



PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

**CONDENSED INTERIM FINANCIAL INFORMATION
(UN-AUDITED)**

For the Half Year ended June 30, 2016



KPMG Taseer Hadi & Co.
Chartered Accountants
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Independent Auditors' Review Report to the Members of Pakistan Kuwait Investment Company (Private) Limited

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Pakistan Kuwait Investment Company (Private) Limited** ("the Company") as at June 30, 2016, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of the condensed 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 the condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed 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

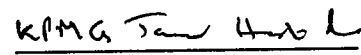
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other Matters

The figures for the quarter ended June 30, 2016 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Date: July 27, 2016

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

Pakistan Kuwait Investment Company (Private) Limited
Condensed Interim Statement of Financial Position

As at June 30, 2016

	Note	June 30, 2016 (Un -Audited) (Rupees in '000)	December 31, 2015 (Audited)
ASSETS			
Cash and balances with treasury banks		65,398	63,957
Balances with other banks		174,091	20,718
Lendings to financial institutions		-	-
Investments	6	22,662,938	22,142,622
Advances	7	5,150,201	5,113,644
Operating fixed assets		207,906	169,034
Deferred tax assets		-	-
Other assets		628,415	857,012
		28,888,949	28,366,987
LIABILITIES			
Bills payable		-	-
Borrowings from financial institutions	8	5,696,984	6,246,955
Deposits and other accounts	9	259,770	179,750
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		841,207	857,838
Other liabilities		449,198	466,550
		7,247,159	7,751,093
NET ASSETS		21,641,790	20,615,894
REPRESENTED BY			
Share capital		6,000,000	6,000,000
Reserves		5,840,571	5,748,570
Unappropriated profit		8,787,797	7,978,238
		20,628,368	19,726,808
Surplus on revaluation of 'available-for-sale' securities - net of tax	10	1,013,422	889,086
		21,641,790	20,615,894
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 17 form an integral part of the condensed interim financial information.

RPMCM


Chief Financial Officer


Chief Executive


Director


Chief Executive


Director


Pakistan Kuwait Investment Company (Private) Limited
Condensed Interim Profit and Loss Account - (Un-audited)
For the half year ended June 30, 2016

For the half year ended June 30, 2016

Note	Quarter ended	Half year ended	Quarter ended	Half year ended
	June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2015
	(Rupees in '000)			
Mark-up / return / interest earned	313,231	632,178	290,217	601,641
Mark-up / return / interest expensed	83,954	178,340	88,925	179,083
Net mark-up / interest income	229,277	453,838	201,292	422,558
Reversal of provision against non-performing loans and advances - net	(18,240)	(37,824)	(6,843)	(22,943)
Provision for diminution / impairment in the value of investments	-	17,947	113,925	113,925
Bad debts written off directly	-	-	-	-
	(18,240)	(19,877)	107,082	90,982
Net mark-up / interest income after provisions	247,517	473,715	94,210	331,576
NON-MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	1,554	1,792	10,315	10,459
Dividend income	25,157	158,596	56,235	176,078
Income from dealing in foreign currencies	-	-	-	-
Gain on sale of securities	58,024	58,052	81,502	194,084
Unrealised (loss) / gain on revaluation of 'held-for-trading' securities	(1,954)	1,753	118	212
Share in results of associates - net	643,786	1,057,230	615,876	857,622
Other income	8,487	15,631	6,531	12,731
Total non mark-up / interest income	735,054	1,293,054	770,577	1,251,186
NON-MARK-UP / INTEREST EXPENSES				
Administrative expenses	137,075	254,197	137,935	248,086
Reversal of provision on fixed assets and non-current asset held for sale - net	(42,693)	(42,693)	-	-
Other charges	-	-	30	30
Total non mark-up / interest expenses	94,382	211,504	137,965	248,116
Extra ordinary / unusual items	-	-	-	-
	888,189	1,555,265	726,822	1,334,646
PROFIT BEFORE TAXATION				
Taxation				
- Current	126,388	241,021	90,128	203,875
- Prior years	-	-	-	-
- Deferred	64,737	41,513	263,004	234,398
	191,125	282,534	353,132	438,273
PROFIT AFTER TAXATION	697,064	1,272,731	373,690	896,373
	Rupees			
Basic and diluted earning per share (On share of Rs. 25,000 each)	2,904	5,303	1,557	3,735

The annexed notes 1 to 17 form an integral part of the condensed interim financial information.

KINC


Chief Financial Officer


Chief Executive


Director



Chief Executive



Director

Pakistan Kuwait Investment Company (Private) Limited
 Condensed Interim Statement of Comprehensive Income - (Un-audited)
 For the half year ended June 30, 2016

Note	Quarter ended	Half year ended	Quarter ended	Half year ended
	June 30, 2016	June 30, 2016	June 30, 2015	June 30, 2015
(Rupees in '000)				
	697,064	1,272,731	373,690	896,373
Profit for the period				
Other comprehensive income				
Not to be reclassified to profit and loss account in subsequent periods				
Share of remeasurement of defined benefit plans of associates - net of deferred tax	-	(8,172)	(6,590)	(6,590)
Comprehensive income transferred to equity	697,064	1,264,559	367,100	889,783
Component of comprehensive income not transferred to equity				
Share of (deficit) / surplus on revaluation of 'available for sale' securities of associates	6.2 (67,813)	119	(64,970)	(205,860)
Deferred tax on revaluation of 'available for sale' securities of associates	5,479	306	6,328	21,224
Surplus on revaluation of 'available for sale' securities	260,871	66,074	368,605	170,303
Deferred tax on revaluation of 'available-for-sale' securities	(32,485)	57,837	(33,498)	66,871
Total comprehensive income for the period	863,116	1,388,895	643,565	942,321

The annexed notes 1 to 17 form an integral part of the condensed interim financial information.


 Chief Financial Officer


 Chief Executive


 Director


 Chief Executive


 Director


Pakistan Kuwait Investment Company (Private) Limited
 Condensed Interim Statement of Changes in Equity - (Un-audited)
 For the half year ended June 30, 2016

	Share Capital	Statutory Reserve	Non-distributable Reserve	Capital Market Equalization Reserve	Unappropriated profit	Total
(Rupees in '000)						
Balance as at January 01, 2015	6,000,000	4,088,974	843,263	267,768	7,312,036	18,512,041
Profit for the half year ended June 30, 2015	-	-	-	-	896,373	896,373
Other comprehensive income	-	-	-	-	(6,590)	(6,590)
Total comprehensive income	-	-	-	-	889,783	889,783
Transactions with the owners of the Company						
Final dividend for the year ended December 31, 2014 @ Rs. 2,500 per share approved subsequent to year end	-	-	-	-	(600,000)	(600,000)
Balance as at June 30, 2015	6,000,000	4,088,974	843,263	267,768	7,601,819	18,801,824
Balance as at January 01, 2016	6,000,000	4,454,684	843,263	450,623	7,978,238	19,726,808
Profit for the half year ended June 30, 2016	-	-	-	-	1,272,731	1,272,731
Other comprehensive income	-	-	-	-	(8,172)	(8,172)
Total comprehensive income	-	-	-	-	1,264,559	1,264,559
Share of gain on bargain purchase by an associate	-	-	92,001	-	-	92,001
Transactions with the owners of the Company						
Final dividend for the year ended December 31, 2015 @ Rs. 1,895.8 per share approved subsequent to year end	-	-	-	-	(455,000)	(455,000)
Balance as at June 30, 2016	6,000,000	4,454,684	935,264	450,623	8,787,797	20,628,368

The annexed notes 1 to 17 form an integral part of the condensed interim financial information.

K.P.M.C.


 Chief Financial Officer


 Chief Executive


 Director


 Chief Executive


 Director

Pakistan Kuwait Investment Company (Private) Limited
Condensed Interim Cash Flow Statement - (Un-audited)
For the half year ended June 30, 2016

	June 30, 2016	June 30, 2015
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,555,265	1,334,646
Less: Dividend income	(158,596)	(176,078)
	<u>1,396,669</u>	<u>1,158,568</u>
Adjustments for:		
Depreciation	4,310	4,446
Amortization	6,055	6,489
Reversal of provision against non-performing loans and advances - net	(37,824)	(22,943)
Reversal of provision on fixed assets and non-current asset held for sale - net	(42,693)	-
Provision for diminution / impairment in the value of investments	17,947	113,925
Unrealised (gain) on revaluation of 'held for trading' securities	(1,753)	(212)
Share in results of associates - net	(1,057,230)	(857,622)
Gain on disposal of operating fixed assets	-	(550)
	<u>(1,111,188)</u>	<u>(756,467)</u>
	285,481	402,101
Decrease / (Increase) in operating assets		
Lendings to financial institutions	-	28,000
'Held-for-trading' securities	8,099	(7,360)
Advances	1,267	(755,311)
Others assets (excluding advance taxation)	93,471	(14,753)
	<u>102,837</u>	<u>(749,424)</u>
(Decrease) / Increase in operating liabilities		
Borrowings from financial institutions	(549,971)	1,549,133
Deposits and other accounts	80,020	(199,290)
Other liabilities (excluding current taxation)	(17,352)	(38,565)
	<u>(487,303)</u>	<u>1,311,278</u>
	(98,985)	963,955
	<u>(106,073)</u>	<u>(293,282)</u>
Income tax paid	-	-
Net cash (outflow) / inflow from operating activities	(205,058)	670,673
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in 'available-for-sale' securities	59,269	(602,615)
Net investment in associates	70,197	-
Net investment in 'held-to-maturity' securities	143,292	(8,424)
Dividend received	545,627	554,673
Investments in operating fixed assets	(3,513)	(2,315)
Sale proceeds of operating fixed assets	-	2,059
Net cash inflow / (outflow) from investing activities	<u>814,872</u>	<u>(56,622)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(455,000)	(600,000)
Net cash used in financing activities	<u>(455,000)</u>	<u>(600,000)</u>
Increase in cash and cash equivalents	154,814	14,051
Cash and cash equivalents at beginning of the period	84,675	74,002
Cash and cash equivalents at end of the period	<u>239,489</u>	<u>88,053</u>

The annexed notes 1 to 7 form an integral part of the condensed interim financial information.

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Chief Financial Officer


Chief Executive


Director


Chief Executive


Director

Pakistan Kuwait Investment Company (Private) Limited
Notes to the Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2016

1. STATUS AND NATURE OF BUSINESS

Pakistan Kuwait Investment Company (Private) Limited ("the Company") was incorporated in Pakistan as a Private Limited Company on March 17, 1979. The registered office is situated at 4th Floor, Block 'C', Finance and Trade Centre, Shahrah-e-Faisal, Karachi. The Company has one representative office in Lahore. The Company is a 50:50 joint venture between the Governments of Pakistan and Kuwait. The objective of the Company is to profitably promote industrial investments in Pakistan.

2. BASIS OF PRESENTATION

The condensed interim financial information has been prepared based on the format prescribed by the State Bank of Pakistan (SBP) vide BSD Circular Letter No. 2, dated 12 May 2004, BSD Circular letter No. 07, dated 20 April 2010 and IAS 34 "Interim Financial Reporting" and do not include all the information required in the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2015.

3. STATEMENT OF COMPLIANCE

- 3.1** The condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 - "Interim Financial Reporting" as applicable in Pakistan, provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by SBP. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 and directives issued by the SBP have been followed.
- 3.2** The SBP through its BSD Circular letter No. 11 dated September 11, 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(1)/ 2008. Accordingly, the requirements of these International Financial Reporting Standards (IFRSs) and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

4. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of the condensed interim financial information are consistent with those applied in preparation of financial statements for the year ended December 31, 2015. Standards which became effective during the period and related to financial statements of the Company had no impact in the current period financial statements.

5. FINANCIAL RISK MANAGEMENT / JUDGEMENTS AND ESTIMATES

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Company for the year ended December 31, 2015.

In preparing this interim financial information, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation were the same as those that applied to the financial statements as at and for the year ended December 31, 2015.

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6. INVESTMENTS

6.1 Investments by type

	June 30, 2016			December 31, 2015		
	(Un-audited)			(Audited)		
	Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
(Rupees in '000)						
Held for trading securities						
Shares of listed companies	55,037	-	55,037	63,136	-	63,136
Available for sale securities						
Market treasury bills	489,157	-	489,157	488,940	-	488,940
Pakistan investment bonds	2,661,182	3,244,608	5,905,790	4,168,583	1,718,057	5,886,640
Shares of listed companies	3,197,055	-	3,197,055	3,364,172	-	3,364,172
Shares of unlisted companies	110,226	-	110,226	110,226	-	110,226
Listed preference shares	55,029	-	55,029	55,029	-	55,029
Listed sukuk / term finance certificates	857,552	-	857,552	857,640	-	857,640
Unlisted term finance certificates	641,640	-	641,640	607,478	-	607,478
	8,011,841	3,244,608	11,256,449	9,652,068	1,718,057	11,370,125
Held to maturity securities						
Unlisted Preference Shares	-	-	-	143,292	-	143,292
Associates	10,875,497	-	10,875,497	10,194,397	-	10,194,397
	18,942,375	3,244,608	22,186,983	20,052,893	1,718,057	21,770,950
Provision for diminution / impairment in the value of investments	(474,098)	-	(474,098)	(508,526)	-	(508,526)
Total investments - net of provisions	18,468,277	3,244,608	21,712,885	19,544,367	1,718,057	21,262,424
Surplus / (deficit) on revaluation of 'held for trading' securities	1,753	-	1,753	(2,026)	-	(2,026)
Surplus on revaluation of 'available for sale' securities	835,126	113,174	948,300	830,802	51,422	882,224
Total investments	19,305,156	3,357,782	22,662,938	20,373,143	1,769,479	22,142,622

6.2 Movement in investments in associates

	Half year ended June 30, 2016 (Un-audited)	Half year ended June 30, 2015 (Un-audited)
Investments at beginning of the period	10,194,397	9,832,324
Disposal of investment in associate	(169,074)	-
Investment in associates	98,877	-
Share of gain on bargain purchase by an associate	92,001	-
Share in surplus / (deficit) on revaluation / reserves of associates	119	(205,860)
Share in remeasurement of defined benefits plans of associates - net of deferred tax	(8,172)	(6,590)
Share of profit from associates recognized in profit and loss account	1,057,230	857,622
Provision of an associate	-	(113,757)
Dividends received from associates	(389,881)	(396,364)
Investments at end of period	10,875,497	9,967,375

6.3 For equity accounting purposes, the financial information of associates, except for two mutual funds are taken as of March 31, 2016, being the latest available financial information. For mutual funds, financial information as at June 30, 2016 have been used. However, results of associates have been adjusted for the effects of significant transactions if any, that occurred between the date of investee's financial statements till the date of the Company's financial statements.

6.4 The cost of investment in associates as at June 30, 2016 amounted to Rs. 1,992 million (December 31, 2015: Rs. 1,958 million). Share in results of associates recorded under equity method of accounting net of dividend and income taxes amounted to Rs. 605 million (June 30, 2015: Rs. 282 million).

6.5 The Company's associates and its holding in associates are the same as provided in the Financial Statements for the year ended December 31, 2015, except for a mutual fund, Meezan Balanced Fund, which was disposed off during the period.

7. ADVANCES

	June 30, 2016 (Un-audited)	December 31, 2015 (Audited)
In Pakistan		
Advances	5,707,477	5,525,923
Net investment in finance leases	909,486	1,092,307
	6,616,963	6,618,230
Provision for non-performing advances		
Advances - net of provision	(1,466,762)	(1,504,586)
	5,150,201	5,113,644

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- 7.1 Advances include Rs. 1,579.346 million (December 31, 2015: Rs. 1,621.319 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					
Doubtful	225,164	-	225,164	112,580	112,580
Loss	1,354,182	-	1,354,182	1,354,182	1,354,182
	<u>1,579,346</u>	<u>-</u>	<u>1,579,346</u>	<u>1,466,762</u>	<u>1,466,762</u>

- 7.2 Particulars of provision for non-performing advances - specific

	Half year ended	Year ended
	June 30, 2016 (Un-audited)	December 31, 2015 (Audited)
(Rupees in '000)		
Opening balance	1,504,586	1,564,607
Charge for the period / year	(37,824)	(60,021)
Reversals for the period / year	(37,824)	(60,021)
Amounts written off against provisions	-	-
Closing balance	<u>1,466,762</u>	<u>1,504,586</u>

8. BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	June 30, 2016	December 31, 2015
		(Un-audited)	(Audited)
(Rupees in '000)			
Secured			
Repurchase agreement borrowings - Government securities	8.1	3,250,896	1,725,636
Borrowing from SBP			
Under Long Term Facility - Export Oriented Project (LTF-EOP)		-	6,676
Under Long Term Finance Facility - (LTFF)	8.2	1,159,508	802,613
Under Finance Facility for Storage of Agricultural Produce (FFSAP)	8.3	6,580	8,030
Term Finance Facility	8.4	1,000,000	1,000,000
Unsecured			
Letter of placement	8.5	280,000	-
Murabaha		-	2,704,000
		<u>5,696,984</u>	<u>6,246,955</u>

- 8.1 The Company has arranged borrowing from financial institutions against sale and repurchase of government securities. The mark-up on this finance ranges between 5.90 and 6.25 (December 31, 2015: 6.30 and 6.35) percent per annum with maturities between four days and eleven days (December 31, 2015 : five days and six days).
- 8.2 This represents Long Term Finance Facility (LTFF) on concessional rates to promote industrial growth leading to exports. The loans availed under the facility shall be repayable within a maximum period of ten years including maximum grace period of two years with mark-up payable at maximum of 5 percent per annum. SBP allocates an overall yearly limit under the facility to individual Participating Financial Institution (PFI). The sanctioned limit was Rs. 1,200 million.
- 8.3 This represents Financing Facility for Storage of Agricultural Produce (FFSAP) on concessional rates to develop the agricultural produce marketing and enhance storage capacity. The loans availed under the facility shall be repayable within a maximum period of seven years including a maximum grace period of six months with mark-up payable at maximum of 2.5 percent per annum. SBP allocates an overall yearly limit to individual PFI. The sanctioned limit was Rs. 500 million.
- 8.4 The Company has availed Long Term Finance facility from a bank. The interest rate on this facility is 6.57 percent per annum (December 31, 2015: 7.00 percent per annum) with maturity on June 25, 2018 (December 31, 2015: June 25, 2018).
- 8.5 This represents placement with a financial institution. The return on this letter of placement (LOP) is 6.35 percent per annum and maturity is in four days after the statement of financial position date.

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9. DEPOSITS AND OTHER ACCOUNTS	Note	June 30, 2016 (Un-audited) (Rupees in '000)	December 31, 2015 (Audited) (Rupees in '000)
Certificates of investment (COIs) / deposits	9.1	<u>259,770</u>	<u>179,750</u>
9.1 The profit rates on these COIs / deposits range between 6.15 and 6.30 (December 31, 2015: 6.25 and 8.25) percent per annum. The COIs / deposits are due for maturity between August 18, 2016 and October 19, 2016 (December 31, 2015: February 18, 2016 and June 24, 2016).			

10. SURPLUS ON REVALUATION OF 'AVAILABLE-FOR-SALE' SECURITIES - NET OF TAX	June 30, 2016 (Un-audited) (Rupees in '000)	December 31, 2015 (Audited) (Rupees in '000)
Federal government securities	147,248	269,244
Shares of listed companies	795,587	597,393
Listed TFC / sukuk	5,464	15,588
Share of surplus on revaluation of investments of associates	<u>173,197</u>	<u>173,078</u>
	1,121,496	1,055,303
Deferred Tax	<u>(108,074)</u>	<u>(166,217)</u>
	<u>1,013,422</u>	<u>889,086</u>

11. CONTINGENCIES AND COMMITMENTS

11.1 Other contingencies

The Income Tax Department has amended the deemed assessment orders for the tax years from 2003 to 2015, raising a tax demand of Rs. 2,986 million, mainly due to additions in respect of allocation of expenses against dividend income subject to tax at reduced rate / Final Tax Regime and capital gains.

In such orders, the taxation authority has not accepted the Company's contention on the matter of allocation of expenses on capital gains and dividend income. The total additions made in tax years 2003 to 2015 under this head amounts to Rs 6,672 million.

In tax year 2003, the Appellate Tribunal Inland Revenue (ATIR) had directed the tax authorities for the allocation to be made taking into account the 'cost of investment' rather than 'gross turnover'. Subsequently, the action of the Taxation Officer in refusing to issue the appeal effect in view of the departmental appeal before the High Court was contested in appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] for application of section 124A of the Income Tax Ordinance, 2001 (Ordinance). The CIR(A) adjudged the matter in favour of the Company directing the Officer to give effect to the directions which have been maintained by the ATIR in the subsequent departmental appeal.

Relying on the above decision of ATIR, the CIR(A) through orders dated September 23, 2011, November 30, 2012 and June 15, 2015 for tax years 2004 to 2007, tax year 2010 and tax years 2011 to 2013 respectively, directed for the application of provision of section 124A of the Ordinance. The action was, however, maintained by the CIR(A) in the tax years 2008 and 2009 and appeals are currently pending before the ATIR. The department has preferred appeals against the order of the CIR(A) in the years 2004 to 2007 and 2010 to 2013 which are currently pending before the ATIR.

Appeal effect orders for the years 2003 to 2007 and 2010 have been issued. These are to attain finality once the departmental appeals before the ATIR / High Court as the case may be, are decided. However, in the recent order for tax year 2003, the Officer has not followed the directions of the CIR(A) and allocated expenses on the basis of turnover for which the Company is in the process of filing appeal before the CIR(A).

Further, the Company had made representation before Federal Board of Revenue for necessary clarification and has also referred the above matter to Alternate Dispute Resolution Committee, a mechanism available to provide an opportunity to taxpayers for an easy and efficient resolution of disputes. The same is still pending.

The Company has made provision of Rs. 1,276 million against the demand for the abovementioned years based on cost of investment. The management is confident that the ultimate outcome of the appeals would be in favor of the Company inter alia on the basis of the advice of the tax consultants and the relevant law and the facts.

11.2 Other commitments	June 30, 2016 (Un-audited) (Rupees in '000)	December 31, 2015 (Audited) (Rupees in '000)
Undisbursed sanctions for financial assistance in the form of loans and advances	<u>2,775,868</u>	<u>2,452,764</u>
	2,775,868	2,452,764
12. Reversal of provision on fixed assets and non-current asset held for sale - net		
	June 30, 2016 (Un-audited) (Rupees in '000)	June 30, 2015 (Un-audited) (Rupees in '000)
Reversal of provision on fixed assets	(45,724)	-
Provision for diminution / impairment in the value of non-current asset held for sale	<u>3,031</u>	-
	<u>(42,693)</u>	-

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13. FAIR VALUE OF FINANCIAL INSTRUMENTS

13.1 On balance sheet financial instruments

June 30, 2016 - (Un-audited)									
Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)									
Financial assets measured at fair value									
- Investments									
Market treasury bills	489,502	-	-	-	489,502	-	489,502	-	489,502
Pakistan investment bonds	6,052,694	-	-	-	6,052,694	-	6,052,694	-	6,052,694
Shares of listed companies	56,790	3,655,791	-	-	3,712,581	3,712,581	-	-	3,712,581
Listed preference shares	-	44,200	-	-	44,200	44,200	-	-	44,200
Listed sukuk / term finance certificates	-	863,016	-	-	863,016	-	863,016	-	863,016
Financial assets not measured at fair value									
- Cash and balances with treasury banks									
- Balances with other banks	-	-	65,398	-	65,398	-	-	-	-
- Investments									
Listed shares / funds in associates	9,809,615	-	-	-	9,809,615	16,280,284	-	-	16,280,284
Shares in unlisted companies	17,446	-	-	-	17,446	-	-	-	-
Shares of unlisted associates	1,065,882	-	-	-	1,065,882	-	-	-	-
Unlisted term finance certificates	608,002	-	-	-	608,002	-	-	-	-
- Advances	-	-	5,150,201	-	5,150,201	-	-	-	-
- Other assets	-	-	369,140	-	369,140	-	-	-	-
Financial liabilities not measured at fair value									
Borrowings									
Deposits and other accounts	-	-	-	(5,696,984)	(5,696,984)	-	-	-	-
Other liabilities	-	-	-	(259,770)	(259,770)	-	-	-	-
-	-	-	-	(407,211)	(407,211)	-	-	-	-
56,790	22,606,148	-	5,758,830	(6,363,965)	22,057,803	20,037,065	7,405,212	-	27,442,277

December 31, 2015 - (Audited)									
Held-for-trading	Available-for-sale	Held-to-maturity	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)									
Financial assets measured at fair value									
- Investments									
Market treasury bills	488,640	-	-	-	488,640	-	488,640	-	488,640
Pakistan investment bonds	6,156,183	-	-	-	6,156,183	-	6,156,183	-	6,156,183
Shares of listed companies	61,111	3,599,202	-	-	3,660,313	3,660,313	-	-	3,660,313
Listed preference shares	-	44,200	-	-	44,200	44,200	-	-	44,200
Listed sukuk / term finance certificates	-	864,311	-	-	864,311	-	864,311	-	864,311
Financial assets not measured at fair value									
- Cash and balances with treasury banks									
- Balances with other banks	-	-	63,957	-	63,957	-	-	-	-
- Lendings to financial institutions	-	-	20,718	-	20,718	-	-	-	-
- Investments									
Listed shares / funds in associates	9,357,812	-	-	-	9,357,812	17,280,344	-	-	17,280,344
Shares in unlisted companies	17,446	-	-	-	17,446	-	-	-	-
Shares in unlisted preference shares	-	-	143,292	-	143,292	-	-	-	-
Shares of unlisted associates	836,585	-	-	-	836,585	-	-	-	-
Unlisted term finance certificates	573,840	-	-	-	573,840	-	-	-	-
- Advances	-	-	5,113,644	-	5,113,644	-	-	-	-
- Other assets	-	-	371,284	-	371,284	-	-	-	-
Financial liabilities not measured at fair value									
Borrowings									
Deposits and other accounts	-	-	-	(6,246,955)	(6,246,955)	-	-	-	-
Other liabilities	-	-	-	(179,750)	(179,750)	-	-	-	-
-	-	-	-	(433,292)	(433,292)	-	-	-	-
61,111	21,938,219	143,292	5,569,603	(6,859,997)	20,852,228	20,984,857	7,509,134	-	28,493,991

The fair value of financial assets and liabilities not carried at fair value are not significantly different from their carrying values since assets and liabilities are either short term in nature or in case of loans are frequently repriced.

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair values estimates.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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14. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
(Rupees in '000)						
Half year ended June 30, 2016 - (Un-audited)						
Total income - gross	265,891	369,919	-	1,273,878	13,791	1,923,479
Total mark-up / return / interest expense	(49,470)	(128,870)	-	-	-	(178,340)
Segment provision / impairment / unrealised gain / losses	37,824	-	-	(16,194)	-	21,630
	(11,646)	(128,870)	-	(16,194)	-	(156,710)
Net operating income	254,245	241,049	-	1,257,684	13,791	1,766,769
Administrative expenses and other charges						(211,504)
Profit before taxation						1,555,265

Half year ended June 30, 2016 - (Un-audited)

Segment assets - net	7,654,564	7,073,532	-	13,597,291	563,562	28,888,949
Segment non-performing loans	1,579,346	-	-	-	-	1,579,346
Segment provision required and held	1,466,762	-	-	-	-	1,466,762
Segment liabilities	2,253,150	3,514,022	-	3,776	1,476,211	7,247,159
Segment return on net assets (ROA) % *	7.00%	10.91%	-	19.34%	4.89%	-
Segment cost of funds (%) *	4.67%	6.15%	-	-	-	-

* Based on daily average assets and funds. Return / cost has been annualized for rates.

	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
(Rupees in '000)						
Half year ended June 30, 2015 - (Un-audited)						
Total income - gross	225,029	372,101	-	1,241,596	13,889	1,852,615
Total mark-up / return / interest expense	(129,008)	(50,075)	-	-	-	(179,083)
Segment provision / impairment / unrealised losses	(90,814)	-	-	44	-	(90,770)
	(219,822)	(50,075)	-	44	-	(269,853)
Net operating income	5,207	322,026	-	1,241,640	13,889	1,582,762
Administrative expenses and other charges						(248,116)
Profit before taxation						1,334,646

Half year ended June 30, 2015 - (Un-audited)

Segment assets - net	5,869,305	7,091,122	-	12,731,427	741,501	26,433,355
Segment non-performing loans	1,671,598	-	-	-	-	1,671,598
Segment provision required and held	1,541,664	-	-	-	-	1,541,664
Segment liabilities	2,735,897	2,667,264	-	314	1,071,880	6,475,355
Segment return on net assets (ROA) %	9.45%	10.58%	-	19.06%	3.72%	-
Segment cost of funds (%)	8.73%	7.72%	-	-	-	-

Under the Company policy, capital market department assets are financed through equity funds.

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15. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its associates, associated undertakings, employee benefit plans, key management personnel and its directors.

The Company enters into transactions with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates.

	Half year ended June 30, 2016 (Un-audited)	Half year ended June 30, 2015 (Un-audited)
	(Rupees in '000)	
Expenses charged to :		
- associates	8,720	10,360
- other related party	100	140
Expenses charged by:		
- associates	379	387
- other related party	11,677	11,331
Dividend income from associates	389,881	396,364
Mark-up earned on bank deposit with an associate	124	236
Mark-up earned on loans and advances:		
- key management personnel	182	190
Mark-up expense on COIs of a related party:		
- other related party	88	124
Contribution made to provident fund	8,140	9,196
	June 30, 2016 (Un-audited)	December 31, 2015 (Audited)
	(Rupees in '000)	
Loans and advances to key management personnel	10,350	24,004
Balance as at January 1	16,363	2,442
Disbursement during the period / year (Deletion) / addition during the period / year	(1,315)	(8,117)
Recovery during the period / year	(2,145)	(7,979)
Balance as at	<u>12,903</u>	<u>(13,654)</u>
Bank balances with an associate	11,712	18,081
Mark-up receivable on bank deposit with an associate	15	40
Deposits / COIs from:		
- other related party	2,500	2,500
Mark-up payable to :		
- other related party	43	161
Investments in:		
- associates	10,875,497	10,194,397
- other related party	500	414,164

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Key management personnel

Key management personnel include the Managing Director, Deputy General Manager / Chief Financial Officer, Head of Corporate Finance & Investment Banking, Head of Risk Management, Head of Capital Markets & Treasury, Head of Compliance, Head of Internal Audit and the Head of Human Resources. Their salaries and other benefits amount to Rs. 40.924 million (June 30, 2015: Rs. 49.133 million) and staff retirement benefits amount to Rs. 2.476 million (June 30, 2015: Rs. 6.160 million).

16. DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue in the Board of Directors meeting held on

_____ **27 JUL 2016**

17. GENERAL

17.1. The Pakistan Credit Rating Agency (PACRA) has maintained the long-term entity rating of AAA (Triple A) and the short term rating at A1+ (A one plus), the highest level.

17.2. The figures have been rounded off to nearest thousand rupees, unless otherwise stated.

Khan



Chief Financial Officer



Chief Executive



Director



Chief Executive



Director