Pak-Libya Holding Company (Pvt.) Ltd. (Head Office) 5th Floor, Block C, Finance & Trade Centre, Sharae Faisal, Karachi-74400, Pakistan.
UAN: 111-111-115, Phones: 35630638-53, Fax : 35630665, E-mail: info@paklibya.com.pk, Website:www.paklibya.com.pk

## Directors' Review

The Board of Directors (the Board) is pleased to present the condensed interim financial statements of Pak Libya Holding Company (Private) Limited (the Company) for the half year ended June 30, 2015 together with Directors' review thereon.

### Performance review

The Company earned a profit before tax of PKR 297.434 million during period under review as against PKR 169.579 million in the corresponding period last year. This consistent performance reflects the hard work of the management team in successfully implementing revised business strategy and approved plan, prudent allocation of available resources towards profitable avenues, continuous monitoring of the existing portfolio as well as strong recovery efforts for non-performing and troubled assets.

Net mark-up income during the period was PKR 699.574 million, an increase of approx. 22.5% over same period last year. Moreover, gain from trading in government securities has also significantly increased thereby increasing the non mark-up income to PKR 287.522 million as compared to PKR 86.840 million in 1H-FY2014.

During the period, the Company generated net cash flows from operating activities of PKR 7.089 billion, an increase of approx. 78% over 1H-FY2014. The Company was successful to raise PKR 1.0 billion through PPTFC during the current period. The increased cash inflow enabled the Company to invest in more profitable activities. Consequently the Company has invested additional PKR 7.320 billion in government securities, mainly PIBs, to match its portfolio profile. The total assets of the Company have increased to PKR 19.390 billion – an increase of over PKR 6.954 billion as compared to financial year end 2014 and highest in the history of Pak-Libya.

The summarised financial results for the half year are as follows:

| Description | Half year ended June 30, 2015 | Half year ended June 30, 2014 |
|---|---|---|
| | PKR '000 | |
| Profit before taxation | 297,434 | 169,579 |
| Taxation | 102,041 | 39,004 |
| Profit after taxation | 195,393 | 130,575 |
| Earnings per share (Rupees) | 318.14 | 212.60 |

### Comments of Auditors in Review Report

The external auditors, without qualifying their conclusion, have emphasised the following two matters in their review report for the half year ended June 30, 2015:

*Minimum Capital Requirement*
External auditors have referred to note 1.2 to the condensed interim financial statements emphasising the Company's capital compliance status and SBP exemption from the prescribed requirement in respect of minimum paid-up capital (free of losses) till June 30, 2015.

*Deferred tax asset*
External auditors have also referred to note 10.2 to the condensed interim financial statements relating to deferred tax asset amounting to PKR 199.926 million along with the assumptions used in approved financial projections to support the realisability of the said deferred tax asset.

Management is hopeful of the positive outcome on both the aforementioned matters emphasised by the external auditors in their review report.

**Future prospects**

The management is focusing on all possible avenues for profitable operations of the Company with prime focus on the recovery efforts for troubled and non-performing assets which are a source of potential earnings. Moreover, a cautious stance is being maintained towards further asset growth.

In relation to Kamoki Energy Limited (KEL), as per the Board's approved plan, an exit strategy had been formulated. Therefore, the Company had filed a claim for recovery subsequent to the appointment of Official Assignee in a liquidation process ordered by the Sindh High Court. Consequently, the Sindh High Court issued an order to transfer KEL's assets to Pak Libya against its claim. The Company is in a process of finalisation of legal formalities necessary to implement its exit strategy.

Necessary work towards additional capital injection transaction of the Company in line with recommendation of the Board is in process.

Management has been following up with both the shareholders to amicably finalise the arrangement in terms of mutually agreed timeline and is hopeful of a positive outcome on the matter.

In view of the overall efforts being made by the management, we are confident of positive business prospects for the Company.

**Acknowledgments**

On behalf of the Board, we would like to express gratitude to our shareholders for their continued support and trust. We are also thankful to employees of the Company for their hard work and dedication.

**For and on behalf of the Board**

**Khalid S.T. Benrjoba**
**Deputy Managing Director**

**Abid Aziz**
**Managing Director & CEO**

**July 31, 2015**
**Istanbul, Turkey**

EY

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# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED

## CONDENSED INTERIM FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 30 JUNE 2015

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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# AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

## *Introduction*

We have reviewed the accompanying condensed interim statement of financial position of **Pak Libya Holding Company (Private) Limited** (the Company) as at **30 June 2015** and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "interim financial information") for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

## *Scope of review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

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*Emphasis of matter*

We draw attention to the following matters:

(i) note 1.2 to the accompanying interim financial information, which fully explains the Company's capital deficiency in terms of the regulatory requirements as prescribed by the State Bank of Pakistan (SBP) and the management's future plans and actions in relation thereto and the fact that the SBP has granted exemption to the Company from the prescribed requirement in respect of the minimum paid-up capital (free of losses) till 30 June 2015. The said note also indicates the existence of material uncertainty with respect to events or conditions that may impact the recapitalisation plan of the Company; and

(ii) note 10.2 to the accompanying interim financial information relating to deferred tax asset amounting to Rs.199.926 million. The management has recorded the said asset based upon their assessment of its recoverability, on the basis of financial projections for future years, as approved by the Board of Directors of the Company, which take into account various assumptions regarding the future business and economic conditions. However, as disclosed in the said note, a significant change in the assumptions used may have an impact on the realisability of the deferred tax asset recorded in the financial statements.

Our conclusion is not qualified in respect of the above matters.

Ernst & Young Ford Rhodes

**Chartered Accountants**

**Engagement Partner:** Shabbir Yunus

**Date:** 31 July 2015

**Karachi**

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
## AS AT JUNE 30, 2015

| | Note | (Un-audited) June 30, 2015 | (Audited) December 31, 2014 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| **ASSETS** | | | |
| Cash and balances with treasury banks | | **38,703** | 68,845 |
| Balances with other banks | | **95,957** | 64,144 |
| Lendings to financial institutions | 6 | **250,000** | - |
| Investments | 7 | **14,580,320** | 7,703,305 |
| Advances | 8 | **3,547,514** | 3,707,914 |
| Other assets | | **599,780** | 598,557 |
| Operating fixed assets | 9 | **77,901** | 87,907 |
| Deferred tax asset - net | 10 | **199,926** | 205,513 |
| | | **19,390,101** | 12,436,185 |
| **LIABILITIES** | | | |
| Bills payable | | **-** | - |
| Borrowings from financial institutions | 11 | **12,870,523** | 6,097,465 |
| Deposits and other accounts | 12 | **2,506,237** | 2,470,607 |
| Sub-ordinated loans | | **-** | - |
| Liabilities against assets subject to finance leases | | **-** | - |
| Other liabilities | | **247,095** | 281,426 |
| Deferred tax liabilities | | **-** | - |
| | | **15,623,855** | 8,849,498 |
| **NET ASSETS** | | **3,766,246** | 3,586,687 |
| **REPRESENTED BY** | | | |
| Share capital | | **6,141,780** | 6,141,780 |
| Reserves | | **121,934** | 82,855 |
| Accumulated losses | | **(2,499,476)** | (2,655,790) |
| | | **3,764,238** | 3,568,845 |
| Surplus on revaluation of assets - net of tax | | **2,008** | 17,842 |
| | | **3,766,246** | 3,586,687 |
| **CONTINGENCIES AND COMMITMENTS** | 13 | | |

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

**Chief Financial Officer** | **Managing Director & CEO**

**Director** | **Director**

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
## FOR THE SIX MONTHS ENDED JUNE 30, 2015

| | Note | Quarter ended June 30, 2015 | Six months ended June 30, 2015 | Quarter ended June 30, 2014 | Six months ended June 30, 2014 |
|---|---|---|---|---|---|
| | | (Rupees in '000) | | | |
| Mark-up / return / interest earned | | 385,893 | 699,574 | 324,825 | 571,203 |
| Mark-up / return / interest expensed | | 275,888 | 515,858 | 251,127 | 435,027 |
| **Net mark-up / interest income** | | 110,005 | 183,716 | 73,698 | 136,176 |
| Provision / (reversal) of provision against non-performing advances - net | 8.3 | 14,894 | 14,471 | (112,836) | (113,218) |
| (Reversal) / provision for diminution in the value of investments - net | 7.2.4 | (34,667) | (35,415) | 14,755 | 16,514 |
| Reversal of provision against lendings to financial institutions | 6.2 | (11,500) | (11,500) | - | - |
| Bad debts written off directly | | - | - | - | - |
| | | (31,273) | (32,444) | (98,081) | (96,704) |
| **Net mark-up / interest / income after provisions** | | 141,278 | 216,160 | 171,779 | 232,880 |
| **NON MARK-UP / INTEREST INCOME** | | | | | |
| Fee, commission and brokerage income | | 6,111 | 7,289 | 6,387 | 18,950 |
| Dividend income | | 4,642 | 15,955 | 8,703 | 18,568 |
| Gain from trading in securities - net | 14 | 167,566 | 260,728 | 23,451 | 48,989 |
| Income from dealing in foreign currencies | | - | - | - | - |
| Unrealised gain / (loss) on revaluation of investments classified as held-for-trading | 7.2 | 3,009 | 272 | (285) | (285) |
| Other income | | 411 | 3,278 | 518 | 618 |
| **Total non mark-up / interest income** | | 181,739 | 287,522 | 38,774 | 86,840 |
| | | 323,017 | 503,682 | 210,553 | 319,720 |
| **NON MARK-UP / INTEREST EXPENSES** | | | | | |
| Administrative expenses | | 93,406 | 192,322 | 106,255 | 188,317 |
| Other provisions / write offs | 15 | 5,696 | (6,907) | 2,687 | (42,391) |
| Other charges | 16 | (3,228) | 20,833 | 3,294 | 4,215 |
| **Total non mark-up / interest expenses** | | 95,874 | 206,248 | 112,236 | 150,141 |
| | | 227,143 | 297,434 | 98,317 | 169,579 |
| Extra ordinary / unusual items | | - | - | - | - |
| **PROFIT BEFORE TAXATION** | | 227,143 | 297,434 | 98,317 | 169,579 |
| Taxation - current | | 57,873 | 87,596 | 5,180 | 13,237 |
| - prior period | | - | - | - | - |
| - deferred | | 10,135 | 14,445 | 24,209 | 25,767 |
| | 17 | 68,008 | 102,041 | 29,389 | 39,004 |
| **PROFIT AFTER TAXATION** | | 159,135 | 195,393 | 68,928 | 130,575 |
| **Basic and diluted earnings per share (Rupees)** | 18 | 259.10 | 318.14 | 112.23 | 212.60 |

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

Chief Financial Officer

Managing Director & CEO

Director

Director

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**
**FOR THE SIX MONTHS ENDED JUNE 30, 2015**

| | Quarter ended June 30, 2015 | Six months ended June 30, 2015 | Quarter ended June 30, 2014 | Six months ended June 30, 2014 |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| **Profit after taxation** | **159,135** | **195,393** | 68,928 | 130,575 |
| Other comprehensive income - net | - | - | - | - |
| **Total comprehensive income for the period** | **159,135** | **195,393** | 68,928 | 130,575 |

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.

Chief Financial Officer

Managing Director & CEO

Director

Director

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
## FOR THE SIX MONTHS ENDED JUNE 30, 2015

| | Note | June 30, 2015 | June 30, 2014 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | 297,434 | 169,579 |
| Less: Dividend income | | (15,955) | (18,568) |
| | | 281,479 | 151,011 |
| **Adjustments for non-cash items:** | | | |
| Depreciation | | 10,598 | 11,409 |
| Amortisation | | 281 | 281 |
| Provision / (reversal) of provision against non-performing loans and advances - net | 8.3 | 14,471 | (113,218) |
| Unrealised (gain) / loss on revaluation of investments classified as held-for-trading | 7.2 | (272) | 285 |
| (Reversal) / provision for diminution in the value of investments - net | 7.2.4 | (35,415) | 16,514 |
| Reversal of provision against lendings to financial institutions | 6.2 | (11,500) | - |
| Other provisions / write offs | 15 | (6,907) | (42,391) |
| Gain on sale of operating fixed assets | | (2,760) | (22) |
| | | (31,504) | (127,142) |
| | | 249,975 | 23,869 |
| **Decrease / (increase) in operating assets:** | | | |
| Lendings to financial institutions | | 11,500 | (491,184) |
| Investments classified as held-for-trading | | (10,662) | 475,912 |
| Advances | 8 | 145,929 | 925,302 |
| Other assets | | (47,216) | (381,830) |
| | | 99,551 | 528,200 |
| **Increase / (decrease) in operating liabilities:** | | | |
| Borrowings from financial institutions | 11 | 6,773,058 | 4,524,354 |
| Deposits and other accounts | 12 | 35,630 | (1,041,306) |
| Other liabilities | | (34,331) | (43,179) |
| | | 6,774,357 | 3,439,869 |
| | | 7,123,883 | 3,991,938 |
| Income tax paid | | (34,646) | (12,437) |
| Net cash generated from operating activities | | 7,089,237 | 3,979,501 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Acquisition of investments - net | | (6,855,358) | (4,368,204) |
| Dividends received | | 15,905 | 18,443 |
| Operating fixed assets purchased | | (2,839) | (3,291) |
| Sale proceeds from operating fixed assets disposal | | 4,726 | 641 |
| Net cash used in investing activities | | (6,837,566) | (4,352,411) |
| **Increase / (decrease) in cash and cash equivalents** | | 251,671 | (372,910) |
| Cash and cash equivalents at beginning of the period | | 132,989 | 595,106 |
| **Cash and cash equivalents at end of the period** | 21 | 384,660 | 222,196 |

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

Chief Financial Officer

Managing Director & CEO

Director

Director

# PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
## FOR THE SIX MONTHS ENDED JUNE 30, 2015

| | Issued, subscribed and paid-up capital | Capital reserve | Revenue reserve | |
|---|---|---|---|---|
| | | Statutory reserve | Accumulated losses | Total |
| | (Rupees in '000) | | | |
| **Balance as at January 01, 2014** | 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** | 6,141,780 | 62,434 | (2,740,971) | 3,463,243 |
| **Total comprehensive income for the half year ended December 31, 2014** | | | | |
| Profit for the period | - | - | 102,106 | 102,106 |
| Other comprehensive income for the period | - | - | 3,496 | 3,496 |
| | - | - | 105,602 | 105,602 |
| Transfer to statutory reserve | - | 20,421 | (20,421) | - |
| **Balance as at December 31, 2014** | 6,141,780 | 82,855 | (2,655,790) | 3,568,845 |
| **Total comprehensive income for the half year ended June 30, 2015** | | | | |
| Profit for the period | - | - | 195,393 | 195,393 |
| Other comprehensive income for the period | - | - | - | - |
| | - | - | 195,393 | 195,393 |
| Transfer to statutory reserve | - | 39,079 | (39,079) | - |
| **Balance as at June 30, 2015** | **6,141,780** | **121,934** | **(2,499,476)** | **3,764,238** |

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

Chief Financial Officer

Managing Director & CEO

Director

Director

**PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED**
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**
**FOR THE SIX MONTHS ENDED JUNE 30, 2015**

## 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, Block 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, 2015 amounted to Rs.3.642 billion (December 31, 2014: Rs.3.486 billion).

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 the 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.

Further, the Chairman of the Company (Libyan Nominee) in the Board meeting held on April 26, 2014 informed that BOD of Libyan Foreign Investment Company (LAFICO) has given approval for the capital injection of Rs.2 billion with a condition of simultaneous injection of additional capital by Government of Pakistan (GOP). Moreover, the Ministry of Finance (MOF) in its letter dated June 24, 2014 has stated that the matter of capital injection is under consideration with the Finance Division of GOP.

In light of the above status, the Board approved a fresh set of projections for a period of five years which includes the revised timeline for completion of the capital injection transaction. Further, the management has also been discussing the possibilities of receiving additional capital in tranches in FY 2015.

The SBP vide its letter no. BPRD / BA & CP-04 / 657 /13006 / 2015 dated June 05, 2015, granted further extension in the exemption for meeting the MCR till June 30, 2015 and has advised the Company to ensure equity injection by the sponsors within this timeline.

The Company has approached to SBP to allow further extension in the MCR exemption till December 31, 2015 in order to amicably finalize the arrangements in terms of mutually agreed timeline with both the shareholders for additional capital. Further, Finance Division of GOP has also requested SBP through its letter No.F.2(I)-Inv.IV/2014-352 dated May 29, 2015 and letter No. F.2(1)-Inv.IV/2014-378 dated June 12, 2015 to allow extension in the relaxation in MCR to the Company till December 31, 2015.

Based on the above, the management and the Board have made an assessment and are satisfied that the Company has adequate resources to continue its business in the foreseeable future. The Board has also taken into account the material uncertainty with respect to events or conditions that may impact the recapitalisation plan of the Company.

2. STATEMENT OF COMPLIANCE

**2.1** These condensed interim financial statements of the Company for the six months ended June 30, 2015 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, 2014.

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, 2014, except as disclosed in note 5 below:

5. SIGNIFICANT ACCOUNTING POLICIES

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, 2014 other than those disclosed below:

**New, Amended And Revised Standards And Interpretations of IFRSs**

The Company has adopted the following amendment to IFRSs which became effective for the current period:

IFRS 10 – Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities (Amendment)

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

The adoption of the above amendment to accounting standards did not have any effect on the condensed interim financial statements.

In addition to the above standards and interpretations, improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The Company expects that such improvements to the standards do not have any impact on the Company's financial statements for the period.

**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, 2014.

| | Note | (Un-audited) June 30, 2015 | (Audited) December 31, 2014 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| **6. LENDINGS TO FINANCIAL INSTITUTIONS** | | | |
| Repurchase agreement lendings (Reverse Repo) | 6.1 | **250,000** | - |
| Placements | | **35,568** | 47,068 |
| | | **285,568** | 47,068 |
| Less: Provision against lendings | 6.2 | **(35,568)** | (47,068) |
| | | **250,000** | - |

**6.1** Security held as collateral against repurchase agreement lendings;

| | June 30, 2015 | | | June 30, 2014 | | |
|---|---|---|---|---|---|---|
| | Held by Company | Further given as collateral | Total | Held by Company | Further given as collateral / sold | Total |
| | ------------ | ------------ | (Rupees in '000) | ------------ | | |
| PIBs | - | 250,000 | 250,000 | - | - | - |
| | - | 250,000 | 250,000 | - | - | - |

This lending carries mark-up at a rate of 7% (December 31, 2014: Nil) per annum and will mature on July 06, 2015. The market value of the security further given as collateral is Rs. 268.64 million.

**6.2** **Provision against lendings**

| | | |
|---|---|---|
| Opening balance | **47,068** | 47,068 |
| Charge for the year | **-** | - |
| Less: Reversal during the period | **(11,500)** | - |
| Net reversal for the period | **(11,500)** | - |
| Closing balance | **35,568** | 47,068 |

| | Held by Company | Given as collateral | Total |
|---|---|---|---|
| | ---------------- | (Rupees in '000) | ---------------- |
| **7. INVESTMENTS** | | | |
| **Balance as at June 30, 2015 (Un-audited)** | **4,087,978** | **10,492,342** | **14,580,320** |
| Balance as at December 31, 2014 (Audited) | 2,593,829 | 5,109,476 | 7,703,305 |
| Balance as at June 30, 2014 (Un-audited) | 2,304,664 | 7,910,326 | 10,214,990 |

### 7.1 Investments by types

| | Held by Company | Given as collateral | Total |
|---|---|---|---|
| | ----------------- (Rupees in '000) | | ----------------- |
| Held-for-trading securities | 10,390 | - | 10,390 |
| Available-for-sale securities | 5,223,212 | 10,357,128 | 15,580,340 |
| Held-to-maturity securities | 6,366 | - | 6,366 |
| Investment in a joint venture Kamoki Energy Limited, a related party | 404,867 | - | 404,867 |
| | 5,644,835 | 10,357,128 | 16,001,963 |
| Less: Provision for diminution in value of investments | 1,460,055 | - | 1,460,055 |
| **Investments (net of provisions)** | 4,184,780 | 10,357,128 | 14,541,908 |
| Less: (Deficit) / surplus on revaluation of investments classified as | | | |
| - held-for-trading securities | 272 | - | 272 |
| - available-for-sale securities | (97,074) | 135,214 | 38,140 |
| **Balance as at June 30, 2015** | **4,087,978** | **10,492,342** | **14,580,320** |

### 7.2 Investments by segments

| | Note | (Un-audited) June 30, 2015 | (Audited) December 31, 2014 |
|---|---|---|---|
| | | ------- (Rupees in '000) | ------- |
| **Federal government securities** | | | |
| Market treasury bills | | **299,576** | 835,615 |
| Pakistan investment bonds | | **12,175,355** | 4,847,262 |
| **Fully paid-up ordinary shares / certificates** | | | |
| Listed | 7.2.1 | **959,037** | 854,310 |
| Unlisted | | **93,341** | 93,341 |
| **Fully paid-up preference shares** | | | |
| Listed | | **40,000** | 40,000 |
| Unlisted - Kamoki Energy Limited (KEL), a related party | 7.2.2 | **300,000** | 300,000 |
| **Term Finance Certificates (TFCs)** | | | |
| Listed | | **469,709** | 323,552 |
| Unlisted | 7.2.3 | **1,028,507** | 1,196,552 |
| **Participation term certificates - unlisted** | | **6,366** | 6,366 |
| **Strategic investment in a joint venture** | | | |
| Unlisted ordinary shares | | | |
| Kamoki Energy Limited, a related party | 7.2.2 | **404,867** | 404,867 |
| **Other investments** | | | |
| Mutual fund units - listed | | **10,120** | 16,895 |
| Sukuks - unlisted | | **215,085** | 218,768 |
| **Total investments** | | **16,001,963** | 9,137,528 |
| Less: Provision for diminution in value of investments | 7.2.4 | **(1,460,055)** | (1,497,055) |
| **Investments (net of provisions)** | | **14,541,908** | 7,640,473 |
| Add: Unrealized gain on revaluation of 'held-for-trading' securities | | **272** | - |
| Surplus on revaluation of 'available-for-sale' securities | | **38,140** | 62,832 |
| **Total investments at market value** | | **14,580,320** | 7,703,305 |

**7.2.1** The SBP vide letter No. BPRD/BRD-(Policy)/2014-11546 dated June 27, 2014, has permitted banks / DFIs to maintain provision at 85% (upto June 30, 2015) of the deficit on revaluation of ordinary shares of Agritech Limited. However, the Company had already made a provision on prudent basis, of Rs.305.379 million, resulting in an excess provision of Rs.14.145 million against ordinary shares of Agritech Limited at June 30, 2015. Accordingly, the Company has availed a benefit of exemption from provisioning under above mentioned SBP letter of Rs.37.249 million only.

**7.2.2** As at June 30, 2015, the Company has below detailed investments / exposures in KEL which is a joint venture project between the Company and Tapal Family (currently under liquidation). Further to the disclosure made in the annual audited financial statements of the Company for the year ended December 31, 2014, the Honorable High Court of Sindh (HCS) through its order dated March 25, 2015 ordered to publish the advertisement once again to conduct a second auction of KEL's assets, which again remained unsuccessful. Consequently the HCS passed an order dated April 28, 2015 to set off the assets of KEL to the extent of forced sale value of Rs.1.134 billion against the claim of the Company. Later, the HCS vide its order dated May 27, 2015 directed that the assets of KEL be handed over to the Company. Subsequent to the above mentioned orders of HCS, two claimants filed their claims before official assignee who refused to entertain the same on the grounds that they failed to file their claims when the official assignee invited such claims vide wide range publicity in newspapers. The claimants resorted to the HCS and their claims are about to be fixed for hearing.

Currently, the Company is in process of completing the legal formalities for transfer of title of land other assets of KEL in its name.

| **Nature of assets / exposures** | **Book value before provision** | **Provision held** | **Book value after provision** |
|---|---|---|---|
| | -------------- | **(Rupees in '000)** | -------------- |
| 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 | **25,798** | **(25,798)** | **-** |
| **Total funded exposure** | **2,221,045** | **(1,954,857)** | **266,188** |
| As at December 31, 2014 (Audited) | 2,211,754 | (1,945,566) | 266,188 |

* The book value is net of share of loss in KEL amounting to Rs.95.133 million which was recognised upto June 30, 2012.

**7.2.3** This includes investment in PPTFC issue of Pakistan International Airline Corporation amounting to Rs.176.933 million (December 31, 2014: 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)/2015-7848 dated April 04, 2015 has allowed relaxation to the investors of their restructured debt (including this PPTFC issue) from the requirements of Prudential Regulation R-8 of Corporate / Commercial Banking upto December 31, 2015.

| | Note | (Un-audited) June 30, 2015 | (Audited) December 31, 2014 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| **7.2.4 Provision for diminution in value of investments** | | | |
| Opening balance | | **1,497,055** | 1,519,550 |
| Charge for the period / year | | **10,491** | 18,552 |
| Less: Reversal during the period / year | | **(45,906)** | (19,682) |
| Net reversal for the period / year | | **(35,415)** | (1,130) |
| Less: Reversal on disposal | | **(1,585)** | (21,365) |
| Closing balance | | **1,460,055** | 1,497,055 |

## 8. ADVANCES

| | Note | June 30, 2015 | December 31, 2014 |
|---|---|---|---|
| **In Pakistan** | | | |
| Loans | 8.1 | **5,513,240** | 5,636,409 |
| Net investment in finance lease | | **265,030** | 225,907 |
| Consumer loans and advances | | **114,131** | 162,604 |
| Staff loans | | **117,289** | 118,814 |
| Long-term financing of export oriented projects - (LTF-EOP) | | **60,179** | 60,179 |
| Long-term financing facility - (LTFF) | | **53,506** | 65,391 |
| **Advances - gross** | 8.2 | **6,123,375** | 6,269,304 |
| Less: Provision against | | | |
| - Non-performing advances - specific provision | 8.3 | **2,574,965** | 2,560,241 |
| - Consumer loans and advances - general provision | 8.3 | **896** | 1,149 |
| | | **2,575,861** | 2,561,390 |
| **Advances - net of provision** | | **3,547,514** | 3,707,914 |

**8.1** This includes Syndicated Term Finance Facility extended to Warid Telecom (Pvt.) Limited. The facility is in the process of being restructured, however, the restructuring has not been completed at the period end. The SBP vide its letter No. BPRD/BRD/HBL/2015/12720 dated June 03, 2015 has allowed relaxation from objective classification till June 30, 2015.

8.2 Advances include amounts aggregating to Rs.3,282.799 million (December 31, 2014: Rs.3,244.836) 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) | | | | |
| OAEM | 4,749 | - | 4,749 | - | - |
| Substandard | 489,248 | - | 489,248 | 127,956 | 127,956 |
| Doubtful | 8,548 | - | 8,548 | 274 | 274 |
| Loss | 2,780,254 | - | 2,780,254 | 2,446,735 | 2,446,735 |
| | 3,282,799 | - | 3,282,799 | 2,574,965 | 2,574,965 |

8.3 Particulars of provision against non-performing advances:

| | (Un-audited) June 30, 2015 | | | (Audited) December 31, 2014 | | |
|---|---|---|---|---|---|---|
| | Specific | General | Total | Specific | General | Total |
| | (Rupees in '000) | | | | | |
| Opening balance | 2,560,241 | 1,149 | 2,561,390 | 2,674,018 | 1,522 | 2,675,540 |
| Charge for the period | 15,000 | - | 15,000 | 300 | - | 300 |
| Reversals | (276) | (253) | (529) | (114,077) | (373) | (114,450) |
| Net charge / (reversals) | 14,724 | (253) | 14,471 | (113,777) | (373) | (114,150) |
| Less: Amount written off | - | - | - | - | - | - |
| Closing balance | 2,574,965 | 896 | 2,575,861 | 2,560,241 | 1,149 | 2,561,390 |

8.3.1 The provision against non-performing advances includes an impact of Forced Sale Value (FSV) benefit amounting to Rs.19.225 million (December 31, 2014: Rs.21.854 million) in respect of consumer financing, and Rs.324.720 million (December 31, 2014: Rs.324.720 million) in respect of corporate financing which includes Rs.266.188 million (December 31, 2014: 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 (2014: Rs.58.532 million) in respect of lease financing. The FSV benefit recognised under the Prudential Regulations is not available for the distribution of cash or stock dividend to the shareholders. Further, SBP through its letter no. OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012 had stipulated that no dividend, cash or kind, shall be paid out of the benefits realised through the relaxations allowed therein.

| | (Un-audited) June 30, 2015 | (Audited) December 31, 2014 |
|---|---|---|
| | (Rupees in '000) | |
| **9. OPERATING FIXED ASSETS** | | |
| Capital work-in-progress | - | 19,685 |
| Property and equipment | 76,051 | 66,092 |
| Intangible assets | 1,850 | 2,130 |
| | 77,901 | 87,907 |

9.1 Additions during the six months period ended June 30, 2015 amounted to Rs.22.519 million while disposal had a total cost of Rs.21.679 million (net book value of Rs.1.966 million) which includes sale of assets to key management personnel, under the agreed terms, at a gain of Rs.2.742 million.

| | Note | (Un-audited) June 30, 2015 | (Audited) December 31, 2014 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| **10. DEFERRED TAX ASSET - net** | | | |
| **Deferred credit arising in respect of:** | | | |
| Net investment in finance leases | | **(39,229)** | (36,851) |
| Accelerated tax depreciation | | **(860)** | (925) |
| **Deferred debits arising in respect of:** | | | |
| Provision for compensated absences | | **4,004** | 3,618 |
| Provision for advances, investments and other assets | | **90,983** | 97,796 |
| Unused tax losses | | **150,759** | 155,470 |
| Share of loss in joint venture | | **30,443** | 31,394 |
| Unrealised loss on held-for-trading investments | | **(41)** | - |
| | | **236,059** | 250,502 |
| **Deferred tax liability on surplus on revaluation of available-for-sale investments - net** | | **(36,133)** | (44,989) |
| | | **199,926** | 205,513 |

**10.1** As at June 30, 2015, the Company has available provision for advances, investments and other assets (including provision against investment in KEL) amounting to Rs.1,836.39 million (December 31, 2014: Rs.1,822.826 million) and unused tax losses upto June 30, 2015, amounting to Rs.1,942.650 million (December 31, 2014: Rs.1,932.226 million). However, the management has prudently recognised the deferred tax asset only to the extent given above based on the absorption / admissibility of the same as forecasted in the projections mentioned below.

**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 in their meeting held on December 25, 2014. 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.

## 11. BORROWINGS FROM FINANCIAL INSTITUTIONS

| | Note | June 30, 2015 | December 31, 2014 |
|---|---|---|---|
| **Secured** | | | |
| Borrowings from State Bank of Pakistan under: | | | |
| Long-term financing of exports oriented projects (LTF-EOP) | | **11,301** | 15,071 |
| Long-term financing facility (LTFF) | | **47,562** | 59,448 |
| Repurchase agreement borrowings | 11.1 | **8,317,819** | 2,963,251 |
| Privately placed term finance certificates | 11.2 | **1,243,841** | 374,695 |
| Borrowings from financial institutions | | **2,650,000** | 2,685,000 |
| | | **12,270,523** | 6,097,465 |
| **Unsecured** | | | |
| Clean borrowings | 11.3 | **600,000** | - |
| | | **12,870,523** | 6,097,465 |

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**11.1** The Company has arranged borrowings from various financial institutions against sale and repurchase of Government Securities. The outstanding facilities as at statement of financial position date are due for maturity on various dates latest by August 2015 (December 31, 2014: April 2015). The rates of mark-up on these facilities range from 7% to 7.35% (December 31, 2014: 9.5% to 10.5%) per annum.

**11.2** This includes an amount of Rs.249.800 million (December 31, 2014: Rs.374.695 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 AA and carries a mark-up rate of six months' KIBOR plus 1.6% per annum 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.

Also included herein is an amount of Rs.994 million (December 31, 2014: Rs.Nil) being the balance amount of Privately Placed Term Finance Certificates (PPTFC) of Rs.1,000 million raised by the Company in February 2015. The issue is secured by first pari passu hypothecation charge over all present and future current assets and fixed assets (excluding land and building) of the Company (the "Hypothecated Assets"). This issue is rated AA and carries a mark-up rate of three months' KIBOR plus 1.5% percent p.a. payable on quarterly basis. The PPTFC issue is repayable in installments by February 2020 and is held by the financial institutions.

**11.3** These carry mark-up at rates ranging from 8.4% to 8.5% per annum (December 31, 2014: Nil) and are repayable latest by July 14, 2015 (December 31, 2014: Nil).

| | (Un-audited) June 30, 2015 | (Audited) December 31, 2014 |
|---|---|---|
| | ------- (Rupees in '000) ------- | |
| **12. DEPOSITS AND OTHER ACCOUNTS** | | |
| **Customers** | | |
| Certificates of investment - (in local currency) | **1,606,237** | 2,470,607 |
| **Financial institutions** | | |
| Certificates of investment - (in local currency) | **900,000** | - |
| | **2,506,237** | 2,470,607 |

**12.1** The profit rates on these Certificates of Investment (COIs) range from 6.6% to 10.75% (December 31, 2014: 9.2% to 10.95%) per annum. These COIs are due for maturity on various dates latest by June 2016 (December 31, 2014: December 2015).

## 13. CONTINGENCIES AND COMMITMENTS

### 13.1 Contingencies

For the tax year 2011, Deputy Commissioner Inland Revenue (DCIR) vide order dated August 30, 2013 passed under section 122(1) read with section 177 of Income Tax Ordinance (ITO) issued the amended assessment order and raised a demand of Rs.84.392 million. The demand mainly pertains to additions made for apportionment of expenses to dividend income/capital gains/(losses), disallowance of interest payable on accrual basis, provision for loans and advances and loss on termination of leased assets etc. The Company filed a refund claim of Rs.70.53 million for the tax year 2011 through a revised tax return, however, it did not recognise the said additional refund on a prudent basis. The Company has filed an appeal with Commissioner Inland Revenue Appeals (CIRA) on October 14, 2013 against the order of DCIR which is still pending. Further, no provision has been made for the demand for tax year 2011 as favourable outcome is expected considering the judgement of the Appellate Tribunal Inland Revenue (ATIR) in the preceding years on the addition / disallowances for the year under reference.

In FY 2014, the Company received the appeal effect orders with respect to the ATIR orders dated February 20, 2013 in relation to tax years 2004, 2005, 2006 and 2008 where the outcome was in favour of the Company in relation to issues of loans and advances written-off, apportionment of expenditure and loans to executives/officers and the resulting refunds were adjusted against the tax liability for the tax years 2009 and 2010. Based on the decision of ATIR and overall resulting relief and brought forward losses, there was 'Nil' additional tax liability remaining for tax years 2009 and 2010. In June 2015, the additional Commissioner Inland Revenue issued orders under section 221/124 of the ITO for the tax years 2003, 2004, 2005, 2006, 2007, 2008, 2009 and 2010. No new demand was raised under these amended orders, however the Company, through its tax consultant, is in the process of filing an application highlighting the incorrect treatment adopted in amended orders in relation to apportionment of expenditures which reduced the refundable balances. The Tax department has filed the references before Honourable High Court of Sindh against the order of ATIR.

For the tax year 2013, the Company received a tax demand of Rs.24.3 million on November 11, 2014 vide order under section 122 (5A) of the ITO. Against this order, rectification application was filed vide letter T-2798/2012 dated December 12, 2014 wherein it has been highlighted that the issue of apportionment of expenditure against dividend income and capital gain has been decided in favour of the Company by ATIR. Also, the Tax department did not consider the payment of tax of Rs.13.47 million. In June 2015, a rectification order under section 221 of the ITO was passed by the Additional Commissioner Inland Revenue to give effect of apportionment of financial charges and tax credits. Consequently the tax department revised its tax demand and reduced it to Rs.13.198 million. The Company, through its tax consultant, is in a process of filing an application of rectification for this order as it did not consider the correct treatment of appointment of expenditure. In addition to this, the Company had filed an appeal before the CIRA against the order, which is pending.

Hence, no provision has been made in these financial statements in respect of above mentioned matters as the management is hopeful of a favourable outcome on these matters, considering the appellate history and tax advisors' opinion.

| | Note | (Un-audited) June 30, 2015 | (Audited) December 31, 2014 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| **13.2 Commitments** | | | |
| **Direct credit substitutes** | | | |
| Contingent liabilities in respect of guarantees given favouring: | | | |
| Government | | - | - |
| Others | | **859,914** | 859,711 |
| | | **859,914** | 859,711 |
| **13.3 Trade - related contingent liabilities** | | | |
| Contingent liabilities in respect of letters of credit favouring: | | | |
| Government | | - | - |
| Others | | **6,376** | 13,698 |
| | | **6,376** | 13,698 |

| | (Un-audited) June 30, 2015 | (Audited) December 31, 2014 |
|---|---|---|
| | ------- (Rupees in '000) ------- | |
| **13.4 Commitments to extent credit** | **594,470** | 258,265 |
| **13.5 Commitments for acquisition of operating fixed assets** | **-** | - |
| **13.6 Unsettled investment transactions for:** | | |
| Purchase of PIBs | **253,933** | - |
| Sale/purchase of listed ordinary shares - net | **10,178** | 129,498 |
| | **264,111** | 129,498 |

## 14. GAIN FROM TRADING IN SECURITIES - NET

This includes net gain from trading in government securities amounting to Rs.234.551 million (June 30, 2014: Rs.0.108 million).

| 15. OTHER PROVISIONS / WRITE OFFS | Note | (Un-audited) June 30, 2015 | (Un-audited) June 30, 2014 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| Reversal of provision against mark-up accrued - net | | - | (20,209) |
| Provision against KSE Trading Rights Entitlement Certificate | | - | 15,000 |
| Reversal of provision against non-banking assets acquired in satisfaction of claims | 15.1 | **(16,197)** | (42,261) |
| Provision against other receivables - Kamoki Energy Limited | | **9,290** | 5,079 |
| | | **(6,907)** | (42,391) |

**15.1** This represents reversal of provision made to the extent of market value of non-banking assets (properties) on completion of sale of these properties under an agreement for sale of all these assets signed by the Company. As at June 30, 2015, out of the total 25 properties, 24 properties with carrying value of Rs.179.7 million have been disposed off under the said sale agreement against proceeds of Rs.180.248 million.

## 16. OTHER CHARGES

This includes loss of Rs.15.845 million (June 30, 2014: Rs.4.5 million) on account of sale of non banking assets (properties) under an agreement for sale of these properties.

## 17. TAXATION

**17.1** Due to current year tax loss, the Company has made provision for applicable minimum and fixed taxes. Therefore, relationship between tax expense and accounting profit for the period has not been presented.

| 18. BASIC AND DILUTED EARNINGS PER SHARE | Quarter Ended June 30, 2015 | Six Months ended June 30, 2015 | Quarter Ended June 30, 2014 | Six Months ended June 30, 2014 |
|---|---|---|---|---|
| | -------------------- (Rupees in '000) -------------------- | | | |
| Profit after taxation | **159,135** | **195,393** | 68,928 | 130,575 |
| | -------------------- (Number of shares) -------------------- | | | |
| Weighted average number of ordinary shares | **614,178** | **614,178** | 614,178 | 614,178 |
| | ------------------------ (Rupees) ------------------------ | | | |
| Earnings per share | **259.10** | **318.14** | 112.23 | 212.60 |

## 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, 2015 | | | | | (Audited) December 31, 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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** | - | - | - | 38,695 | - | - | - | - | 68,837 | - |
| **Lendings to financial institutions** | | | | | | | | | | |
| Opening balance | - | - | - | - | - | - | - | - | 350,000 | - |
| Placements / reverse repo made during the period | - | - | - | 1,734,846 | - | - | - | - | 3,674,487 | - |
| Placements / reverse repo matured during the period | - | - | - | (1,484,846) | - | - | - | - | (4,024,487) | - |
| Closing balance | - | - | - | 250,000 | - | - | - | - | - | - |
| **Investments** | | | | | | | | | | |
| Opening balance | - | - | 704,867 | 6,063,143 | 500 | - | - | 704,867 | 4,249,933 | 500 |
| Investment made during the period | - | - | - | 7,999,972 | - | - | - | - | 13,589,062 | - |
| Investment redeemed / disposed off during the period | - | - | - | (1,168,684) | - | - | - | - | (11,775,852) | - |
| Closing balance | - | - | 704,867 | 12,894,431 | 500 | - | - | 704,867 | 6,063,143 | 500 |
| Provision for diminution in value of investments | - | - | 704,867 | 50,000 | - | - | - | 704,867 | 50,000 | - |
| Deficit on revaluation of investments | - | - | - | 104,275 | - | - | - | - | 129,369 | - |

| | (Un-audited) June 30, 2015 | | | | | (Audited) December 31, 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | - | 40,919 | 1,284,690 | - | - | - | 41,066 | 1,284,690 | 945,170 | - |
| Addition / rollover during the period | - | 4,495 | - | - | - | - | 19,748 | - | - | - |
| Repaid / adjusted during the period | - | (3,862) | - | - | - | - | (19,895) | - | (945,170) | - |
| Closing balance | - | 41,552 | 1,284,690 | - | - | - | 40,919 | 1,284,690 | - | - |
| **Provision held against advances** | - | - | 1,018,502 | - | - | - | - | 1,018,502 | - | - |
| **Other assets** | | | | | | | | | | |
| Mark-up receivable on term loan | | | | | | | | | | |
| - Gross | - | 285 | 773,826 | 441,184 | - | - | 133 | 710,076 | 286,529 | - |
| - Suspended / provided | - | - | (773,826) | (13,685) | - | - | - | (710,076) | (36,491) | - |
| Closing balance | - | 285 | - | 427,499 | - | - | 133 | - | 250,038 | - |
| Amount receivable from defined contribution plan | - | - | - | - | - | - | - | - | - | - |
| Other receivables | - | - | 25,798 | - | - | - | - | 16,507 | - | - |
| Advance taxation | - | - | - | 83,657 | - | - | - | - | 136,635 | - |
| Other advances | | | | | | | | | | |
| Opening | - | 770 | - | - | 532 | - | 1,275 | - | - | 860 |
| Additions during the period | - | 10 | - | - | - | - | 1,250 | - | - | 757 |
| Repaid during the period | - | (660) | - | - | (532) | - | (1,755) | - | - | (1,085) |
| Closing balance | - | 120 | - | - | - | - | 770 | - | - | 532 |
| **Provision against other assets** | - | - | 25,798 | - | - | - | - | 16,507 | - | - |
| **Borrowings from financial Institutions** | | | | | | | | | | |
| Opening | - | - | - | 3,005,529 | - | - | - | - | 2,431,215 | - |
| Borrowings during the period | - | - | - | 116,922,556 | - | - | - | - | 93,858,244 | - |
| Settled during the period | - | - | - | (116,137,041) | - | - | - | - | (93,283,930) | - |
| Closing balance | - | - | - | 3,791,044 | - | - | - | - | 3,005,529 | - |
| **Deposits and other accounts** | | | | | | | | | | |
| Opening balance | - | - | - | 2,360,200 | 80,000 | - | 2,500 | - | 2,724,000 | 50,000 |
| Additions during the period | - | - | - | 1,035,000 | 310,000 | - | 11,283 | - | 4,525,200 | 370,000 |
| Repayments during the period | - | - | - | (2,125,000) | (230,000) | - | (11,695) | - | (4,889,000) | (340,000) |
| Closing balance | - | - | - | 1,270,200 | 160,000 | - | 2,088 | - | 2,360,200 | 80,000 |

| | (Un-audited) June 30, 2015 | | | | | (Audited) December 31, 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | - | 28 | - | 59,727 | 1,954 | - | 21 | - | 72,081 | 1,573 |
| Amount payable to retirement benefit funds | - | - | - | - | 8,860 | - | - | - | - | 8,881 |
| Others | - | - | 1,018 | 961 | - | - | - | 1,018 | 206 | - |
| | - | 28 | 1,018 | 60,688 | 10,814 | - | 21 | 1,018 | 72,287 | 10,454 |
| **Contingencies and commitments** | | | | | | | | | | |
| Letter of guarantee | - | - | 859,914 | - | - | - | - | 859,711 | - | - |
| Commitment to extend credit | - | - | - | - | - | - | 4,250 | - | - | - |
| Unsettled sale / purchase of investment transactions | - | - | - | 253,933 | - | - | - | - | 30,070 | - |
| | - | - | 859,914 | 253,933 | - | - | 4,250 | 859,711 | 30,070 | - |

**19.2 Transactions, income and expenses**

| | (Un-audited) June 30, 2015 | | | | | (Un-audited) June 30, 2014 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Mark-up / return / interest earned -net | - | 368 | - | 468,671 | - | - | 434 | - | 277,058 | - |
| Mark-up / return / interest expensed | - | 92 | - | 212,464 | 6,048 | - | 100 | - | 286,769 | 6,080 |
| Gain / (loss) on sale of securities - net | - | - | - | 236,292 | - | - | - | - | 8,127 | - |
| Dividend Income | - | - | - | 6,937 | - | - | - | - | 4,575 | - |
| Contribution to defined contribution plan | - | - | - | - | 2,792 | - | - | - | - | 3,041 |
| Contribution to defined benefit plan | - | - | - | - | 5,007 | - | - | - | - | 4,928 |
| Non-executive directors' fee and remuneration | 1,488 | - | - | - | - | 2,938 | - | - | - | - |
| Remunerations | - | 81,573 | - | - | 7,285 | - | 75,621 | - | - | 2,957 |

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

** Fee based income to be recorded on cash receipt basis.

## 20. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

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

| | (Un-audited) | | |
|---|---|---|---|
| | Corporate finance | Retail banking | Total |
| | ---------------- (Rupees in '000) ---------------- | | |
| **June 30, 2015** | | | |
| Total income | **1,013,006** | **6,534** | **1,019,540** |
| Total expenses | **714,602** | **7,504** | **722,106** |
| Net income | **298,404** | **(970)** | **297,434** |
| Segment assets (gross) | **23,519,248** | **147,964** | **23,667,212** |
| Segment non-performing loans | **3,209,191** | **73,608** | **3,282,799** |
| Segment provision required | **4,228,222** | **48,889** | **4,277,111** |
| Segment liabilities | **15,523,810** | **100,045** | **15,623,855** |
| Net assets | **3,767,216** | **(970)** | **3,766,246** |
| Segment return on net assets | **15.84%** | **-0.05%** | **15.79%** |
| Segment cost of funds (%) | **7.83%** | **0.84%** | **8.67%** |
| **June 30, 2014** | | | |
| Total income | 744,753 | 9,994 | 754,747 |
| Total expenses | 576,415 | 8,753 | 585,168 |
| Net income | 168,338 | 1,241 | 169,579 |
| Segment return on net assets | 9.81% | 0.07% | 9.88% |
| Segment cost of funds (%) | 9.01% | 1.25% | 10.26% |
| **December 31, 2014** | | | |
| Segment assets (gross) | 16,561,184 | 168,628 | 16,729,812 |
| Segment non-performing loans | 3,174,191 | 70,645 | 3,244,836 |
| Segment provision required | 4,244,209 | 49,418 | 4,293,627 |
| Segment liabilities | 8,730,580 | 118,918 | 8,849,498 |
| Net assets | 3,586,395 | 292 | 3,586,687 |
| Segment return on net assets | 8.85% | 0.01% | 8.86% |
| Segment cost of funds (%) | 9.33% | 1.10% | 10.43% |

## 21. CASH AND CASH EQUIVALENTS

| | (Un-audited) June 30, 2015 | (Un-audited) June 30, 2014 |
|---|---|---|
| | ------- (Rupees in '000) ------- | |
| Cash and balances with treasury banks | **38,703** | 53,245 |
| Balances with other banks | **95,957** | 68,951 |
| Placements | **250,000** | 100,000 |
| | **384,660** | 222,196 |

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## 22. CREDIT RATING

In its latest rating announcement (June 2015), 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).

## 23. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 31 JUL 2015 by the Board of Directors of the Company.

## 24. GENERAL

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

**24.2** Figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2015 and June 30, 2014 have not been subject to limited scope review by the auditors as they are only required to review half yearly figures.

| | |
|---|---|
| **Chief Financial Officer** | **Managing Director & CEO** |
| **Director** | **Director** |