

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

		(Un-audited) September 30, 2012	(Audited) December 31, 2011
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		122,153	42,643
Balances with other banks		6,074	41,177
Lendings to financial institutions		-	200,000
Investments	6	5,665,591	6,187,323
Advances	7	6,661,979	7,039,113
Other assets	8	465,025	900,555
Operating fixed assets	9	81,069	68,568
Deferred tax assets		348,626	404,497
		13,350,517	14,883,876
LIABILITIES			
Bills payable		-	-
Borrowings from financial institutions	10	3,719,193	4,537,471
Deposits and other accounts	11	3,898,639	3,652,844
Sub-ordinated loans		-	-
Liabilities against assets subject to finance leases		-	-
Other liabilities		456,870	336,334
Deferred tax liabilities		-	-
		8,074,702	8,526,649
NET ASSETS			
		5,275,815	6,357,227
REPRESENTED BY			
Share capital		6,141,780	6,141,780
Reserves	12	-	474,801
Unappropriated loss		(685,278)	(29,595)
		5,456,502	6,586,986
Deficit on revaluation of available for sale securities - net of tax		(180,687)	(229,759)
		5,275,815	6,357,227
CONTINGENCIES AND COMMITMENTS			
	13		

The annexed notes from 1 to 22 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 PERIOD ENDED SEPTEMBER 30, 2012

	Quarter ended September 30, 2012	Nine months ended September 30, 2012	Quarter ended September 30, 2011	Nine months ended September 30, 2011
Note	(Rupees in '000)			
Mark-up / return / interest earned	290,657	922,582	426,905	1,361,221
Mark-up / return / interest expensed	229,664	722,615	261,811	836,424
Net mark-up / interest income	60,993	199,967	165,094	524,797
Provision / (reversal) against loans and advances - net	21,220	117,027	1,475	(653)
Provision for diminution in the value of investments - net	2,275	704,165	20,105	97,290
Bad debts written off directly	-	-	-	-
Reversal of provision against lendings to financial institutions	-	(3,756)	-	(10,017)
Net mark-up / interest / income after provisions	23,495	817,436	21,580	86,620
	37,498	(617,469)	143,514	438,177
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	755	2,315	7,318	12,206
Dividend income	1,430	8,266	1,956	10,930
Gain from trading in securities - net	23,981	95,970	(1,072)	9,707
Income from dealing in foreign currencies	-	-	-	-
Unrealised loss on revaluation of investments classified as held-for-trading	32	-	333	(1,595)
Other income	551	1,888	66	30,995
Total non mark-up / interest income	26,749	108,439	8,601	62,243
	64,247	(509,030)	152,115	500,420
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	66,908	202,527	87,034	218,562
Other provision / write off	35,616	325,702	388	388
Other charges	789	7,050	427	10,828
Total non mark-up / interest expenses	103,313	535,279	87,849	229,778
Share of loss on interest in joint venture	-	(32,856)	(5,859)	(18,663)
	(39,066)	(1,077,165)	58,407	251,979
Extra Ordinary / unusual items	-	-	-	-
(LOSS) / PROFIT BEFORE TAXATION	(39,066)	(1,077,165)	58,407	251,979
Taxation - current	1,508	4,760	32,787	151,656
- prior year	-	-	-	-
- deferred	7,742	48,559	(15,223)	(44,506)
	9,250	53,319	17,564	107,150
(LOSS) / PROFIT AFTER TAXATION	(48,316)	(1,130,484)	40,843	144,829
Unappropriated / unremitted profit / (loss) brought forward	(636,962)	(29,595)	117,485	34,296
(Loss) / Profit available for appropriation / unremitted (Loss) / profit	(685,278)	(1,160,079)	158,328	179,125
Diluted (Loss) / earnings per share (Rupees)	(78.67)	(1,840.65)	66.50	235.81

The annexed notes from 1 to 22 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 PERIOD ENDED SEPTEMBER 30, 2012

	Quarter ended September 30, 2012	Nine months ended September 30, 2012	Quarter ended September 30, 2011	Nine months ended September 30, 2011
	----- (Rupees in '000) -----			
(Loss)/Profit after taxation	(48,316)	(1,130,484)	40,843	144,829
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income for the period	<u><u>(48,316)</u></u>	<u><u>(1,130,484)</u></u>	<u><u>40,843</u></u>	<u><u>144,829</u></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 22 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 CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2012

		September 30, 2012	September 30, 2011
Note		----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / Profit before taxation		(1,077,165)	251,979
Less: Dividend income		(8,266)	(10,930)
		(1,085,431)	259,712
Adjustments for non-cash charges:			
Depreciation		12,472	22,523
Amortisation		6	-
Provision / (Reversal of provision) against non-performing loans and advances - net		117,027	(653)
Unrealised loss on revaluation of investments classified as held-for-trading		-	1,595
Provision for diminution in the value of investments - net		704,165	97,290
Reversal of provision against lendings to financial institutions		(3,756)	(10,017)
Other provisions		325,702	388
Share of loss on interest in joint venture		32,856	18,663
Gain on sale of operating fixed assets		(892)	(132)
		1,187,580	110,994
		102,149	370,706
(Increase) / decrease in operating assets:			
Lendings to financial institutions		203,756	1,442,431
Investments classified as held-for-trading		-	562,556
Advances		260,107	426,585
Other assets		77,191	(298,612)
		541,054	2,132,960
(Decrease) / increase in operating liabilities:			
Borrowings from financial institutions		(818,278)	(1,004,201)
Deposits and other accounts		245,795	(1,404,043)
Other liabilities		120,536	133,470
		(451,947)	(2,274,774)
		191,256	228,892
Income tax paid		(25,843)	(82,819)
Net cash (outflow) / inflow from operating activities		165,413	146,073
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from dealing in investments - net		(103,040)	86,895
Dividends received		6,121	15,974
Strategic investment made during the period		-	(100,000)
Operating fixed assets purchased		(26,256)	(4,204)
Sale proceeds of property and equipment disposed-off		2,169	155
Net cash inflow / (outflow) from investing activities		(121,006)	(1,180)
Increase / (decrease) in cash and cash equivalents		44,407	144,893
Cash and cash equivalents at beginning of the period		83,820	112,837
Cash and cash equivalents at end of the period	19	128,227	257,730

The annexed notes from 1 to 22 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 CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 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 nine months ended September 30, 2011				
Profit for the period	-	-	144,829	144,829
Other comprehensive income for the period	-	-	-	-
	-	-	144,829	144,829
Transfer to statutory reserve	-	28,966	(28,966)	-
Balance as at September 30, 2011	6,141,780	503,767	150,159	6,795,706
Total comprehensive income for the quarter ended December 31, 2011				
Loss for the period	-	-	(208,720)	(208,720)
Other comprehensive income for the period	-	-	-	-
	-	-	(208,720)	(208,720)
Transfer from statutory reserve -net	-	(28,966)	28,966	-
Balance as at December 31, 2011	6,141,780	474,801	(29,595)	6,586,986
Total comprehensive income for the nine months ended September 30, 2012				
Loss for the period	-	-	(1,130,484)	(1,130,484)
Other comprehensive income for the period	-	-	-	-
	-	-	(1,130,484)	(1,130,484)
Transfer from statutory reserve -net	-	(474,801)	474,801	-
Balance as at September 30, 2012	6,141,780	-	(685,278)	5,456,502

The annexed notes from 1 to 22 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 PERIOD ENDED SEPTEMBER 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 interalia includes the promotion of economic growth of Pakistan through industrial development, to undertake other feasible business and to establish and acquire companies to conduct various businesses as may be decided from time to time. The Company is designated as a Development Financial Institution (DFI) under the BPD Circular No. 35 dated October 28, 2003 issued by the State Bank of Pakistan.

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. 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 September 30, 2012, the paid-up capital (free of losses) of the Company amounts to Rs.5,457 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 12).

2. STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Company for the nine months period ended September 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.

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.

Note	Held by company -----	Given as collateral (Rupees in '000)	Total -----
6. INVESTMENTS			
Balance as at September 30, 2012 (Un-audited)	4,016,383	1,649,208	5,665,591
Balance as at December 31, 2011 (Audited)	4,063,595	2,123,728	6,187,323
Balance as at September 30, 2011 (Un-audited)	4,135,405	1,421,524	5,556,929
6.1 Investment by types			
Held-for-trading securities			
Available-for-sale securities	4,819,978	1,649,304	6,469,282
Held-to-maturity securities	56,324		56,324
Investment in a joint venture			
Kamoki Energy Limited, a related party	404,867	-	404,867
	5,281,169	1,649,304	6,930,473
Less: Provision for diminution in value of investments	1,083,317	-	1,083,317
Investments (net of provisions)	4,197,852	1,649,304	5,847,156
Less: Deficit on revaluation of investments classified as			
- held-for-trading securities	-	-	-
- available for sale securities	181,469	96	181,565
Balance as at September 30, 2012	4,016,383	1,649,208	5,665,591

6.1.1 This includes an amount of Rs. 300 million w.r.t. entire issue of preference shares of Kamoki Energy Limited, a related party, which was subscribed by the Company during the quarter ended December 31, 2011. These shares are stated at cost with full provision for diminution in the value of investment in light of the impairment test as referred in note 6.1.3.

6.1.2 This represents book value for 50% shareholding in the Ordinary shares of KEL, a related party, which is an unlisted public limited company incorporated in 2009 with principal activity to own, construct, manage and operate rental electric power generation plant (Rental Power Plant). It is a joint venture with equal share (ordinary shares) holding between Pak-Libya Holding Company (Pvt.) Limited (the Company) and Tapal family. This investment is held as a strategic investment in terms of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan. KEL to date could not commence its commercial operations. These shares are stated at book value determined under equity method of accounting with full provision for diminution in the value of investment in light of the impairment test as referred in note 6.1.3.

6.1.3 The Company has following fund based assets /exposures as of September 30, 2012 in KEL, a related party;

Nature of assets / exposures	Note	Book value before provision	Provision as per Prudential Regulations and accounting standards	Book value after provision
------(Rupees in '000)-----				
Preference shares	6.1.1	300,000	(300,000)	-
Ordinary shares	6.1.2	404,867	(404,867)	-
Term loan	7.2.1	1,250,000	(79,938)	1,170,062
Mark-up accrued on term loan				-
net of suspended mark-up	18.1	345,892	(345,892)	-
Other receivables (essential payments on behalf of KEL)	6.1.4	24,669	-	24,669
Total		<u>2,325,428</u>	<u>(1,130,697)</u>	<u>1,194,731</u>

During this year, 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 Honorable Court taking a suo motu 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 Honorable Court which is pending adjudication.

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/SEU-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 detailed above.

6.1.4 These are day to day essential payments made on behalf of KEL to protect interest of the Company in KEL.

6.1.5 This includes ordinary shares of Rs. 300 million of Agritech Limited with deficit amounting to Rs. 180.70 million as of September 30, 2012. Out of this total deficit, a provision equal to 25% of the required provision for impairment against this diminution in value of investment is held as of September 30, 2012 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 required provision by December 31, 2012, another 25% of required provision by March 31, 2013 and remaining (50%) of the required 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.

6.1.6 These include classified investments of Rs.29.959 million in listed TFCs and Rs. 280 million in unlisted TFCs of Azgard Nine Limited. No provision for diminution in value has been made against these exposures as of September 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 TFCs, respectively of Azgard Nine Limited has been settled by acquiring shares of Agritech Limited (held as a strategic investment).

		(Un-audited) September 30, 2012	(Audited) December 31, 2011
	Note	----- (Rupees in '000) -----	
6.2 Investments by segments			
Federal government securities			
Market treasury bills		2,547,687	2,147,123
Pakistan investment bonds		384,847	286,758
Fully paid-up Ordinary shares / certificates			
Listed companies	6.1.5	584,664	1,202,023
Unlisted companies	6.2.1	162,341	107,191
Fully paid-up preference shares			
Listed companies		50,715	53,300
Unlisted preference shares - Kamoki Energy Limited	6.1.1 & 6.1.3	300,000	300,000
Term Finance Certificates (TFCs)			
Listed TFCs	6.1.6 & 6.2.2	415,136	520,013
Unlisted TFCs	6.1.6 & 6.2.2	1,506,890	1,506,784
Participation term certificates		7,913	7,913
Interest in a joint venture			
Unlisted Ordinary shares - Kamoki Energy Limited	6.1.2 & 6.1.3	404,867	437,723
Other investments			
Mutual fund units - listed		139,230	19,230
Commercial paper - unlisted		48,411	23,750
Sukuks - Unlisted		377,772	501,625
Total investment		6,930,473	7,113,433
Less: Provision for diminution in value of investments in KEL:			
- Preference shares	6.1.1 & 6.1.3	(300,000)	-
- Ordinary shares (Strategic Investment)	6.1.2 & 6.1.3	(404,867)	-
Less: Provision for diminution in value of investments	6.1.5	(378,450)	(688,161)
Investments (net of provisions)		5,847,156	6,425,272
Less: Deficit on revaluation of 'held-for-trading' securities		-	-
Less: Deficit on revaluation of 'available-for-sale' securities	6.1.5	181,565	237,949
Total investments at market value		5,665,591	6,187,323

6.2.1 The Company has been allotted 4,007,383 shares of Karachi Stock Exchange Limited having par value of Rs. 10/- each along with Trading Rights Entitlement Certificate (TREC). These shares have been allotted as per the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 ("the Act") during the quarter ended September 30, 2012. Out of these total allotted shares, 1,602,593 (40%) shares have been deposited in Company's Central Depository Company of Pakistan Ltd. (CDC) House Account while remaining 2,404,430 (60%) have been deposited in Company's CDC sub-account and blocked as per the provisions of the Act. Accordingly, the Company has classified its investment in Karachi Stock Exchange membership card from earlier category of "Other Assets" to the category of "Investments" (in unlisted companies) and carried at cost of Rs. 55,150 thousands which was earlier incurred by the Company to acquire the KSE card. TREC value once established will be separated from the shares value.

6.2.2 The unlisted TFCs include an amount of Rs. 80.40 million being investment (AFS) in fresh TFC Issue of Azgard Nine Limited (ANL). These TFCs have been acquired during the period against settlement of the overdue mark up upto March 31, 2012 against the TFCs of ANL held by the Company. 100% provision is held against these fresh TFCs.

	Note	(Un-audited) September 30, 2012	(Audited) December 31, 2011
----- (Rupees in '000) -----			
7. ADVANCES			
In Pakistan			
Loans	7.1	6,878,761	7,213,639
Net investment in finance lease		362,951	291,571
Consumer loans and advances		276,673	357,584
Staff loans		85,252	79,565
Long-term financing of export oriented projects		139,794	61,179
Advances - gross	7.2	7,743,431	8,003,538
Less: Provision against non-performing advances - specific provision	7.3	1,078,697	960,573
Less: Provision for consumer finance - general provision	7.3	2,755	3,852
		1,081,452	964,425
		6,661,979	7,039,113

7.1 Advances include an amount of Rs. 300 million w.r.t. 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 and from time to time while unrealized mark-up on this facility has been kept in suspense / memorandum account as per the condition stipulated by SBP and recognized as income on cash receipt basis.

7.2 Advances include amounts aggregating to Rs.3,327.953 (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	478,034	-	478,034	17,823	17,823
Doubtful	7.2.1	1,343,966	-	1,343,966	122,531	122,531
Loss	7.2.2	1,505,953	-	1,505,953	938,343	938,343
		3,327,953	-	3,327,953	1,078,697	1,078,697

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	Provision held
		----- (Rupees in '000) -----	
		(net of FSV)	(net of FSV)
Substandard	450,000	64,254	16,064
Doubtful (Kamoki Energy Limited : refer note 6.1.3)	1,250,000	319,753	79,938
	1,700,000	384,006	96,002

Provision equal to 25% of the required provision is held as of September 30, 2012 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 required provision by December 31, 2012, another 25% of required provision by March 31, 2013 and remaining (50%) of the required 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, un-realised mark up on these loans is to be recognized as income on cash receipt basis.

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 September 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) September 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	164,727	-	164,727	39,588	-	39,588
Reversals	(46,603)	(1,097)	(47,700)	(91,796)	(2,898)	(94,694)
Net Charge / (reversals)	118,124	(1,097)	117,027	(52,208)	(2,898)	(55,106)
Less: Amount written off	-	-	-	-	-	-
Closing balance	1,078,697	2,755	1,081,452	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.38.609 million (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 these relaxations are not available for payment of cash or stock dividend.

8. OTHER ASSETS

The Karachi Stock Exchange membership card (KSE card) earlier held in "other assets" has been classified as "Investment in Unquoted shares" (Also refer to note 6.2.1).

	Note	(Un-audited)	(Audited)
		September 30, 2012	December 31, 2011
		----- (Rupees in '000) -----	
9. OPERATING FIXED ASSETS			
Capital work-in-progress		-	886
Property and equipment		81,019	67,622
Intangible assets		50	60
		<u>81,069</u>	<u>68,568</u>
10. BORROWINGS FROM FINANCIAL INSTITUTIONS	10.1	<u>3,719,193</u>	<u>4,537,471</u>

10.1 This includes an amount of Rs.749.550 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.

11. DEPOSITS AND OTHER ACCOUNTS

Customers

Certificates of investment - (in local currency) 3,059,639 2,570,000

Financial institutions

Certificates of investment - (in local currency) 839,000 1,082,844

3,898,639 3,652,844

12. 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.543.498 million as of September 30, 2012. In this regard, the Board of Directors, in its meeting 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.

13. 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 & 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 u/s 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 u/s 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 recognized 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.

	Note	(Un-audited) September 30, 2012	(Audited) December 31, 2011
----- (Rupees in '000) -----			
Commitments			
13.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring:			
Government		200,000	200,000
Others	13.1.1	858,621	857,715
		<u>1,058,621</u>	<u>1,057,715</u>

13.1.1 This represents the performance guarantees issued on behalf of Kamoki Energy Limited (KEL), a joint venture (see note 6.1.3 for the status of KEL project which has impact on the status of these guarantees).

13.2 Trade - related contingent liabilities

Contingent liabilities in respect of letters of credit favouring:

Government

-

-

Others

147,582186,560147,582186,560**13.3 Commitments to extent credit**

13.3.1

165,889202,000

13.3.1 This includes an amount of Rs.2 million (2011: Rs.2 million) with respect to Kamoki Energy Limited, a joint venture (see note 6.1.3 for the status of KEL project which has impact on the status of this commitment).

13.4 Unsettled purchase of Govt. Sect.52,061-**14. GAIN FROM TRADING IN SECURITIES - NET**

This includes gain from trading in government securities amounting to Rs.13.063 million (September 2011: Rs.5.633 million).

15. OTHER PROVISION / WRITE OFF

This includes amount provision created for unrealised mark-up (included in other asset) pertaining to period up till December 31, 2011 which was reversed during the quarter ended June 30, 2012 (including for classified loans as discussed in note 7.2.1). Current outstanding provision in this respect is Rs. 287.402 million. Out of this provision, amount of mark-up relating to KEL term loan is Rs. 205.69 million.

	Quarter ended September 30, 2012	Nine months ended September 30, 2012	Quarter ended September 30, 2011	Nine months ended September 30, 2011
----- (Rupees in '000) -----				
16. BASIC AND DILUTED EARNINGS PER SHARE				
(Loss) / Profit after taxation	<u>(48,316)</u>	<u>(1,130,484)</u>	<u>40,843</u>	<u>144,829</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) -----				
(Loss) / Earnings per share	<u>(78.67)</u>	<u>(1,840.65)</u>	<u>66.50</u>	<u>235.81</u>

18. 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) September 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)				
18.1 Balances										
Bank balance	-	-	-	122,062	-	-	-	-	42,642	-
Investments										
opening balance	-	-	800,000	2,716,408	54,500	-	-	400,000	2,188,794	54,500
Investment made during the period	-	-	-	9,030,313	-	-	-	400,000	3,598,539	-
Investment redeemed / disposed off during the period	-	-	-	(8,551,365)	-	-	-	-	(3,070,925)	-
Share of loss	-	-	(95,133)	-	-	-	-	(62,277)	-	-
Closing balance	-	-	704,867	3,195,356	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	-	-	-	(2,511)	-	-	-	-	(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	-	9,906	-	-	-	-	41,404	78,573	500,000	-
Repaid during the period	-	(13,339)	-	-	-	-	(37,654)	-	(554,830)	(181)
Closing balance	-	37,713	1,250,000	945,170	-	-	41,146	1,250,000	945,170	-
Provision held against advances			79,938							
Other assets										
Amount receivable from retirement benefit funds	-	-	-	-	5,492	-	-	-	-	8,677
Other receivable	-	-	24,669	-	-	-	-	-	-	-
Mark-up receivable on term loan	-	2,212	345,892	57,609	-	-	2,604	205,690	52,207	-
- Gross	-	-	345,892	13,594	-	-	-	-	-	-
- Suspended	-	-	-	-	-	-	-	-	-	-
Borrowings from financial Institutions										
Opening	-	-	-	2,198,505	-	-	-	-	958,691	-
Borrowings during the period	-	-	-	32,109,847	-	-	-	-	15,646,631	-
Settled during the period	-	-	-	(33,093,164)	-	-	-	-	(14,406,818)	-
Closing balance	-	-	-	1,215,188	-	-	-	-	2,198,505	-
Deposits and other accounts										
Opening balance	-	-	-	3,522,844	130,000	-	-	-	3,910,237	50,000
Additions during the period	-	-	-	6,836,597	150,000	-	-	-	7,792,580	310,000
Repayments during the period	-	-	-	(7,064,941)	(70,000)	-	-	-	(8,179,973)	(230,000)
Adjustment **	-	-	-	-	(100,000)	-	-	-	-	-
Closing balance	-	-	-	3,294,500	110,000	-	-	-	3,522,844	130,000
Other liabilities										
Profit payable	-	-	-	314,435	1,322	-	-	-	233,746	1,321
Amount payable to retirement benefit funds	-	-	-	-	15,064	-	-	-	-	11,606
Others	-	-	1,008	-	-	-	-	1,008	-	-
	-	-	1,008	314,435	16,386	-	-	1,008	233,746	12,927
Contingencies and commitments										
Letter of guarantee	-	-	858,621	-	-	-	-	857,715	-	-
Commitment to extend credit	-	-	2,000	-	-	-	-	2,000	-	-
	-	-	860,621	-	-	-	-	859,715	-	-

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

	(Un-audited) September 30, 2012					(Un-audited) September 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)				
18.2 Transactions, income and expenses										
Mark-up / return / interest earned	-	1,604	-	327,484	400	-	1,783	157,516	354,999	10
Mark-up / return / interest expensed	-	-	-	507,688	13,804	-	-	-	462,219	5,012
Contribution paid to defined contribution plan	-	-	-	-	2,579	-	-	-	-	2,968
Contribution paid to defined benefit plan	-	-	-	-	7,056	-	-	-	-	2,665
Non-executive directors' remuneration	109	-	-	-	-	94	-	-	-	-
Remuneration paid	-	77,785	-	-	-	-	44,057	-	-	-
Share of loss	-	-	32,856	-	-	-	-	18,663	-	-

* 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.

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

19. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	122,153	161,805
Balances with other banks	6,074	45,925
Placements	-	50,000
	<u>128,227</u>	<u>257,730</u>

20. 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).

21. DATE OF AUTHORISATION FOR ISSUE

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

22. GENERAL

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

Chief Financial Officer

Managing Director

Director

Director