,974	21,508	765,482
Total expenses	576,415	8,753	585,168	596,162	10,779	606,941
Net income	168,338	1,241	169,579	147,812	10,729	158,541
Segment assets (gross)	19,923,828	181,832	20,105,660	18,051,541	222,980	18,274,521
Segment non-performing loans	3,174,191	74,723	3,248,914	3,165,283	62,416	3,227,699
Segment provision required	4,381,186	50,349	4,431,535	4,608,623	39,242	4,647,865
Segment liabilities	12,110,447	130,241	12,240,688	10,175,746	167,371	10,343,117
Net assets	3,432,195	1,242	3,433,437	3,267,172	16,367	3,283,539
Segment return on net assets	9.81%	0.07%	9.88%	9.05%	0.61%	9.66%
Segment cost of funds (%)	9.01%	1.25%	10.26%	8.45%	1.52%	9.97%

(Un-audited) (Un-audited)
June 30, June 30,
2014 2013
----- (Rupees in '000) -----

21. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	53,245	131,785
Balances with other banks	68,951	33,483
Placements	100,000	600,000
	<u>222,196</u>	<u>765,268</u>

22. CREDIT RATING

In its latest rating announcement (June 2014), the Pakistan Credit Rating Agency Limited (PACRA) has maintained the Company's rating of AA-(Double A Minus) in the long term and A1+ (A One Plus) in the short term (with negative outlook assigned to ratings). Further, PACRA has maintained the rating of AA (Double A) assigned to the secured Privately Placed Term Finance Certificates issued by the Company (with negative outlook assigned to rating).

These ratings denote a very low expectation of credit risk emanating from very strong capacity for timely payment of financial commitments.

23. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 22 AUG 2014 by the Board of Directors of the Company.

24. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless stated otherwise.

Enam

Abulhasan

Chief Financial Officer

[Signature]

Managing Director

[Signature]

Director

[Signature]

Director