



PAK-LIBYA HOLDING COMPANY (PVT.) LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2012

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530, Pakistan
Tel: +9221 3565 0007
Fax: +9221 3568 1965
www.ey.com

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 2012** 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.

Ernst & Young

-: 2 :-

Emphasis of matter

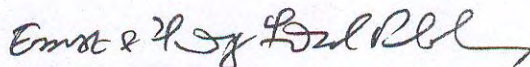
We draw attention to:

- 1) note 1.2 to the accompanying interim financial information which states that the Company is required to provide a concrete capital injection plan by the start of the second quarter of the year 2013. The Company will seek approval of the same from the shareholders in the forthcoming Annual General Meeting. Further, the Company has also applied to the State Bank of Pakistan for relaxation in respect of Minimum Capital Requirement.
- 2) note 6.2.1 to the accompanying interim financial information which provides details as to the Company's exposure in the joint venture, provision required thereagainst and the provision held in the books of the Company, in view of the relaxation given by the State Bank of Pakistan for complying with the requirements of Prudential Regulations.

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

Other matter

The condensed interim financial statements of the Company for the half year ended 30 June 2011 and the financial statements for the year ended 31 December 2011 were reviewed and audited respectively by another firm of chartered accountants whose review report, dated 28 July 2011, included an unqualified conclusion while their audit report, dated 14 March 2012, included an emphasis of matter paragraph emphasizing the delay in commencement of commercial operations by the joint venture.



Chartered Accountants



Engagement Partner: Shabbir Yunus

Date: 01 February 2013

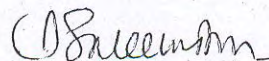
Karachi

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2012

		(Un-audited) June 30, 2012	(Audited) December 31, 2011
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		64,699	42,643
Balances with other banks		34,208	41,177
Lendings to financial institutions		-	200,000
Investments	6	5,100,637	6,187,323
Advances	7	6,807,615	7,039,113
Other assets		595,400	900,555
Operating fixed assets	8	85,245	68,568
Deferred tax assets		362,521	404,497
		<u>13,050,325</u>	<u>14,883,876</u>
LIABILITIES			
Bills payable		-	-
Borrowings from financial institutions	9	3,312,749	4,537,471
Deposits and other accounts	10	4,019,036	3,652,844
Sub-ordinated loans		-	-
Liabilities against assets subject to finance leases		-	-
Other liabilities		386,716	336,334
Deferred tax liabilities		-	-
		<u>7,718,501</u>	<u>8,526,649</u>
		<u>5,331,824</u>	<u>6,357,227</u>
NET ASSETS			
REPRESENTED BY			
Share capital		6,141,780	6,141,780
Reserves	11	-	474,801
Accumulated loss		(636,962)	(29,595)
		<u>5,504,818</u>	<u>6,586,986</u>
Deficit on revaluation of available-for-sale securities - net of tax		(172,994)	(229,759)
		<u>5,331,824</u>	<u>6,357,227</u>
CONTINGENCIES AND COMMITMENTS			
	12		

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

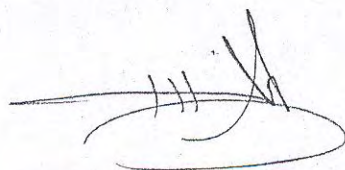
BIAN



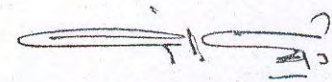
Chief Financial Officer



Managing Director



Director



Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2012

	Quarter ended June 30, 2012	Six months ended June 30, 2012	Quarter ended June 30, 2011	Six months ended June 30, 2011
Note	----- (Rupees in '000) -----			
Mark-up / return / interest earned	265,582	631,925	504,631	934,316
Mark-up / return / interest expensed	237,074	492,951	258,328	574,613
Net mark-up / interest income	28,508	138,974	246,303	359,703
Provision / (reversal) against loans and advances - net	7.3 96,556	95,807	(28,011)	(2,128)
Provision / (reversal) for diminution in value of investments - net	741,287	701,890	77,185	77,185
Bad debts written off directly	-	-	-	-
Reversal of provision against lendings to financial institutions	(3,756)	(3,756)	(10,017)	(10,017)
	834,087	793,941	39,157	65,040
Net mark-up / interest / income after provisions	(805,579)	(654,967)	207,146	294,663
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	395	1,560	1,081	4,888
Dividend income	3,409	6,836	4,807	8,974
Gain from trading in securities - net	25,145	71,989	2,565	10,779
Income from dealing in foreign currencies	-	-	-	-
Unrealised loss on revaluation of investments classified as held-for-trading	(32)	(32)	(228)	(1,928)
Other income	1,093	1,337	30,534	30,929
Total non mark-up / interest income	30,010	81,690	38,759	53,642
	(775,569)	(573,277)	245,905	348,305
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	71,241	135,619	74,749	131,528
Other provision / write off	290,086	290,086	-	-
Other charges	1,797	6,261	885	10,401
Total non mark-up / interest expenses	363,124	431,966	75,634	141,929
Share of loss on interest in joint venture	(30,187)	(32,856)	(5,869)	(12,804)
	(1,168,880)	(1,038,099)	164,402	193,572
Extra Ordinary / unusual items	-	-	-	-
(LOSS) / PROFIT BEFORE TAXATION	(1,168,880)	(1,038,099)	164,402	193,572
Taxation - current	(594)	3,252	86,033	118,869
- prior year	-	-	-	-
- deferred	15,937	40,817	6,379	(29,283)
	15,343	44,069	92,412	89,586
(Loss) / PROFIT AFTER TAXATION	(1,184,223)	(1,082,168)	71,990	103,986
Unappropriated / unremitted profit / (loss) brought forward	52,049	(29,595)	59,893	34,296
(Loss) / profit available for appropriation / unremitted profit / (loss)	(1,132,174)	(1,111,763)	131,883	138,282
Basic and diluted (loss) / earnings per share (Rupees)	15 (1,928.14)	(1,761.98)	117.21	169.31

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

E. A. Khan

(Signature)

Chief Financial Officer

(Signature)

Managing Director

(Signature)

Director

(Signature)

Director

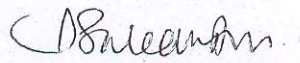
PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2012

	Quarter ended June 30, 2012	Six months ended June 30, 2012	Quarter ended June 30, 2011	Six months ended June 30, 2011
	----- (Rupees in '000) -----			
(Loss) / profit after taxation	(1,184,223)	(1,082,168)	71,990	103,986
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income for the period	<u>(1,184,223)</u>	<u>(1,082,168)</u>	<u>71,990</u>	<u>103,986</u>

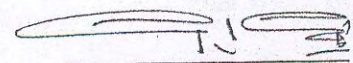
Surplus / (deficit) arising on revaluation of available-for-sale securities has been reported in accordance with the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

Erns



Chief Financial Officer



Managing Director



Director



Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2012

	June 30, 2012	June 30, 2011	
	----- (Rupees in '000) -----		
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation	(1,038,099)	193,572	
Less: Dividend income	(6,836)	(8,974)	
	(1,044,935)	184,598	
Adjustments for non-cash charges:			
Depreciation	7,466	12,556	
Amortisation	6	-	
Provision / (reversal) of provision against non-performing loans and advances - net	95,807	(2,128)	
Unrealised loss on revaluation of investments classified as held-for-trading	32	1,928	
Provision / (reversal) of provision for diminution in the value of investments - net	701,890	77,185	
Reversal of provision against lendings to financial institutions	(3,756)	(10,017)	
Other provisions	290,086	-	
Share of loss on interest in joint venture	32,856	12,804	
Gain on sale of operating fixed assets	(868)	(97)	
	1,123,519	92,231	
	78,584	276,829	
(Increase) / decrease in operating assets:			
Lendings to financial institutions	203,756	1,442,430	
Investments classified as held-for-trading	(105,386)	551,686	
Advances	135,691	332,413	
Other assets	35,816	(277,472)	
	269,877	2,049,057	
(Decrease) / increase in operating liabilities:			
Borrowings from financial institutions	(1,224,722)	(1,046,530)	
Deposits and other accounts	366,192	(1,221,139)	
Other liabilities	50,382	115,171	
	(808,148)	(2,152,498)	
	(459,687)	173,388	
Income tax paid	(23,249)	(58,754)	
Net cash (outflow) / inflow from operating activities	(482,936)	114,634	
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of investments - net	515,932	30,575	
Dividends received	5,371	8,374	
Strategic investment made during the period	-	(100,000)	
Operating fixed assets purchased	(25,424)	(3,526)	
Sale proceeds of property and equipment disposed-off	2,144	120	
Net cash inflow / (outflow) from investing activities	498,023	(64,457)	
Increase / (decrease) in cash and cash equivalents	15,087	50,177	
Cash and cash equivalents at beginning of the period	83,820	112,837	
Cash and cash equivalents at end of the period	98,907	163,014	18

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

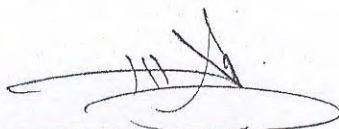
6/10/12



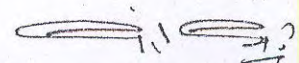
Chief Financial Officer



Managing Director



Director



Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2012

	Issued, subscribed and paid-up capital	Capital reserve Statutory reserve	Revenue reserve Unappropriated profit / (loss)	Total
	----- (Rupees in '000) -----			
Balance as at January 01, 2011	6,141,780	474,801	34,296	6,650,877
Total comprehensive income for the half year ended June 30, 2011				
Profit for the period	-	-	103,986	103,986
Other comprehensive income for the period	-	-	-	-
	-	-	103,986	103,986
Transfer to statutory reserve	-	20,797	(20,797)	-
Balance as at June 30, 2011	<u>6,141,780</u>	<u>495,598</u>	<u>117,485</u>	<u>6,754,863</u>
Total comprehensive income for the half year ended December 31, 2011				
Loss for the period	-	-	(167,877)	(167,877)
Other comprehensive income for the period	-	-	-	-
	-	-	(167,877)	(167,877)
Transfer from statutory reserve - net	-	(20,797)	20,797	-
Balance as at December 31, 2011	<u>6,141,780</u>	<u>474,801</u>	<u>(29,595)</u>	<u>6,586,986</u>
Total comprehensive income for the half year ended June 30, 2012				
Loss for the period	-	-	(1,082,168)	(1,082,168)
Other comprehensive income for the period	-	-	-	-
	-	-	(1,082,168)	(1,082,168)
Transfer from statutory reserve - net	-	(474,801)	474,801	-
Balance as at June 30, 2012	<u><u>6,141,780</u></u>	<u><u>-</u></u>	<u><u>(636,962)</u></u>	<u><u>5,504,818</u></u>

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.

Signature

Signature

Chief Financial Officer

Signature

Managing Director

Signature

Director

Signature

Director

PAK-LIBYA HOLDING COMPANY (PRIVATE) LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2012

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 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 had two sales and service centres located at Lahore and Islamabad. Subsequent to June 30, 2012, the Company has suspended the activities of sales and service center located at Islamabad for the time being with effect from August 05, 2012 after review of the business strategy.

1.2 As at June 30, 2012, the paid-up capital (free of losses) of the Company amounts to Rs.5,505 million. In terms of SBP letter No. OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012 addressed to the Company, the Company is required to provide a concrete capital injection plan by the start of second quarter of 2013. Accordingly, the Board of Directors of the Company has approved the financial projections for the next three years and has envisaged capital enhancement to comply with the regulatory capital requirement and to provide adequate capital base for risk absorption and future business and growth prospects. This financial plan will also be submitted for consideration and approval of the shareholders in the ensuing Annual General Meeting of the Company. Further, the Company has applied to SBP for relaxation in respect of MCR and expects a favorable response (see note 11).

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Company for the six months period ended June 30, 2012 have been prepared in accordance with the requirements of International Accounting Standard 34, 'Interim financial reporting' requirements of the Companies Ordinance, 1984 (the Ordinance) and the provisions of and directives issued by the State Bank of Pakistan (SBP). In case, the requirements differ, the requirements of the Ordinance or the directives of SBP shall prevail.

These condensed interim financial statements have been prepared on the format of the accounts and mode of disclosures prescribed by SBP through its BSD Circular letter No. 2 dated May 12, 2004.

3. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention, except for investments classified as 'available-for-sale' 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.

Erasmus

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, 2011.

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, 2011 other than those disclosed below:

New standards, interpretations and amendments thereof adopted by the Company

The Company has adopted the following amended IFRS which became effective during the period:

Standard or interpretation

IAS 12 – Income Taxes (Amendment) - Recovery of Underlying Assets

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

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, 2011.

6. INVESTMENTS

	Held by company	Given as collateral	Total
	----- (Rupees in '000) -----		
Balance as at June 30, 2012 (Un-audited)	3,855,588	1,245,049	5,100,637
Balance as at December 31, 2011 (Audited)	4,063,595	2,123,728	6,187,323
Balance as at June 30, 2011 (Un-audited)	4,561,801	1,111,118	5,672,919
6.1 Investments by types			
Held-for-trading securities	105,386	-	105,386
Available-for-sale securities	4,553,471	1,253,089	5,806,560
Held-to-maturity securities	54,644	-	54,644
Investment in a joint venture Kamoki Energy Limited, a related party	404,867	-	404,867
	5,118,368	1,253,089	6,371,457
Less: Provision for diminution in value of investments	1,090,762	-	1,090,762
Investments (net of provisions)	4,027,606	1,253,089	5,280,695
Less: Deficit on revaluation of investments classified as			
- held-for-trading securities	32	-	32
- available-for-sale securities	171,986	8,040	180,026
Balance as at June 30, 2012	3,855,588	1,245,049	5,100,637

Signature

		(Un-audited) June 30, 2012	(Audited) December 31, 2011
	Note	----- (Rupees in '000) -----	
6.2 Investments by segments			
Federal government securities			
Market treasury bills		1,777,865	2,147,123
Pakistan investment bonds		283,377	286,758
Fully paid-up Ordinary shares / certificates			
Listed companies		734,084	1,202,023
Unlisted companies		107,191	107,191
Fully paid-up preference shares			
Listed companies		50,000	53,300
Unlisted companies - others		715	-
Unlisted preference shares - Kamoki Energy Limited (KEL)	6.2.1	300,000	300,000
Term Finance Certificates (TFCs)			
Listed TFCs	6.2.2	581,372	520,013
Unlisted TFCs	6.2.2	1,625,567	1,506,784
Participation term certificates			
		7,913	7,913
Interest in a joint venture			
Unlisted Ordinary shares - Kamoki Energy Limited	6.2.1	404,867	437,723
Other investments			
Mutual fund units - listed		69,230	19,230
Commercial paper - unlisted		46,731	23,750
Sukuks		382,545	501,625
Total investment		6,371,457	7,113,433
Less: Provision for diminution in value of investments in KEL:			
- Preference shares	6.2.1	(300,000)	-
- Ordinary shares (strategic investment)	6.2.1	(404,867)	-
Provision for diminution in value of investments	6.2.3	(385,895)	(688,161)
Investments (net of provisions)		5,280,695	6,425,272
Less: Deficit on revaluation of 'held-for-trading' securities			
Deficit on revaluation of 'available-for-sale' securities		32	-
		180,026	237,949
Total investments at market value		5,100,637	6,187,323

6.2.1 As at June 30, 2012, the Company has the following investment / exposure 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 till date.

During the period, a decision was announced by the Honorable Supreme Court of Pakistan (Court) on March 30, 2012 on the Human Rights Case with respect to Rental Power Plants (RPPs) which was initiated by the 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 has filed a review petition against the decision of the Court which is pending adjudication.

BRM

In view of the above circumstances, the Company has carried out an 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". Further, the provisioning against the term loan and mark-up accrued thereon has also been determined in accordance with the requirement of Prudential Regulations issued by the SBP. However, based on the request of the Company, the SBP vide its letter No. OSED/SEO-05/041(01)-12/2218/2012 dated December 26, 2012 has allowed certain relaxations from the provisioning requirements against KEL. Accordingly, the Company has made provisions against diminution in the value of equity investments and against non performing term loan as follows:

Nature of assets / exposures	Note	Book value	Required	Provision	Book value
		before	provision as		after
		provision	per Prudential	held	provision
			Regulations		
			and		
			accounting		
			standards		
			(Rupees in '000)		
Preference shares *		300,000	(300,000)	(300,000)	-
Ordinary shares **		404,867	(404,867)	(404,867)	-
Term loan	7.2.1	1,250,000	(79,938)	(79,938)	1,170,062
Mark-up accrued on term loan	14	299,329	(299,329)	(299,329)	-
Total funded exposure		2,254,196	(1,084,134)	(1,084,134)	1,170,062

* These are unlisted preference shares, the entire issue of which was subscribed by the Company during the quarter ended December 31, 2011. These have been fully provided due to the reasons stated above.

** This represents 50% shareholding in the ordinary shares (Rs.10 each) of KEL, which has been fully provided due to the reasons stated above.

6.2.2 Included in the available-for-sale securities are classified investments of Rs.29.959 million in listed TFCs and Rs.280 million in unlisted TFCs of Azgard Nine Limited. No provision for impairment/diminution in value has been made against these exposures as of June 30, 2012. Subsequent to the period-end, the State Bank of Pakistan vide its letter No. BPRD/BRD-(Policy)/2012-13702 dated November 20, 2012 regarding relaxation in provisioning requirements has required the lenders of Azgard Nine Limited and Agritech Limited to maintain a provision on these exposures in a phased manner under the Prudential Regulations. The said letter requires provision to be maintained equal to 50% of the required provision up to December 31, 2012, 75% of the required provision up to March 31, 2013 and 100% of the required provision up to June 30, 2013. Moreover, subsequent to the period-end, out of the total outstanding principal, an amount of Rs.16.944 million and Rs.100.348 million against these listed and unlisted TFC respectively has been settled by acquiring shares of Agritech Limited (held as a strategic investment).

6.2.3 Included in the available-for-sale securities are ordinary shares of Rs.300 million of Agritech Limited with deficit amounting to Rs.174.60 million as of June 30, 2012. Provision equal to 25% of the identified provision for impairment against diminution in value of investment has been charged to profit and loss account as of June 30, 2012 with respect to these shares based on the provisioning timeline allowed by the State Bank of Pakistan vide its letter No. OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012. The said timeline requires provision to be made equal to 25% of the identified provision by December 31, 2012, another 25% of identified provision by March 31, 2013 and remaining (50%) of the identified provision by June 30, 2013. The benefit realised through these relaxations is not available for payment of dividend, cash or in kind, to the shareholders.

Signature

7. ADVANCES	Note	(Un-audited)	(Audited)
		June 30, 2012	December 31, 2011
		----- (Rupees in '000) -----	
In Pakistan			
Loans	7.1	7,071,669	7,213,639
Net investment in finance lease		360,505	291,571
Consumer loans and advances		295,710	357,584
Staff loans		79,784	79,565
Long-term financing of export oriented projects		60,179	61,179
Advances - gross	7.2	7,867,847	8,003,538
Less: Provision against non-performing advances - specific provision	7.3	1,057,055	960,573
Provision for consumer finance - general provision	7.3	3,177	3,852
		1,060,232	964,425
		6,807,615	7,039,113

7.1 Advances include an amount of Rs.300 million with respect to the term loan facility extended to Warid Telecom Limited. This facility has been kept as regular in light of the relaxation for classification and provisioning requirements allowed by SBP vide its Circular letter No. BPRD/BRD-05/HBL/2012/14802 dated December 13, 2012 from time to time while unrealised mark-up on this facility has been kept in suspense / memorandum account as per the condition stipulated by SBP and recognised as income on cash receipt basis.

7.2 Advances include amounts aggregating to Rs.3,327.428 (December 31, 2011: Rs.1,566.090) million which have been placed under non-performing status as detailed below:

Category of classification	Note	Domestic	Overseas	Total	Provision required	Provision held
		----- (Rupees in '000) -----				
Substandard	7.2.1	571,422	-	571,422	38,974	38,974
Doubtful	7.2.1	1,252,968	-	1,252,968	80,072	80,072
Loss	7.2.2	1,503,038	-	1,503,038	938,009	938,009
		3,327,428	-	3,327,428	1,057,055	1,057,055

7.2.1 These include classified loans aggregating to Rs.1,700 million against which provisioning has been made as below:

Category of classification	Exposure	Provision required (net of FSV)	Provision held (net of FSV)
----- (Rupees in '000) -----			
Substandard	450,000	16,063	16,063
Doubtful (Kamoki Energy Limited: refer note 6.1.3)	1,250,000	79,938	79,938
	1,700,000	96,001	96,001

Provision has been made in these condensed interim financial statements against these loans based on the provisioning timeline allowed by the State Bank of Pakistan vide its letter No. OSED/SEU-05/041(01)-12/2218/2012 dated December 26, 2012. The said timeline requires provision to be made equal to 25% of the identified provision by December 31, 2012, another 25% of identified provision by March 31, 2013 and remaining (50%) of the identified provision by June 30, 2013. The benefit realised through these relaxations is not available for payment of dividend, cash or in kind, to the shareholders. Further, unrealised mark-up on these loans is to be recognised as income on cash receipt basis.

am

7.2.2 This includes a classified (in Loss category requiring 100% provision of outstanding amount (net of eligible FSV)) loan exposure of Rs.500 million in Agritech Limited. No provision has been made against this exposure as of June 30, 2012. Subsequent to the period-end, the State Bank of Pakistan vide its letter no. BPRD/BRD-(Policy)/2012-13702 dated November 20, 2012 regarding relaxation in provisioning requirements has required the lenders of Azgard Nine Limited and Agritech Limited to maintain a provision on these exposures in a phased manner under the Prudential Regulations. The said letter requires provision to be maintained equal to 50% of the required provision up to December 31, 2012, 75% of the required provision up to March 31, 2013 and 100% of the required provision up to June 30, 2013.

7.3 Particulars of provision against non-performing advances:

	(Un-audited) June 30, 2012			(Audited) December 31, 2011		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	960,573	3,852	964,425	1,012,781	6,750	1,019,531
Charge for the period	142,049	-	142,049	39,588	-	39,588
Reversals	(45,567)	(675)	(46,242)	(91,796)	(2,898)	(94,694)
Net charge / (reversals)	96,482	(675)	95,807	(52,208)	(2,898)	(55,106)
Less: Amount written off	-	-	-	-	-	-
Closing balance	1,057,055	3,177	1,060,232	960,573	3,852	964,425

7.3.1 The provision against non-performing advances includes impact of forced sale value benefit amounting to Rs.38.729 million (December 31, 2011: Rs.27.076 million) in respect of consumer financing as allowed by the State Bank of Pakistan vide its BSD Circular No. 1 dated October 21, 2011 and Rs.803.479 million (including Rs.610.495 million for KEL) in respect of corporate financing (loans referred in note 7.2.1 above) as allowed by the State Bank of Pakistan vide its BSD Circular No. 1 dated October 21, 2011 and letter dated OSED/SEU-05/041(01)-12 /2218/ 2012 dated December 26, 2012. The profits and benefits arising out of these relaxations are not available for payment of cash or stock dividend.

	Note	(Un-audited)	(Audited)
		June 30, 2012	December 31, 2011
		----- (Rupees in '000) -----	
8. OPERATING FIXED ASSETS			
Capital work-in-progress		-	886
Property and equipment		85,192	67,622
Intangible assets		53	60
		<u>85,245</u>	<u>68,568</u>
9. BORROWINGS FROM FINANCIAL INSTITUTIONS	9.1	<u>3,312,749</u>	<u>4,537,471</u>

9.1 This includes an amount of Rs.749.70 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% 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.

612-21

(Un-audited) (Audited)
June 30, December 31,
2012 2011

Note ----- (Rupees in '000) -----

10. DEPOSITS AND OTHER ACCOUNTS

Customers

Certificates of investment - (in local currency)

3,069,500 2,570,000

Financial institutions

Certificates of investment - (in local currency)

949,536	1,082,844
<u>4,019,036</u>	<u>3,652,844</u>

11. SHARE CAPITAL AND RESERVES

In order to ensure compliance with minimum capital requirement (MCR) for having a Paid-Up Capital (free of losses) of Rs.6 billion, the Company utilised available capital reserves against the accumulated loss as of June 30, 2012. However, accumulated loss has been partly set off against the available capital reserves and therefore Company is short of MCR by Rs.495.182 million as of June 30, 2012. In this regard, the Board of Directors, in its meetings held on December 09, 2012 and December 10, 2012, has recommended to the shareholders an increase in share capital of the Company through subscription of right issue of shares amounting to Rs.4 billion.

12. CONTINGENCIES AND COMMITMENTS

Contingencies

For the tax years 2009 and 2010, the Additional Commissioner Inland Revenue (ACIR) had raised tax demands aggregating to Rs.361.582 million. The Company filed appeals against these demands with the Commissioner Inland Revenue Appeals [CIR(A)]. Against these appeals, the CIR(A) passed the order No. 19 and 20 dated October 26, 2011 and deleted the additions made on account of loss on leased assets, provision for defined benefit obligations, interest free staff loans and vacated the treatment on proration of expenses against dividend and capital gains; whereas the issue of admissibility of provisions against bad debts / loans and advances was not adjudicated while confirming expenses for penalties and assets disposed to employees. Appeal effect under section 124 of the Income Tax Ordinance, 2001 (ITO) was given by the department in this respect. On the basis thereof, no tax was payable for the tax year 2009. However, later the Company has received demand notice dated September 24, 2012 for the rectification order under section 221 of the ITO whereby demand has been raised of Rs.13.253 million for T.Y. 2009; whereas, for T.Y. 2010, tax demand of Rs.69.684 million is payable as per demand notice dated May 10, 2012 under section 124(4). No provision has been made in the financial statements against these tax demands as the tax consultant and the Company believe that overall outcome of these matters is most likely to be in favor of the Company. Earlier, constitution petitions were also filed by the Company with the Honorable High Court of Sindh (Court) under section 122 5(A) of the Income Tax Ordinance, 2001 which have been dismissed by the Honorable Court.

For tax year 2011, the Commissioner Inland Revenue (CIR) selected the case for audit under section 177 of the Income Tax Ordinance, 2001. Order against the audit proceedings is awaited. Further, subsequent to the period end, additional tax refund of Rs.70.53 million has been filed by the Company for this tax year. However, the said additional tax refund has not been recognised in view of the pending order of the audit proceeding of tax year-2011 and tax position summary. Meanwhile tax department issued the refund adjustment memo to adjust the tax demand of Tax year 2010 from the refund claim of tax year 2011 and tax year 2012 by Rs.63.60 million and Rs.6.08 million respectively.

Signature

(Un-audited) (Audited)
June 30, December 31,
2012 2011

----- (Rupees in '000) -----

Commitments

Note

12.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring:

Government

Others

12.1.1

200,000 200,000

858,528 857,715

1,058,528 1,057,715

12.1.1 This represents the performance guarantees issued on behalf of Kamoki Energy Limited (KEL), a joint venture (see note 6.2 for the status of KEL project).

12.2 Trade - related contingent liabilities

Contingent liabilities in respect of letters of credit favouring:

Government

Others

- -

156,549 186,560

156,549 186,560

12.3 Commitments to extent credit

12.3.1

175,890 202,000

12.3.1 This includes an amount of Rs.2 million (2011: Rs.2 million) with respect to KEL, a joint venture (see note 6.2 for the status of KEL project).

12.4 Unsettled sale of shares

205-

13. GAIN FROM TRADING IN SECURITIES - NET

This includes gain from trading in government securities amounting to Rs.1.893 million (June 2011: Rs.5.633 million).

14. OTHER PROVISION / WRITE OFF

This represents provision created for unrealised mark-up (included in other asset) amounting to Rs.289.086 million pertaining to period upto December 31, 2011 which was reversed during the period ended June 30, 2012 (including for classified advances as discussed in note 7.2.1). Out of this provision, amount of mark-up relating to KEL term loan was Rs.205.69 million.

Quarter ended June 30, 2012	Six months ended June 30, 2012	Quarter ended June 30, 2011	Six months ended June 30, 2011
----- (Rupees in '000) -----			

15. BASIC AND DILUTED
EARNINGS PER SHARE

(Loss) / profit after taxation

(1,184,223) (1,082,168) 71,990 103,986

----- (Number of shares) -----

Weighted average number
of Ordinary shares614,178 614,178 614,178 614,178

----- (Rupees) -----

(Loss) / earnings per share

(1,928.14) (1,761.98) 117.21 169.31

Erasm

16. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading		Payment			Total
	Corporate finance	and sales	Commercial banking	Agency services	Asset management	
	(Rupees in '000)					
Six months ended June 30, 2012						
Total income - net	(143,214)	-	-	-	-	(80,326)
Total expenses	942,098	-	-	-	-	957,773
Net (Loss) / income	(1,085,312)	-	-	-	-	(1,038,099)
Segment assets (gross)	15,432,355	-	-	-	-	15,748,199
Segment non performing loans	3,239,881	-	-	-	-	3,327,428
Segment provision required	2,650,855	-	-	-	-	2,697,874
Segment liabilities	7,496,890	-	-	-	-	7,718,501
Net assets	5,284,610	-	-	-	-	5,331,824
Segment return on net assets (ROA)%	-41.07%	-	-	-	-	-38.94%
Segment cost of funds (%) (borrowing cost)	12.68%	-	-	-	-	12.68%
Six months ended June 30, 2011						
Total income	889,442	-	-	-	-	922,918
Total expenses	707,815	-	-	-	-	729,346
Net income	181,627	-	-	-	-	193,572
Segment assets (gross)	15,666,133	-	-	-	-	16,132,029
Segment non performing loans	1,493,165	-	-	-	-	1,618,040
Segment provision required	1,753,572	-	-	-	-	1,847,111
Segment liabilities	7,414,624	-	-	-	-	7,763,346
Net assets	6,497,937	-	-	-	-	6,521,572
Segment return on net assets (ROA)%	5.59%	-	-	-	-	5.94%
Segment cost of funds (%) (borrowing cost)	13.81%	-	-	-	-	13.81%

Ena

17. 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 personnel (Executive Committee Members & Executive Vice President and above) are governed by the applicable policies and/ or terms of employment / office.

Transactions and balances with related parties are as follows:

	(Un-audited) June 30, 2012					(Audited) December 31, 2011				
	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)				
17.1 Balances										
Bank balance	-	-	-	64,604	-	-	-	-	42,642	-
Investments										
opening balance	-	-	800,000	2,716,408	54,500	-	-	400,000	2,188,794	54,500
Investment made during the period	-	-	-	4,424,581	-	-	-	400,000	3,596,539	-
Investment redeemed / disposed off during the period	-	-	-	(4,817,654)	-	-	-	-	(3,070,925)	-
Share of loss	-	-	(95,133)	-	-	-	-	(62,277)	-	-
Closing balance	-	-	704,867	2,323,335	54,500	-	-	737,723	2,716,408	54,500
Provision for diminution in value of investments	-	-	704,867	-	13,150	-	-	-	-	13,150
Surplus / (deficit) on revaluation of investments	-	-	-	(20,091)	-	-	-	-	(23,401)	-
Advances										
Opening balance	-	41,146	1,250,000	945,170	-	-	37,396	1,171,427	1,000,000	181
Addition during the period	-	6,444	-	-	-	-	41,404	78,573	500,000	-
Repaid during the period	-	(11,809)	-	-	-	-	(37,654)	-	(554,830)	(181)
Closing balance	-	35,781	1,250,000	945,170	-	-	41,146	1,250,000	945,170	-
Provision held against advances	-	-	79,938	-	-	-	-	-	-	-
Other assets										
Mark-up receivable on term loan										
- Gross	-	2,206	299,329	63,069	-	-	2,604	205,690	52,207	-
- Suspended / provided	-	-	299,329	-	-	-	-	-	-	-
Borrowings from financial institutions										
Opening	-	-	-	2,198,505	-	-	-	-	958,691	-
Borrowings during the period	-	-	-	13,416,622	-	-	-	-	15,646,631	-
Settled during the period	-	-	-	(14,410,809)	-	-	-	-	(14,406,818)	-
Closing balance	-	-	-	1,204,318	-	-	-	-	2,198,504	-
Deposits and other accounts										
Opening balance	-	-	-	3,522,844	130,000	-	-	-	3,910,237	50,000
Additions during the period	-	-	-	2,663,754	140,000	-	-	-	7,792,580	310,000
Repayments during the period	-	-	-	(2,442,562)	(50,000)	-	-	-	(8,179,973)	(230,000)
Adjustment **	-	-	-	-	(100,000)	-	-	-	-	-
Closing balance	-	-	-	3,744,036	120,000	-	-	-	3,522,844	130,000
Other liabilities										
Amount payable to retirement benefit funds	-	-	-	-	12,126	-	-	-	-	2,929
Others	-	-	1,008	-	-	-	-	1,008	-	-
	-	-	1,008	-	12,126	-	-	1,008	-	2,929
Contingencies and commitments										
Letter of guarantee	-	-	858,528	-	-	-	-	857,715	-	-
Commitment to extend credit	-	-	2,000	-	-	-	-	2,000	-	-
	-	-	860,528	-	-	-	-	859,715	-	-

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

	(Un-audited) June 30, 2012					(Un-audited) June 30, 2011				
	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)				
17.2 Transactions, Income and expenses										
Mark-up / return / interest earned -net	-	1,274	-	211,164	400	-	1,255	104,878	205,443	10
Mark-up / return / interest expensed	-	-	-	350,896	10,119	-	-	-	129,166	2,832
Contribution paid to defined contribution plan	-	-	-	-	2,127	-	-	-	-	1,938
Contribution paid to defined benefit plan	-	-	-	-	4,704	-	-	-	-	2,665
Non-executive directors' remuneration	109	-	-	-	-	94	-	-	-	-
Remuneration paid	-	46,208	-	-	-	-	44,057	-	-	-
Share of loss	-	-	32,856	-	-	-	-	12,804	-	-

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

** Adjustment due to retirement of director.

Erman

(Un-audited) June 30, 2012	(Un-audited) June 30, 2011
----- (Rupees in '000) -----	

18. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	64,699	39,937
Balances with other banks	34,208	73,077
Placements	-	50,000
	98,907	163,014

19. CREDIT RATING

In its latest rating announcement (June 2012), 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).

20. DATE OF AUTHORISATION FOR ISSUE

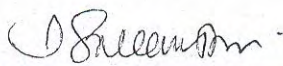
These condensed interim financial statements were authorised for issue on February 01, 2013 by the Board of Directors of the Company.

21. GENERAL

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

21.2 Figures of the profit and loss account for the quarters ended June 30, 2012 and June 30, 2011 have not been subjected to limited scope review by the auditors as they are only required to review Half-yearly figures.

amr



Chief Financial Officer



Managing Director



Director



Director