

**FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2014
(UN - AUDITED)**



PAK-LIBYA HOLDING COMPANY (PVT.) LTD.

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

		(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		41,317	51,848
Balances with other banks		127,578	193,258
Lendings to financial institutions	6	100,000	350,000
Investments	7	10,132,102	6,356,193
Advances	8	3,653,064	4,352,981
Other assets		573,029	446,138
Operating fixed assets	9	73,314	86,956
Deferred tax asset	10	245,812	283,363
		<u>14,946,216</u>	<u>12,120,737</u>
LIABILITIES			
Bills payable		-	-
Borrowings from financial institutions	11	8,999,808	5,615,747
Deposits and other accounts	12	2,203,995	2,809,423
Sub-ordinated loans		-	-
Liabilities against assets subject to finance leases		-	-
Other liabilities		302,623	375,649
Deferred tax liabilities		-	-
		<u>11,506,426</u>	<u>8,800,819</u>
		<u>3,439,790</u>	<u>3,319,918</u>
NET ASSETS			
REPRESENTED BY			
Share capital	13	6,141,780	6,141,780
Reserves		65,328	36,319
Accumulated losses		<u>(2,729,394)</u>	<u>(2,845,431)</u>
		3,477,714	3,332,668
Deficit on revaluation of assets - net of tax		<u>(37,924)</u>	<u>(12,750)</u>
		<u>3,439,790</u>	<u>3,319,918</u>
CONTINGENCIES AND COMMITMENTS			
	14		

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



Chief Financial Officer



Managing Director



Director



Director


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

	Quarter ended September 2014	Nine months ended September 2014	Quarter ended September 2013	Nine months ended September 2013
Note	----- (Rupees in '000) -----			
Mark-up / return / interest earned	376,466	947,669	309,806	880,487
Mark-up / return / interest expensed	297,542	732,569	234,487	687,883
Net mark-up / interest income	78,924	215,100	75,319	192,604
(Reversal of provision) / provision against loans and advances - net	8.2 (673)	(113,891)	(11,135)	(73,403)
Provision / (reversal of provision) for diminution in value of investments - net	7.2.4 (1,824)	14,690	(154)	(15,098)
Bad debts written off directly	-	-	-	-
Reversal of provision against lendings to financial institutions	-	-	-	(3,756)
	(2,497)	(99,201)	(11,289)	(92,257)
Net mark-up / interest / income after provisions	81,421	314,301	86,608	284,861
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	2,885	21,835	1,069	15,891
Dividend income	2,040	20,608	12,036	36,100
Gain from trading in securities - net	15 27,102	76,091	33,899	110,855
Income from dealing in foreign currencies	-	-	-	-
Unrealised loss on revaluation of investments classified as held-for-trading	285	-	(15,328)	(18,425)
Other income	179	797	(629)	459
Total non mark-up / interest income	32,491	119,331	31,047	144,880
	113,912	433,632	117,655	429,741
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	94,461	282,778	95,547	245,563
Other provisions / write offs - net	16 (8,655)	(51,046)	1,390	(18,786)
Other charges	7,805	12,020	1,561	25,266
Total non mark-up / interest expenses	93,611	243,752	98,498	252,043
	20,301	189,880	19,157	177,698
Extra Ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	20,301	189,880	19,157	177,698
Taxation - current	7,346	20,583	5,863	18,178
- prior year	-	-	-	(25,000)
- deferred	(1,516)	24,251	(4,303)	15,781
	17 5,830	44,834	1,560	8,959
PROFIT AFTER TAXATION	14,471	145,046	17,597	168,739
Basic and diluted earnings per share (Rupees)	18 23.56	236.16	28.65	274.74

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


 Chief Financial Officer


 Managing Director


 Director


 Director

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

	Quarter ended September 30, 2014	Nine months ended September 30, 2014	Quarter ended September 30, 2013	Nine months ended September 30, 2013
	----- (Rupees in '000) -----			
Profit after taxation	14,471	145,046	17,597	168,739
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	14,471	145,046	17,597	168,739

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.

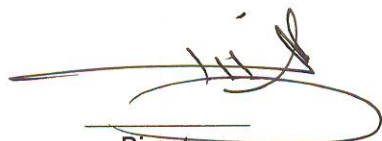
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Chief Financial Officer



Managing Director



Director



Director

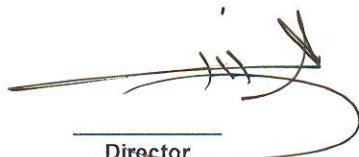
PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

	September 30, 2014	September 30, 2013	
Note	----- (Rupees in '000) -----		
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation	189,880	177,698	
Less: Dividend income	<u>(20,608)</u>	<u>(36,100)</u>	
	169,272	141,598	
Adjustments for non-cash charges:			
Depreciation	17,132	17,424	
Amortisation	421	9	
(Reversal of provision) / provision against non-performing loans and advances - net	(113,891)	(73,403)	
Unrealised loss on revaluation of investments classified as held-for-trading	-	18,425	
Provision / (Reversal of provision) for diminution in the value of investments - net	14,690	(15,098)	
Reversal of provision against lendings to financial institutions	-	(3,756)	
Other provisions / write offs - net	(51,046)	(18,786)	
Gain on sale of operating fixed assets	(74)	78	
	<u>(132,768)</u>	<u>(75,107)</u>	
	36,504	66,491	
(Increase) / decrease in operating assets:			
Lendings to financial institutions	-	3,756	
Investments classified as held-for-trading	496,626	37,468	
Advances	813,808	650,589	
Other assets	<u>(46,950)</u>	<u>61,908</u>	
	1,263,484	753,721	
(Decrease) / increase in operating liabilities:			
Borrowings from financial institutions	3,384,061	(769,625)	
Deposits and other accounts	(605,428)	275,024	
Other liabilities	<u>(73,026)</u>	<u>108,452</u>	
	2,705,607	(386,149)	
Income tax paid	4,005,595	434,063	
Net cash inflow/(outflow) from operating activities	<u>(49,628)</u>	<u>(11,933)</u>	
	3,955,967	422,130	
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of investments - net	(4,299,098)	(298,000)	
Dividends received	20,758	29,300	
Operating fixed assets purchased	(4,638)	(14,850)	
Sale proceeds of property and equipment disposed-off	800	1,774	
Net cash inflow from investing activities	<u>(4,282,178)</u>	<u>(281,776)</u>	
(Decrease)/Increase in cash and cash equivalents	(326,211)	140,354	
Cash and cash equivalents at beginning of the period	595,106	102,023	
Cash and cash equivalents at end of the period	<u><u>268,895</u></u>	<u><u>242,377</u></u>	21

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



Chief Financial Officer



Director



Managing Director



Director


PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 30, 2013				
Profit for the period	-	-	168,739	168,739
Other comprehensive income for the period	-	-	-	-
	-	-	168,739	168,739
Transfer to statutory reserve	-	33,748	(33,748)	-
Balance as at September 30, 2013	6,141,780	33,748	(2,854,429)	3,321,099
Total comprehensive income for the Quarter ended December 31, 2013				
Profit for the period	-	-	12,856	12,856
Other comprehensive income for the period	-	-	(1,287)	(1,287)
	-	-	11,569	11,569
Transfer to statutory reserve	-	2,571	(2,571)	-
Balance as at December 31, 2013	6,141,780	36,319	(2,845,431)	3,332,668
Total comprehensive income for the nine months ended September 30, 2014				
Profit for the period	-	-	145,046	145,046
Other comprehensive income for the period	-	-	-	-
	-	-	145,046	145,046
Transfer to statutory reserve	-	29,009	(29,009)	-
Balance as at September 30, 2014	<u>6,141,780</u>	<u>65,328</u>	<u>(2,729,394)</u>	<u>3,477,714</u>

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


 Chief Financial Officer


 Managing Director


 Director


 Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 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 inter alia 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 September 30, 2014 amounted to Rs. 3.412 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.

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 nine months ended September 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:

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.

6. LENDINGS TO FINANCIAL INSTITUTIONS	Note	(Un-audited)	(Audited)
		September 30, 2014	December 31, 2013
		----- (Rupees in '000) -----	
Repurchase agreements lendings (Reverse Repo)		-	-
Term Deposit Receipt	6.1	100,000	350,000
Placements		47,068	47,068
		147,068	397,068
Less: Provision against Placements		(47,068)	(47,068)
		<u>100,000</u>	<u>350,000</u>

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

	Held by Company	Given as collateral	Total
	----- (Rupees in '000) -----		
7. INVESTMENTS			
Balance as at September 30, 2014 (Un-audited)	2,361,248	7,770,854	10,132,102
Balance as at December 31, 2013 (Audited)	3,064,306	3,291,887	6,356,193
Balance as at September 30, 2013 (Un-audited)	3,946,666	3,957,786	7,904,452

	Held by Company	Given as collateral	Total
	----- (Rupees in '000) -----		
7.1 Investments by types			
Held-for-trading securities	-	-	-
Available-for-sale securities	3,526,047	7,738,915	11,264,962
Held-to-maturity securities	6,366	-	6,366
Investment in a joint venture Kamoki Energy Limited, a related party	404,867	-	404,867
	3,937,280	7,738,915	11,676,195
Less: Provision for diminution in value of investments	1,512,876	-	1,512,876
Investments (net of provisions)	2,424,404	7,738,915	10,163,319
Less: Deficit on revaluation of investments classified as - held-for-trading securities - available-for-sale securities	(63,156)	31,939	(31,217)
Balance as at September 30, 2014	2,361,248	7,770,854	10,132,102

		(Un-audited) September 30, 2014	(Audited) December 31, 2013
		----- (Rupees in '000) -----	
7.2 Investments by segments	Note		
Federal government securities			
Market treasury bills		804,096	3,447,290
Pakistan investment bonds		6,919,298	453,861
Fully paid-up Ordinary shares / certificates			
Listed	7.2.1	925,049	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	7.2.2	300,000	300,000
Term Finance Certificates (TFCs)			
Listed		373,555	323,454
Unlisted	7.2.3	1,560,100	1,591,762
Participation term certificates		6,366	7,913

	Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
----- (Rupees in '000) -----			
Strategic investment in a joint venture			
Unlisted Ordinary shares			
Kamoki Energy Limited, a related party	7.2.2	404,867	404,867
Other investments			
Mutual fund units - listed		18,980	19,230
Sukuks - unlisted		220,543	267,390
Commercial Paper - Unlisted		-	36,636
Total investments		11,676,195	7,895,206
Less: Provision for diminution in value of other investments	7.2.4	(1,512,876)	(1,519,550)
Investments (net of provisions)		10,163,319	6,375,656
Less: Unrealized loss on revaluation of 'held-for-trading' securities		-	(119)
Deficit on revaluation of 'available-for-sale' securities		(31,217)	(19,344)
Total investments at market value		10,132,102	6,356,193

7.2.1 The SBP, vide letter No.BPRD/BRD-(Policy)/2013-11339 dated July 25, 2013 has permitted banks/DFIs to maintain provision equal to 85% (upto September 30,2014) of the deficit on revaluation of Ordinary shares of Agritech Limited. Accordingly, provision for diminution in value of investments includes Rs. 305.379 million against ordinary shares of Agritech Limited. The remaining provision of Rs. 29.196 million out of total exposure amounting to Rs. 453.370 million on ordinary shares of Agritech Limited has not been recorded in these financial statements based upon the above relaxation from SBP.

7.2.2 As at September 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 September 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 September 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. Further an advertisement was also published in two widely circulated newspapers, requesting all the concerned to submit their claim against/KEL.

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	13,735	(13,735)	-
Total funded exposure	2,208,982	(1,942,794)	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.

7.2.3 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)/2014-14269 dated August 08, 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 December 31, 2014.

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	----- (Rupees in '000) -----	
7.2.4 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	(3,862)	(20,996)
Net charge/ (reversal) for the period / year	14,690	(14,858)
Less: Reversal on disposal	(21,364)	(56,095)
Closing balance	1,512,876	1,519,550

8. ADVANCES

In Pakistan			
Loans		5,576,015	6,349,083
Net investment in finance lease		231,282	234,777
Consumer loans and advances		169,529	203,473
Staff loans		112,316	97,789
Long-term financing of export oriented projects - (LTF-EOP)		60,179	60,179
Long-term financing facility - (LTFF)		65,391	83,220
Advances - gross	8.1	6,214,712	7,028,521
Less : Provision against			
- Non-performing advances - specific provision	8.2	2,560,494	2,674,018
- Consumer loans and advances - general provi	8.2	1,154	1,522
Advances - net of provision		3,653,064	4,352,981

- 8.1 Advances include amounts aggregating to Rs.3,247.728 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	453,159	-	453,159	112,560	112,560
Doubtful	13,957	-	13,957	841	841
Loss	2,780,612	-	2,780,612	2,447,093	2,447,093
	<u>3,247,728</u>	<u>-</u>	<u>3,247,728</u>	<u>2,560,494</u>	<u>2,560,494</u>

- 8.2 Particulars of provision against non-performing advances:

	(Un-audited)			(Audited)		
	September 30, 2014			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	96	-	96	14,697	-	14,697
Reversals	(113,620)	(368)	(113,988)	(90,049)	(871)	(90,920)
Net (reversals) / charge	(113,524)	(368)	(113,892)	(75,352)	(871)	(76,223)
Add: Transfer of provision*	-	-	-	34,690	-	34,690
Less: Amount written off	-	-	-	-	-	-
Closing balance	<u>2,560,494</u>	<u>1,154</u>	<u>2,561,648</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. 23.993 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 September 30, 2014 would have been higher by Rs. 340.387 million.million.

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

9. OPERATING FIXED ASSETS

Capital work-in-progress	-	603
Property and equipment	71,043	83,661
Intangible assets	2,271	2,692
	<u>73,314</u>	<u>86,956</u>

- 9.1 Additions during the nine months period ended September 30, 2014 amounting to Rs.5.241 million (September-2013: Rs. 23.583 million) while disposals had a cost of Rs.3.196 million (September-2013: Rs. 7.187 million) and written down value of Rs. 0.726 million (September-2013: Rs. 1.852 million). These disposals include sale of assets to key management personnel under the Company's HR policy which had a cost of Rs. 1.390 million and net book value of Rs. 0.726 million resulting in a gain of Rs. 0.004 million.

(Un-audited) September 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	(36,962)	(38,372)
Accelerated tax depreciation	(1,077)	(1,935)

Deferred debits arising in respect of:

Provision for compensated absences	3,241	3,191
Provision for advances, investments and other assets	98,272	104,300
Unused tax losses	155,493	173,013
Share of loss in joint venture	31,394	33,297
Ur.realised loss on held-for-trading investments	2,157	3,275
	<u>252,518</u>	<u>276,769</u>

Deferred tax asset on surplus on revaluation of available-for-sale investments - net

	(6,706)	6,594
	<u>245,812</u>	<u>283,363</u>

10.1 As at September 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 September 30, 2014 amounting to Rs.1,491.323 million (2013: Rs.2,058.881 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.

11. BORROWINGS FROM FINANCIAL INSTITUTIONS**Secured**

Borrowings from State Bank of Pakistan under:

Long-term financing of exports oriented projects (LTF-EOP)		16,956	22,611
Long-term financing facility (LTFF)		65,391	83,220
Repurchase agreement borrowings	11.1	6,422,766	2,975,416
Privately placed term finance certificates	11.2	374,695	624,500
Borrowings from financial institutions		<u>1,120,000</u>	<u>350,000</u>
		<u>7,999,808</u>	<u>4,055,747</u>

Unsecured

Clean borrowings		1,000,000	1,560,000
		<u>8,999,808</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 10.00 to 11.17 (December 31, 2013: 9.85 to 11.14) percent per annum.

11.2 This includes an amount of Rs.374.695 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.

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	----- (Rupees in '000) -----	
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Certificates of investment - (in local currency)	1,778,995	2,809,423
Financial institutions		
Certificates of investment - (in local currency)	425,000	-
	<u>2,203,995</u>	<u>2,809,423</u>

12.1 The profit rates on these Certificates of Investment (COIs) range from 9.70 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 August 2015 (December 31, 2013: December 2014).

13. SHARE CAPITAL

13.1 As at September 30, 2014, the Company has a shortfall of Rs. 2.588 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).

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 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 DCIR through which a tax demand of Rs. 84.392 million was raised for TY-2011. In this application, the Company is claiming 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 TY- 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 appeal proceeding.

	Note	(Un-audited) September 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>860,099</u>	<u>860,561</u>
		<u>860,099</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 7.2.2, 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>22,085</u>	<u>270,341</u>
		<u>22,085</u>	<u>270,341</u>
14.4 Commitments to extent credit		<u>307,342</u>	<u>771,983</u>
14.5 Commitments for acquisition of operating fixed assets		<u>-</u>	<u>561</u>
14.6 Unsettled investment transactions for:			
Sale of market treasury bills		-	496,945
Sale of listed ordinary shares - net		<u>32,486</u>	<u>30,157</u>
Purchase of listed ordinary shares - net		<u>60,769</u>	<u>54,098</u>
		<u>93,255</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 (September 2013: Loss of Rs. 1.345 million).

16. OTHER PROVISIONS / WRITE OFFS - NET

Reversal of provision against mark-up accrued		(20,209)	(32,489)
Reversal of provision against non-banking assets acquired in satisfaction of claims	16.1	(49,339)	-
Provision against KSE Trading Rights Entitlement Certificate		10,000	-
Provision against other receivables - Kamoki Energy Limited		<u>8,502</u>	<u>13,703</u>
		<u>(51,046)</u>	<u>(18,786)</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 September 30, 2014, out of the total 25 properties therein, sale of six properties has been recognized thereby resulting in reversal of remaining provision of Rs. 11.238 million for six 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 September 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 September 30, 2014	Nine months ended September 2014	Quarter ended September 30, 2013	Nine months ended September 30, 2013
	----- (Rupees in '000) -----			
18. BASIC AND DILUTED EARNINGS PER SHARE				
Profit after taxation	<u>14,471</u>	<u>145,046</u>	<u>17,597</u>	<u>168,739</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>23.56</u>	<u>236.16</u>	<u>28.65</u>	<u>274.74</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) September 30, 2014				(Audited) December 31, 2013							
	Directors	Key management personnel *	Joint venture entities	State controlled entities	Other related parties	Directors	Key management personnel *	Joint venture entities	State controlled entities	Other related parties		
	(Rupees in '000)				(Rupees in '000)							
19.1 Balances												
Bank balance	-	-	-	40,087	-	-	-	51,789	-	-		
Lendings to financial institutions												
Opening balance	-	-	-	350,000	-	-	-	-	-	-		
Placements / reverse repo made during the period	-	-	-	2,793,838	-	-	-	3,700,858	-	-		
Placements / reverse repo matured during the period	-	-	-	(3,043,838)	-	-	-	(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	-	-	-	9,675,458	-	-	-	13,223,124	-	-		
Investment redeemed / disposed off during the period	-	-	-	(5,835,159)	-	-	-	(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	-	-	-	23,734	-	-	-	(23,968)	-	-		

	(Un-audited) September 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)				(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	-	14,212	-	-	-	8,674	34,690	945,170	-	-		
Repaid/Adjusted during the period	-	(7,254)	-	(945,170)	-	(6,755)	-	(945,170)	-	-		
Closing balance	-	48,024	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	-	192	624,724	213,509	-	122	541,321	81,513	-	-		
- Gross	-	-	(624,724)	(51,199)	-	-	(541,321)	(36,932)	-	-		
- Suspended / provided	-	192	-	162,310	-	122	-	44,581	-	-		
Closing balance	-	-	-	-	-	-	-	-	-	-		
Amount receivable from Employee benefit plan	-	-	-	-	-	-	-	-	-	50		
Other receivables	60	-	13,735	-	-	-	5,234	-	-	-		
Advance taxation	-	-	-	173,114	-	-	-	144,112	-	-		
Other advances	-	1,275	-	-	860	-	3,752	-	-	-		
Opening	-	1,250	-	-	757	-	8,494	-	-	1,290		
Additions during the period	-	(1,300)	-	-	(1,010)	-	(10,971)	-	-	(430)		
Repaid during the period	-	1,225	-	-	607	-	1,275	-	-	860		
Closing balance	-	-	-	-	-	-	-	-	-	-		
Provision against other assets	-	-	13,735	-	-	-	5,234	-	-	-		
Borrowings from financial Institutions												
Opening	-	-	-	2,431,215	-	-	-	1,827,344	-	-		
Borrowings during the period	-	-	-	68,492,874	-	-	-	84,534,228	-	-		
Settled during the period	-	-	-	(65,879,991)	-	-	-	(83,930,357)	-	-		
Closing balance	-	-	-	5,044,098	-	-	-	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	-	8,650	-	2,540,000	290,000	-	2,500	4,074,000	420,000	-		
Repayments during the period	-	(7,553)	-	(3,510,500)	(300,000)	-	-	(5,328,500)	(480,000)	-		
Closing balance	-	3,597	-	1,753,500	40,000	-	2,500	2,724,000	50,000	-		

	(Un-audited) September 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)									
Other liabilities										
Mark-up payable	-	62	-	123,807	213	-	30	-	222,461	260
Amount payable to retirement benefit funds	-	-	-	-	12,356	-	-	-	-	12,356
Others	-	-	1,018	448	-	-	-	1,008	440	-
	-	62	1,018	124,255	12,569	-	30	1,008	222,901	12,616
Contingencies and commitments										
Letter of guarantee	-	-	860,099	-	-	-	-	860,561	-	-
Commitment to extend credit	-	5,500	-	-	-	-	-	-	-	-
Unsettled sale/purchase of investment transactions	-	-	-	16,751	-	-	-	-	551,523	-
	-	5,500	860,099	16,751	-	-	-	860,561	551,523	-
	(Un-audited) September 30, 2014					(Un-audited) September 30, 2013				
19.2 Transactions, income and expenses										
Mark-up / return / interest earned -net	-	757	-	518,058	-	-	543	-	391,878	-
Mark-up / return / interest expensed	-	197	-	444,841	7,447	-	-	-	527,183	2,995
Gain/(loss) on sale of securities - Net	-	-	-	15,326	-	-	-	-	29,366	(14,600)
Dividend Income	-	-	-	4,575	-	-	-	-	7,625	-
Contribution to defined contribution plan	-	-	-	-	4,443	-	-	-	-	3,578
Contribution to defined benefit plan	-	-	-	-	7,396	-	-	-	-	7,000
Non-executive directors' fee and remuneration	3,679	-	-	-	-	3,454	-	-	-	-
Remunerations	-	129,949	-	-	5,973	-	103,514	-	-	-

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

20. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

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

	(Un-audited) September 30, 2014			(Un-audited) September 30, 2013		
	Corporate finance	Retail banking	Total	Corporate finance	Retail banking	Total
	----- (Rupees in '000) -----					
Total income	1,152,096	14,105	1,166,201	1,098,818	18,806	1,117,624
Total expenses	963,115	13,206	976,321	924,171	15,755	939,926
Net income	188,981	899	189,880	174,647	3,051	177,698
Segment assets (gross)	19,185,305	176,186	19,361,491	17,670,408	214,259	17,884,667
Segment non-performing loans	3,174,191	73,537	3,247,728	3,147,392	70,115	3,217,507
Segment provision required	4,365,599	49,676	4,415,275	4,639,572	45,997	4,685,569
Segment liabilities	11,386,735	119,691	11,506,426	9,775,949	159,500	9,935,449
Net assets	3,432,971	6,819	3,439,790	3,254,887	8,762	3,263,649
Segment return on net assets	7.34%	0.02%	7.36%	7.15%	0.11%	7.26%
Segment cost of funds (%)	8.19%	1.14%	9.33%	8.43%	1.44%	9.87%

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

21. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	41,317	58,564
Balances with other banks	127,578	83,813
Placements	100,000	100,000
	<u>268,895</u>	<u>242,377</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


29 OCT 2014

These condensed interim financial statements were authorised for issue on _____ 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.


Chief Financial Officer


Director


Managing Director


Director