



PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

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

For the half year ended June 30, 2017



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

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, 2017, 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, 2017 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: October 1, 2017

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, 2017

	Note	June 30, 2017 (Un -Audited) (Rupees in '000)	December 31, 2016 (Audited)
ASSETS			
Cash and balances with treasury banks		69,770	61,995
Balances with other banks		11,708	16,691
Lendings to financial institutions	6	2,391,598	2,632,880
Investments	7	22,925,004	21,206,169
Advances	8	3,187,303	4,422,496
Operating fixed assets		196,497	201,875
Deferred tax assets		-	-
Other assets		311,255	399,306
		29,093,135	28,941,412
LIABILITIES			
Bills payable		-	-
Borrowings from financial institutions	9	2,613,647	2,661,764
Deposits and other accounts	10	3,600	3,650
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		1,406,702	1,135,537
Other liabilities		419,215	453,141
		4,443,164	4,254,092
NET ASSETS		24,649,971	24,687,320
REPRESENTED BY			
Share capital		6,000,000	6,000,000
Reserves		6,876,320	6,876,320
Unappropriated profit		10,540,222	9,946,000
		23,416,542	22,822,320
Surplus on revaluation of 'available-for-sale' securities - net of tax	11	1,233,429	1,865,000
		24,649,971	24,687,320
CONTINGENCIES AND COMMITMENTS	12		

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 Profit and Loss Account - (Un-audited)
For the half year ended June 30, 2017


	Quarter ended	Half year ended	Quarter ended	Half year ended
	June 30, 2017		June 30, 2016	
	-----Rupees in '000-----			
Mark-up / return / interest earned	183,373	373,174	313,231	632,178
Mark-up / return / interest expensed	26,047	52,103	83,954	178,340
Net mark-up / interest income	<u>157,326</u>	<u>321,071</u>	229,277	453,838
Reversal of provision against non-performing loans and advances - net	(110,970)	(265,934)	(18,240)	(37,824)
Provision for diminution / impairment in the value of investments	22,842	44,326	-	17,947
Bad debts written off directly	-	-	-	-
	<u>(88,128)</u>	<u>(221,608)</u>	(18,240)	(19,877)
Net mark-up / interest income after provisions	<u>245,454</u>	<u>542,679</u>	247,517	473,715
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	477	627	1,554	1,792
Dividend income	73,903	117,532	25,157	158,596
Income from dealing in foreign currencies	-	-	-	-
Gain on sale of securities	20,583	88,786	58,024	58,052
Unrealised gain / (loss) on revaluation of 'held-for-trading' securities	757	(1,460)	(1,954)	1,753
Share in results of associates - net	436,040	1,142,959	643,786	1,057,230
Other income	7,504	13,523	8,487	15,631
Total non mark-up / interest income	<u>539,264</u>	<u>1,361,967</u>	735,054	1,293,054
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	137,815	229,735	137,075	254,197
Reversal of provision on fixed assets and non-current asset held for sale - net	-	-	(42,693)	(42,693)
Other charges	-	-	-	-
Total non mark-up / interest expenses	<u>137,815</u>	<u>229,735</u>	94,382	211,504
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	<u>646,903</u>	<u>1,674,911</u>	888,189	1,555,265
Taxation				
- Current	87,073	191,778	126,388	241,021
- Prior years	-	-	-	-
- Deferred	287,295	377,002	64,737	41,513
	<u>374,368</u>	<u>568,780</u>	191,125	282,534
PROFIT AFTER TAXATION	<u>272,535</u>	<u>1,106,131</u>	697,064	1,272,731
	-----Rupees-----			
Basic and diluted earning per share (On share of Rs. 25,000 each)	<u>1,136</u>	<u>4,609</u>	2,904	5,303

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 Comprehensive Income - (Un-audited)
 For the half year ended June 30, 2017

Note	Quarter ended	Half year ended	Quarter ended	Half year ended
	June 30, 2017		June 30, 2016	
----- (Rupees in '000) -----				
Profit for the period	272,535	1,106,131	697,064	1,272,731
Other comprehensive income				
Share of remeasurement of defined benefit plans of associates - net of deferred tax	(11,822)	(11,909)	-	(8,172)
Comprehensive income transferred to equity	260,713	1,094,222	697,064	1,264,559
Component of comprehensive income not transferred to equity				
Share of (deficit) / surplus on revaluation of 'available for sale' securities of associates	7.2 (54,299)	(217,855)	(67,813)	119
Deferred tax on revaluation of 'available for sale' securities of associates	13,626	34,046	5,479	306
(Deficit) / surplus on revaluation of 'available for sale' securities	(213,715)	(519,555)	260,871	66,074
Deferred tax on revaluation of 'available-for-sale' securities	33,556	71,793	(32,485)	57,837
Total comprehensive income for the period	39,881	462,651	863,116	1,388,895

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, 2017

	Share Capital	Statutory Reserve	Non-distributable Reserve	Capital Market Equalization Reserve	Unappropriated profit	Total
------(Rupees in '000)-----						
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
Balance as at January 01, 2017	6,000,000	5,145,183	935,264	795,873	9,946,000	22,822,320
Profit for the half year ended June 30, 2017	-	-	-	-	1,106,131	1,106,131
Other comprehensive income	-	-	-	-	(11,909)	(11,909)
Total comprehensive income	-	-	-	-	1,094,222	1,094,222
Dividend for the year ended December 31, 2016 @ 2,083.3 per share approved subsequently to year end	-	-	-	-	(500,000)	(500,000)
Balance as at June 30, 2017	6,000,000	5,145,183	935,264	795,873	10,540,222	23,416,542

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 Cash Flow Statement - (Un-audited)

For the half year ended June 30, 2017

	2017	2016
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,674,911	1,555,265
Less: Dividend income	<u>(117,532)</u>	<u>(158,596)</u>
	1,557,379	1,396,669
Adjustments for:		
Depreciation	4,743	4,310
Amortization	4,730	6,055
Reversal of provision against non-performing loans and advances - net	(265,934)	(37,824)
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	44,326	17,947
Unrealised loss / (gain) on revaluation of 'held for trading' securities	1,460	(1,753)
Share in results of associates - net	(1,142,959)	(1,057,230)
Gain on disposal of operating fixed assets	(1,130)	-
	<u>(1,354,764)</u>	<u>(1,111,188)</u>
	202,615	285,481
Decrease in operating assets		
Lendings to financial institutions	241,282	-
'Held-for-trading' securities	21,158	8,099
Advances	1,501,127	1,267
Others assets (excluding advance taxation)	<u>94,480</u>	<u>93,471</u>
	1,858,047	102,837
(Decrease) in operating liabilities		
Borrowings from financial institutions	(48,117)	(549,971)
Deposits and other accounts	(50)	80,020
Other liabilities (excluding current taxation)	<u>(33,926)</u>	<u>(17,352)</u>
	(82,093)	(487,303)
	1,978,569	(98,985)
Income tax paid	<u>(85,464)</u>	<u>(106,073)</u>
<i>Net cash inflow / (outflow) from operating activities</i>	<u>1,893,105</u>	<u>(205,058)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in 'available-for-sale' securities	(1,905,059)	59,269
Net investment in associates	-	70,197
Net investment in 'held-to-maturity' securities	-	143,292
Dividend received	517,711	545,627
Investments in operating fixed assets	(4,095)	(3,513)
Sale proceeds of operating fixed assets	1,130	-
<i>Net cash (outflow) / inflow from investing activities</i>	<u>(1,390,313)</u>	<u>814,872</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	<u>(500,000)</u>	<u>(455,000)</u>
<i>Net cash used in financing activities</i>	<u>(500,000)</u>	<u>(455,000)</u>
Increase in cash and cash equivalents	2,792	154,814
Cash and cash equivalents at beginning of the period	<u>78,686</u>	<u>84,675</u>
Cash and cash equivalents at end of the period	<u>81,478</u>	<u>239,489</u>

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
Notes to the Condensed Interim Financial Information (Un-audited)
For the half year ended June 30, 2017

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, 2016.

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 repealed Companies Ordinance, 1984 and the directives issued by SBP. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 and directives issued by the SBP have been followed.

3.2 The Companies Ordinance, 1984 was repealed by enactment of the Companies Act, 2017 on May 30, 2017. SECP vide its Circular No. 17 of 2017 and press release of July 20, 2017, has clarified that all those companies whose financial year, including quarterly and other interim period, closes on or before June 30, 2017 can prepare financial statements in accordance with the provisions of repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures and has also enhanced the definition of related parties.

3.3 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, 2016. 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, 2016.

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 expenses. 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, 2016.

June 30, December 31,
2017 2016
(Un-audited) (Audited)
(Rupees in '000)

6. LENDINGS TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings (Reverse Repo)

	2,391,598	2,632,880
	2,391,598	2,632,880

6.1 Securities held as collateral against lendings to financial institutions

Note

	June 30, 2017			December 31, 2016		
	Held by the Company	Further given as collateral	Total	Held by the Company	Further given as collateral	Total
	-----Rupees in '000-----					
Market treasury bills	2,391,598	-	2,391,598	2,632,880	-	2,632,880

6.1.1 This represents lending to financial institutions against purchase and resale of government securities. Market value of these securities as at June 30, 2017 amounted to Rs. 2,386.144 (December 31, 2016: 2,622.955) million. The markup rate on these lendings is 5.95 (December 31, 2016: 5.75 and 5.85) percent per annum with maturity in four days (December 31, 2016: three and six days).

7. INVESTMENTS

7.1 Investments by type

	June 30, 2017 (Un-audited)			December 31, 2016 (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	31,127	-	31,127	52,285	-	52,285
Available for sale securities						
Market treasury bills	3,987,695	-	3,987,695	2,092,831	-	2,092,831
Pakistan investment bonds	895,903	-	895,903	894,785	-	894,785
Shares of listed companies	2,876,195	-	2,876,195	2,853,753	-	2,853,753
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	857,376	-	857,376	857,464	-	857,464
Unlisted term finance certificates	412,866	-	412,866	527,253	-	527,253
	9,195,290	-	9,195,290	7,391,341	-	7,391,341
Associates						
	13,207,564	-	13,207,564	12,807,290	-	12,807,290
	22,433,981	-	22,433,981	20,250,916	-	20,250,916
Provision for diminution / impairment in the value of investments	(322,452)	-	(322,452)	(381,565)	-	(381,565)
Total investments - net of provisions	22,111,529	-	22,111,529	19,869,351	-	19,869,351
(Deficit) / surplus on revaluation of 'held for trading' securities	(1,460)	-	(1,460)	2,330	-	2,330
Surplus on revaluation of 'available for sale' securities	814,935	-	814,935	1,334,488	-	1,334,488
Total investments	22,925,004	-	22,925,004	21,206,169	-	21,206,169

Half year ended
June 30, 2017
(Un-audited)
(Rupees in '000)

7.2 Movement in investments in associates

Investments at beginning of the period	12,807,290	10,194,397
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 (deficit) / surplus on revaluation / reserves of associates	(217,855)	119
Share in remeasurement of defined benefits plans of associates - net of deferred tax	(11,909)	(8,172)
Share of profit from associates recognized in profit and loss account	1,142,959	1,057,230
Dividends received from associates	(512,921)	(389,881)
Investments at end of the period	13,207,564	10,875,497

7.3 The cost of investment in associates as at June 30, 2017 amounted to Rs. 1,992 million (December 31, 2016: Rs. 1,992 million). Share in results of associates recorded under equity method of accounting net of dividend and income taxes amounted to Rs. 324 million (June 30, 2016: Rs. 605 million).

7.4 The Company's associates and its holding in associates are the same as provided in the Financial Statements for the year ended December 31, 2016, except for Al-Meezan Mutual Fund's holding.

	<i>Note</i>	June 30, 2017 (Un-audited) (Rupees in '000)	December 31, 2016 (Audited)
8. ADVANCES			
In Pakistan			
Advances		3,634,796	5,035,049
Net investment in finance leases		<u>724,218</u>	<u>825,092</u>
		4,359,014	5,860,141
Provision for non-performing advances	8.2	<u>(1,171,711)</u>	<u>(1,437,645)</u>
Advances - net of provision		<u>3,187,303</u>	<u>4,422,496</u>

8.1 Advances include Rs. 1,173.358 million (December 31, 2016: Rs. 1,546.078 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2017 (Un-Audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Substandard	-	-	-	-	-
Doubtful	3,291	-	3,291	1,644	1,644
Loss	<u>1,170,067</u>	-	<u>1,170,067</u>	<u>1,170,067</u>	<u>1,170,067</u>
	<u>1,173,358</u>	-	<u>1,173,358</u>	<u>1,171,711</u>	<u>1,171,711</u>

	December 31, 2016 (Audited)				
Category of classification	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Substandard	-	-	-	-	-
Doubtful	216,863	-	216,863	108,430	108,430
Loss	<u>1,329,215</u>	-	<u>1,329,215</u>	<u>1,329,215</u>	<u>1,329,215</u>
	<u>1,546,078</u>	-	<u>1,546,078</u>	<u>1,437,645</u>	<u>1,437,645</u>

8.2 Particulars of provision for non-performing advances - specific	Half year ended June 30, 2017 (Un-audited) (Rupees in '000)	Year ended December 31, 2016 (Audited)
	Opening balance	1,437,645
Charge for the period / year	-	-
Reversals for the period / year	<u>(265,934)</u>	<u>(66,941)</u>
	(265,934)	(66,941)
Amounts written off against provisions	-	-
Closing balance	<u>1,171,711</u>	<u>1,437,645</u>

9. BORROWINGS FROM FINANCIAL INSTITUTIONS	<i>Note</i>	June 30, 2017 (Un-audited) (Rupees in '000)	December 31, 2016 (Audited)
	Secured		
Borrowing from SBP			
Under Long Term Finance Facility - (LTFF)	9.1	1,610,356	1,656,829
Under Finance Facility for Storage of Agricultural Produce (FFSAP)	9.2	3,291	4,935
Term Finance Facility	9.3	<u>1,000,000</u>	<u>1,000,000</u>
		<u>2,613,647</u>	<u>2,661,764</u>

9.1 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 for the company was Rs. 1,000 million.

9.2 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 6.50 percent per annum. SBP allocates an overall yearly limit to individual PFI. The sanctioned limit for the company was Rs. 500 million.

9.3 The Company has availed Long Term Finance facility from a bank. The interest rate on this facility is 6.63 percent per annum (December 31, 2016: 6.61 percent per annum) with maturity on June 25, 2018 (December 31, 2016: June 25, 2018).

10. DEPOSITS AND OTHER ACCOUNTS	Note	June 30, 2017 (Un-audited) (Rupees in '000)	December 31, 2016 (Audited)
Certificates of investment (COIs)	10.1	<u>3,600</u>	<u>3,650</u>

10.1 The profit rates on these COIs are 5.70 and 5.75 (December 31, 2016: 5.65 and 5.70) percent per annum. The COIs are due for maturity on September 21, 2017 and December 05, 2017 (December 31, 2016: May 08, 2017 and September 21, 2017).

11. SURPLUS ON REVALUATION OF 'AVAILABLE-FOR-SALE' SECURITIES - NET OF TAX	June 30, 2017 (Un-audited) (Rupees in '000)	December 31, 2016 (Audited)
Federal government securities	81,344	100,755
Shares of listed companies	699,251	1,204,593
Listed / unlisted / TFCs / sukuk	34,341	29,142
Share of surplus on revaluation of investments of associates	<u>500,872</u>	<u>718,727</u>
	1,315,808	2,053,217
Deferred Tax	<u>(82,379)</u>	<u>(188,217)</u>
	<u>1,233,429</u>	<u>1,865,000</u>

12. CONTINGENCIES AND COMMITMENTS

12.1 Other contingencies

The Income Tax Department has amended the deemed assessment orders for the tax years from 2003 to 2016, raising a tax demand of Rs. 3,130 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 exempt capital gains and dividend income. The total additions made in tax years 2003 to 2016 under this head amounts to Rs 7,214 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 tax order for the 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 has preferred an appeal which has been heard. The order of the said appeal is pending.

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. 1,317 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.

12.2 Other commitments

	June 30, 2017 (Un-audited) (Rupees in '000)	December 31, 2016 (Audited)
Undisbursed sanctions for financial assistance in the form of - loans and advances	<u>900,000</u>	<u>1,235,359</u>
	<u>900,000</u>	<u>1,235,359</u>

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, 2017 - (Un-audited)						
Total income - gross	161,874	217,336	327	1,349,278	7,786	1,736,601
Total mark-up / return / interest expense	(52,005)	(98)	-	-	-	(52,103)
Segment provision / impairment / unrealised gain / losses	249,028	-	-	(28,880)	-	220,148
	197,023	(98)	-	(28,880)	-	168,045
Net operating income	358,897	217,238	327	1,320,398	7,786	1,904,646
Administrative expenses and other charges						(229,735)
Profit before taxation						1,674,911

Half year ended June 30, 2017 - (Un-audited)						
Segment assets - net	5,788,579	7,475,764	-	15,428,851	399,941	29,093,135
Segment non-performing loans	1,173,358	-	-	-	-	1,173,358
Segment provision required and held	1,171,711	-	-	-	-	1,171,711
Segment liabilities	2,700,531	3,799	-	768	1,738,066	4,443,164
Segment return on net assets (ROA) % *	5.08%	6.58%	-	17.44%	3.89%	-
Segment cost of funds (%) *	3.81%	5.50%	-	-	-	-

* 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, 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 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%	-	-	-	-

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

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, 2017 (Un-audited)	Half year ended June 30, 2016 (Un-audited)
	(Rupees in '000)	
Expenses charged to :		
- associates	4,854	8,720
- other related party	2,258	100
Expenses charged by:		
- associates	216	379
- other related party	12,173	11,677
Dividend income from associates	512,921	389,881
Mark-up earned on bank deposit with an associate	136	124
Mark-up earned on loans and advances:		
- key management personnel	263	182
Mark-up expense on COIs of a related party:		
- other related party	71	88
Contribution made to provident fund	8,875	8,140
	June 30, 2017 (Un-audited)	December 31, 2016 (Audited)
	(Rupees in '000)	
Loans and advances to key management personnel	23,553	10,350
Balance as at January 1,	600	21,600
Disbursement during the period / year	919	-
Addition during the period / year	(14,075)	(8,397)
Recovery during the period / year	(12,556)	13,203
Balance as at	10,997	23,553
Bank balances with an associate - Meezan Bank	8,828	13,717
Mark-up receivable on bank deposit with an associate - Meezan Bank	30	30
Deposits / COIs from:		
- other related party	2,500	2,500
Mark-up payable to :		
- other related party	110	40
Investments in:		
- associates	13,207,564	12,807,290
- other related party	500	500

Key management personnel

Key management personnel include the Managing Director, 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 Head of Human Resources. Their salaries and other benefits amount to Rs. 35.12 million (June 30, 2016: Rs. 40.924 million) and staff retirement benefits amount to Rs. 5.657 million (June 30, 2016: Rs. 2.476 million).

16. DATE OF AUTHORISATION FOR ISSUE

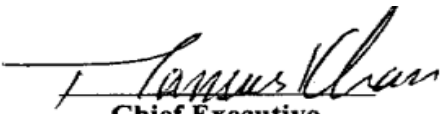
The condensed interim financial information was authorised for issue in the Board of Directors meeting held on October 01, 2017.

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.


Chief Financial Officer


Chief Executive


Director


Chief Executive


Director