

**PAKISTAN KUWAIT INVESTMENT  
COMPANY (PRIVATE) LIMITED**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED 30 JUNE 2010**

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## REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### *Introduction*

We have reviewed the accompanying condensed interim statement of financial position of Pakistan Kuwait Investment Company (Private) Limited as at 30 June 2010 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity, condensed interim statement of comprehensive income and notes to the accounts for the six month period then ended (hereinafter referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 30 June 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 30 June 2010.

### *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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

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


CHARTERED ACCOUNTANTS

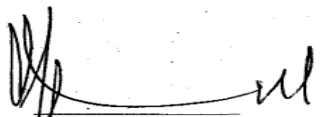
*Ernst & Young Ford Rhodes Sidat Hyder*  
KARACHI: 18 August 2010

Pakistan Kuwait Investment Company (Private) Limited  
 Unconsolidated Interim Statement of Financial Position  
 As at June 30, 2010

	Note	June 30, 2010 (Un -Audited) (Rupees in '000)	December 31, 2009 (Audited)
<b>ASSETS</b>			
Cash and balances with treasury banks		54,275	92,512
Balances with other banks		929,640	1,797,223
Lendings to financial institutions		1,752,085	800,000
Investments	6	16,426,215	17,091,939
Advances	7	4,258,724	3,607,442
Operating fixed assets		121,073	111,266
Deferred tax assets		403,017	382,183
Other assets		253,108	323,272
		<b>24,198,137</b>	<b>24,205,837</b>
<b>LIABILITIES</b>			
Bills payable		-	-
Borrowings	8	11,905,622	10,377,872
Deposits and other accounts	9	2,851,334	4,075,951
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		324,541	691,429
		<b>15,081,497</b>	<b>15,145,252</b>
<b>NET ASSETS</b>		<b>9,116,640</b>	<b>9,060,585</b>
<b>REPRESENTED BY</b>			
Share capital		6,000,000	6,000,000
Reserves		2,884,894	2,884,894
Accumulated profit		#REF!	-
		<b>#REF!</b>	<b>8,884,894</b>
(Deficit) / surplus on revaluation of 'available-for-sale' securities - net of tax	10	(71,475)	175,691
		<b>#REF!</b>	<b>9,060,585</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	11		

The annexed notes 1 to 16 form an integral part of these unconsolidated interim condensed financial statements.

  
 Deputy General Manager / Chief Financial Officer

  
 Chief Executive

  
 Director

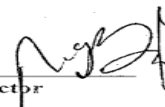
  
 Director

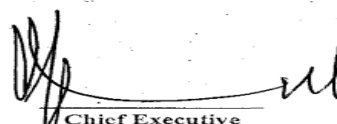
Pakistan Kuwait Investment Company (Private) Limited  
 Unconsolidated Interim Condensed Profit and Loss Account - (Un-audited)  
 For the half year ended June 30, 2010

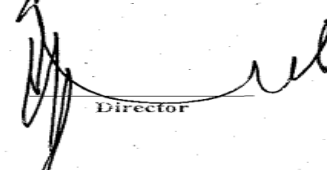
	Quarter ended June 30 2010	Half year ended June 30 2010	Quarter ended June 30 2009	Half year ended June 30 2009
------(Rupees in '000)-----				
Mark-up / return / interest earned	527,304	1,020,543	407,522	802,491
Mark-up / return / interest expensed	328,466	693,571	269,165	457,645
Net mark-up / interest income	198,838	326,972	138,357	344,846
(Reversal) / provision against non-performing advances - net	#REF!	#REF!	192,870	278,051
Provision for diminution / impairment in the value of investments	15,984	23,545	18,436	165,813
Bad debts written off directly	-	-	-	-
	#REF!	#REF!	211,306	443,864
Net mark-up / interest income / (expense) after provisions	#REF!	#REF!	(72,949)	(99,018)
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	9	39	230	443
Dividend income	24,287	83,267	23,681	47,907
Income from dealing in foreign currencies	-	-	-	-
Gain on sale of securities - net	43,889	178,772	208,267	394,508
Unrealised gain / (loss) on revaluation of 'held-for-trading' securities	1,133	-	421	(1,153)
Other income	6,118	10,096	2,960	10,032
Total non mark-up / interest income	75,436	272,174	235,559	451,737
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	87,168	159,404	64,417	127,901
Other provisions / write offs	-	-	-	-
Other charges	50	1,149	-	203
Total non mark-up / interest expenses	87,218	160,553	64,417	128,104
Extra ordinary / unusual items	-	-	-	-
	#REF!	#REF!	98,193	224,615
<b>PROFIT BEFORE TAXATION</b>				
Taxation				
- Current	72,268	136,624	68,353	171,304
- Prior years	-	-	-	-
- Deferred	(20,581)	(14,373)	(76,401)	(124,818)
	51,687	122,251	(8,048)	46,486
	#REF!	#REF!	106,241	178,129
<b>PROFIT AFTER TAXATION</b>				
Accumulated profit / (loss) brought forward	178,530	-	(848,407)	(4,079,185)
Accumulated profit / (loss) carried forward	#REF!	#REF!	(742,166)	(3,901,056)
------(Rupees)-----				
<b>Basic and diluted earning per share</b> (On share of Rs. 25,000 each)	#REF!	#REF!	443	742

The annexed notes 1 to 16 form an integral part of these unconsolidated interim condensed financial statements.

  
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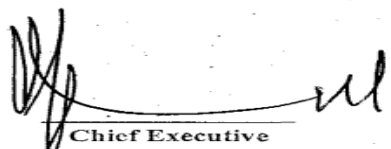
Pakistan Kuwait Investment Company (Private) Limited  
 Unconsolidated Interim Condensed Statement of Changes in Equity - (Un-audited)  
 For the half year ended June 30, 2010

	Share capital	Reserves		Unappropriated profit / (Accumulated loss)	Total
		Statutory	Revenue		
------(Rupees in '000)-----					
Balance as at January 01, 2009	6,000,000	3,288,822	3,158,890	(4,079,185)	8,368,527
Profit for the half year ended June 30, 2009	-	-	-	178,129	178,129
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(3,901,056)	8,546,656
Transfer from contingencies reserve to accumulated loss	-	-	(274,837)	274,837	-
Transfer from marketable and government securities reserve to accumulated loss	-	-	(2,884,053)	2,884,053	-
<b>Balance as at June 30, 2009</b>	<u>6,000,000</u>	<u>3,288,822</u>	<u>-</u>	<u>(742,166)</u>	<u>8,546,656</u>
Balance as at January 01, 2010	6,000,000	2,884,894	-	-	8,884,894
Profit for the half year ended June 30, 2010	-	-	-	#REF!	#REF!
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	#REF!	#REF!
<b>Balance as at June 30, 2010</b>	<u>6,000,000</u>	<u>2,884,894</u>	<u>-</u>	<u>#REF!</u>	<u>#REF!</u>

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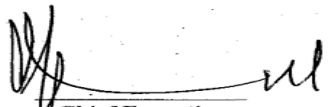
Pakistan Kuwait Investment Company (Private) Limited  
 Unconsolidated Interim Condensed Cash Flow Statement (Un-audited)  
 For the half year ended June 30, 2010

	June 30, 2010	June 30, 2009
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	425,472	224,615
Less: Dividend income	83,267	47,907
	<u>342,205</u>	<u>176,708</u>
Adjustments for:		
Depreciation	6,841	5,602
Amortization	40	-
(Reversal) / Provision against non-performing advances - net	(10,424)	278,051
Provision for diminution / impairment in the value of investments	23,545	165,813
Gain on sale of operating fixed assets	(2,442)	(495)
Unrealised loss on revaluation of 'held-for-trading' securities	-	1,153
	<u>17,560</u>	<u>450,124</u>
	<u>359,765</u>	<u>626,832</u>
Increase in operating assets		
Lendings to financial institutions	(952,085)	(600,000)
'Held-for-trading' securities	239,209	127,011
Advances	(640,858)	209,744
Others assets (excluding advance taxation)	62,748	(112,889)
	<u>(1,290,986)</u>	<u>(376,134)</u>
Increase in operating liabilities		
Borrowings from financial institutions	1,527,750	2,321,193
Deposits	(1,224,617)	2,136,951
Other liabilities (excluding current taxation)	(108,864)	(55,274)
	<u>194,269</u>	<u>4,402,870</u>
	<u>(736,952)</u>	<u>4,653,568</u>
Income tax paid	(394,649)	(404,095)
<i>Net cash (outflows) / inflows from operating activities</i>	<u>(1,131,602)</u>	<u>4,249,473</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in 'available-for-sale' securities / subsidiaries	149,342	(4,971,740)
Dividend income	90,757	42,607
Investments in operating fixed assets	(17,384)	(8,476)
Sale proceeds from sale of operating fixed assets	3,066	1,801
<i>Net cash inflow / (outflow) from investing activities</i>	<u>225,781</u>	<u>(4,935,808)</u>
<b>Decrease in cash and cash equivalents</b>	<u>(905,820)</u>	<u>(686,335)</u>
Cash and cash equivalents at beginning of the period	<u>1,889,735</u>	<u>2,776,537</u>
Cash and cash equivalents at end of the period	<u>983,915</u>	<u>2,090,202</u>

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 Deputy General Manager / Chief Financial Officer

  
 Director


  
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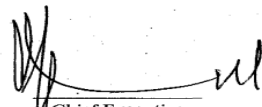
  
 Director

Pakistan Kuwait Investment Company (Private) Limited  
 Unconsolidated Interim Condensed Statement of Comprehensive Income (Un-audited)  
 For the half year ended June 30, 2010

	Quarter ended	Half year ended	Quarter ended	Half year ended
	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010
	----- (Rupees in '000) -----			
Profit for the period	124,691	#REF!	106,241	178,129
Other comprehensive income	-	-	-	-
<b>Comprehensive income transferred to equity</b>	<b>124,691</b>	<b>#REF!</b>	<b>106,241</b>	<b>178,129</b>
<b>Component of comprehensive income net transferred to equity</b>				
(Deficit) / surplus on revaluation of 'available-for-sale' securities net of tax	(237,988)	(247,166)	(166,416)	133,635
<b>Total comprehensive income</b>	<b>(113,297)</b>	<b>#REF!</b>	<b>(60,175)</b>	<b>311,764</b>

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 Chief Executive

  
 Director

  
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**Pakistan Kuwait Investment Company (Private) Limited**  
**Notes to the Condensed Interim Financial Statements (Un-audited)**  
*For the half year ended June 30, 2010*

**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 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. The Company has two 100% owned subsidiaries, First Choice Securities Limited (FCSL) and Pak Kuwait Financial Services Limited (PKFSL). FCSL principal business includes equity brokerage, money markets and foreign exchange brokerage, equity research and corporate financial advisory services. The principal business of PKFSL is to provide Assets Management Services. Both FCSL and PKFSL have not started their operations. The Company has its representative office in Islamabad and Lahore.

These condensed interim financial statements are separate financial statements of the company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest.

**2. BASIS OF PRESENTATION**

These condensed interim financial statements have been prepared based on the format prescribed by the State Bank of Pakistan (SBP) vide BSD Circular Letter No. 2, dated 12 May 2004 and IAS 34 "Interim Financial Reporting" and do not include all the information required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2009.

**3. STATEMENT OF COMPLIANCE**

**3.1** These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by SBP. In case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, and directives issued by the SBP shall prevail. The disclosures in these accounts have, however, been limited based on the requirements of International Accounting Standard 34, Interim Financial Reporting.

**3.2** The SBP through its BSD Circular letter No. 11 dated September 11, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Non Banking Financial Institutions (NBFIs) in Pakistan. Accordingly, the requirements of these International Accounting Standards (IASs) and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by the SBP.

**4. ACCOUNTING POLICIES**

The accounting policies adopted for the purpose of these interim condensed financial statements are the same as those applied in preparation of annual financial statements for the year ended December 31, 2009 except as follows;

The Company has adopted the following new Ammended IFRS and IFRIC interpretations which became effective during the period.

IFRS- 2- Share based payment : Amendments relating to Group Cash -settled Share-based Payment Transactions

IFRS- 3- Bussiness Combination (Revised)

IAS 27- Consolidated and seperated Financial Statements (Amendments)

IFRIC 17 - Distribution of Non-cash assets to owners

The adoption of the above standards, ammendments and interpretation did not have any effects on financial statements

**5. FINANCIAL RISK MANAGEMENT**

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, 2009.



## 5. FINANCIAL RISK MANAGEMENT

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, 2009.

## 6. LENDINGS TO FINANCIAL INSTITUTIONS

	June 30, 2010 (Un -Audited) (Rupees in '000)	December 31, 2009 (Audited)
Reverse repurchase agreement lendings	952,085	-
Certificate of Investments (COIs) in local currency	950,000	950,000
	<u>1,902,085</u>	<u>950,000</u>
Provision against COIs	(150,000)	(150,000)
	<u>1,752,085</u>	<u>800,000</u>

6.1 The return on these reverse repurchase agreement lendings is 12.25 (2009 : Nil) percent per annum and this is due for maturity on July 5,2010 (2009 : Nil)

## 7. INVESTMENTS

### 7.1 Investments by type

	June 30, 2010			December 31, 2009		
	Held by the company	Given as collateral	Total	Held by the company	Given as collateral	Total
------(Rupees in '000)-----						
<b>Held for trading securities</b>						
Shares of listed companies	-	-	-	189,068	-	189,068
Pakistan Investment Bonds	-	-	-	49,202	-	49,202
<b>Available-for-sale securities</b>						
Market treasury bills	2,232,054	8,046,232	10,278,286	2,394,775	8,077,406	10,472,181
Pakistan Investment Bonds	1,623,834	-	1,623,836	1,670,908	-	1,670,908
Shares of listed companies	2,079,913	-	2,079,913	1,866,308	-	1,866,308
Shares of unlisted companies	120,058	-	120,058	119,968	-	119,968
Listed preference shares	93,399	-	93,399	93,489	-	93,489
Listed term finance certificates	176,806	-	176,806	364,765	-	364,765
Unlisted term finance certificates	136,090	-	136,090	136,111	-	136,111
	<u>6,462,154</u>	<u>8,046,232</u>	<u>14,508,388</u>	6,646,324	8,077,406	14,723,730
<b>Associates</b>	<u>2,270,562</u>	<u>-</u>	<u>2,270,560</u>	2,270,560	-	2,270,560
<b>Subsidiaries</b>	<u>81,120</u>	<u>-</u>	<u>81,120</u>	81,120	-	81,120
<b>Total investments - at cost</b>	<u>8,813,836</u>	<u>8,046,232</u>	<u>16,860,068</u>	9,236,274	8,077,406	17,313,680
Less: Provision for diminution / impairment in the value of investments	(341,033)	-	(341,033)	(383,487)	-	(383,487)
Total investments - net of provisions	<u>8,472,803</u>	<u>8,046,232</u>	<u>16,519,035</u>	8,852,787	8,077,406	16,930,193
Surplus on revaluation of 'held-for-trading' securities	-	-	-	938	-	938
(Deficit) / surplus on revaluation of 'available-for-sale' securities	(74,138)	(18,682)	(92,820)	174,825	(14,017)	160,808
<b>Total investments</b>	<u>8,398,665</u>	<u>8,027,550</u>	<u>16,426,215</u>	9,028,550	8,063,389	17,091,939

## 8. ADVANCES

### In Pakistan

Advances	4,422,696	3,744,176
Net investment in finance leases	1,221,260	1,258,922
	<u>5,643,956</u>	<u>5,003,098</u>
Provision for non-performing advances	(1,385,232)	(1,395,656)
Advances - net of provision	<u>4,258,724</u>	<u>3,607,442</u>

- 8.1 Advances include Rs.1,668.188 million (December 31, 2009: Rs 1,693.697 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	194,980	-	194,980	48,746	48,746
Doubtful	273,444	-	273,444	136,722	136,722
Loss	1,199,764	-	1,199,764	1,199,764	1,199,764
	<u>1,668,188</u>	<u>-</u>	<u>1,668,188</u>	<u>1,385,232</u>	<u>1,385,232</u>

8.2 Particulars of provision for non-performing advances - specific

	June 30, 2010 (Un -Audited) (Rupees in '000)	December 31, 2009 (Audited)
Opening balance	1,395,656	910,181
Charge for the period	18,005	598,945
Reversals	(28,429)	(71,719)
	(10,424)	527,226
Amounts written off against provisions	-	(41,751)
Closing balance	<u>1,385,232</u>	<u>1,395,656</u>

9 BORROWINGS FROM FINANCIAL INSTITUTIONS

		June 30, 2010 (Un -Audited) (Rupees in '000)	December 31, 2009 (Audited)
<b>Secured</b>			
Repurchase agreement borrowings	8.1	8,034,693	8,067,577
Term finance certificates (TFCs)	8.2	1,350,000	1,450,000
Borrowing from SBP under LTF-EOP	8.3	245,730	300,412
Borrowing from SBP under LTFF	8.4	275,199	59,883
Murabaha	8.5	2,000,000	500,000
		<u>11,905,622</u>	<u>10,377,872</u>

- 9.1 The company has arranged borrowings from various financial institutions against sale and repurchase of government securities. The mark-up on these finances ranges between 11.50 to 12.10 (December 31, 2009: 12 to 12.35) percent per annum with maturity of two days to ninety eight days (December 31, 2009 : four days to sixty three days).

- 9.2 This represents finance obtained through issue of privately placed term finance certificates of five years maturity. The mark-up is payable on quarterly basis and the principal is repayable in five equal semi annual instalments commencing 36 months from the date of disbursement. The facility is secured by first hypothecation charge ranking pari passu, on existing and future assets of the company. The rate of profit is 3 months KIBOR ask rate plus 65 (December 31, 2009: 65) basis points. As at June 30, 2010 the effective rate ranges between 12.60 to 12.94 (December 31, 2009: 13.02 and 13.24) percent per annum.

- 9.3 This represents finance obtained from an Islamic bank. The profit rate on the finance ranges between 11.70 to 11.85 (2009: 11.65) percent per annum and is maturing between July 7, 2010 and August 2, 2010 (2009: 15 January 2010).

10 DEPOSITS AND OTHER ACCOUNTS

	Note	June 30, 2010 (Un -Audited) (Rupees in '000)	December 31, 2009 (Audited)
<b>Certificates of investment (COIs) / deposits</b>			
Financial institutions		50,000	-
Others	10.1	2,801,334	4,075,951
		<u>2,851,334</u>	<u>4,075,951</u>

- 10.1 The profit rates on these COIs / deposits range between 11.25 to 13.65 (December 31, 2009: 11.40 to 14.00) percent per annum. The COIs are due for maturity between July 2, 2010 and March 22, 2015 (December 31, 2009: January 2, 2010 and May 5, 2012).

<b>11 SURPLUS / (DEFICIT) ON REVALUATION OF 'AVAILABLE-FOR-SALE' SECURITIES-NET OF TAX</b>	<b>June 30, 2010 (Un -Audited) (Rupees in '000)</b>	December 31, 2009 (Audited)
Federal and provincial government securities	(60,987)	(42,525)
Quoted shares	(29,584)	212,860
Other securities	(2,249)	(9,527)
	<b>(92,820)</b>	160,808
Deferred Tax	21,345	14,883
	<b>(71,475)</b>	175,691

**12. CONTINGENCIES AND COMMITMENTS**

<b>12.1 Direct Credit Substitute</b>	<b>June 30, 2010 (Rupees in '000)</b>	December 31, 2009
Direct credit substitute – guarantee issued	-	1,550

**12.2 Other contingencies**

The Income Tax Department has amended the deemed assessment orders for the tax year 2004 to 2009, raising a tax demand (including levy of Workers' Welfare Fund) of Rs 1.465 billion, mainly due to additions in respect of allocation of expenses against exempt capital gains and dividend income subject to tax at reduced rate.

The tax department has not accepted the Company's contention on the matter of allocation of expenses on exempt capital gains and dividend income for the tax years 2004 to 2009. The total additions made in tax years 2004 to 2009 under this head amounts to Rs 3.091 billion.

In tax year 2003 same issue has been set aside by the Income Tax Appellate Tribunal (ITAT), with direction to the tax authorities that the allocation of financial cost has to be made by taking into account the 'cost of investment' rather than 'gross turnover'. Further the company has made representation before Federal Board of Revenue for necessary clarification and has also referred the above matter to Alternate Dispute Resolution Committee (ADRC), a mechanism available to provide an opportunity to tax payer for an easy and efficient resolution of dispute.

An appeal has been filed with the Commissioner of Income Tax (Appeals) for the tax years 2004 to 2009. The company has already made provision of Rs.618 million on that issue against the demand for the above-mentioned years based on cost of investment. The management is confident that the ultimate outcome of the appeal 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.

<b>12.3 Other commitments</b>	<b>June 30, 2010 (Un -Audited) (Rupees in '000)</b>	December 31, 2009 (Audited)
Commitment - acquisition of software	28,644	48,817
Undisbursed sanctions for financial assistance in the form of:		
- equity participation	166,220	166,220
- loans and advances	468,266	317,945
	<b>663,130</b>	532,982

## 12. 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) -----						
<b>Half year ended June 30, 2010</b>						
Total income - gross	289,032	733,943	-	259,793	9,949	1,292,717
Total mark-up / return / interest expense	(101,716)	(591,855)	-	-	-	(693,571)
Segment provision / impairment / unrealised losses	9,158	-	-	(22,279)	-	(13,121)
	(92,558)	(591,855)	-	(22,279)	-	(706,692)
Net operating income	196,474	142,088	-	237,514	9,949	586,025
Administrative expenses and other charges						(160,553)
Profit before taxation						425,472
<b>Half year ended June 30, 2010</b>						
Segment assets - net	4,909,827	14,720,154	-	3,834,705	733,451	24,198,137
Segment non-performing loans	1,668,188	-	-	-	-	1,668,188
Segment provision required and held	1,385,232	-	-	-	-	1,385,232
Segment liabilities	1,965,333	13,059,062	-	-	57,102	15,081,497
Segment return on net assets (ROA) % *	14.15%	12.42%	-	13.98%	1.35%	
Segment cost of funds (%) *	11.30%	12.16%	-	-	-	

\* Based on daily average assets and funds.

	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
----- (Rupee in '000) -----						
<b>Half year ended June 30, 2009</b>						
Total income - gross	204,533	610,079	-	432,640	8,129	1,255,381
Total mark-up / return / interest expense	(142,223)	(315,422)	-	-	-	(457,645)
Segment provision / impairment / unrealised gains	(251,090)	(2,478)	-	(191,449)	-	(445,017)
	(393,313)	(317,900)	-	(191,449)	-	(902,662)
Net operating (loss) / income	(188,780)	292,179	-	241,191	8,129	352,719
Administrative expenses and other charges						(128,104)
Profit before taxation						224,615
<b>Year ended December 31, 2009</b>						
Segment assets - net	4,308,612	14,972,506	-	4,029,573	895,146	24,205,837
Segment non-performing loans	1,693,697	-	-	-	-	1,693,697
Segment provision required and held	1,395,656	-	-	-	-	1,395,656
Segment liabilities	1,930,019	12,757,835	-	-	457,398	15,145,252
Segment return on net assets (ROA) %	13.10%	14.32%	-	13.70%	4.64%	-
Segment cost of funds (%)	11.84%	13.70%	-	-	-	-

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

**14 RELATED PARTY TRANSACTIONS**

The company has related party relationship with its associates, associated undertakings, subsidiary companies, 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.

	<b>Six months period ended June 30, 2010</b>	Six months period ended June 30, 2009
	<b>(Rupees in '000)</b>	
<b>Expenses charged to an associate</b>	<b>7,494</b>	8,047
<b>Expenses charged by</b>		
- associates	<b>1,148</b>	2,649
- other related party	<b>6,473</b>	9,021
<b>Mark-up earned on bank deposit with an associate</b>	<b>566</b>	351
<b>Mark-up earned on loans and advances</b>		
- associates	-	1,088
- key management personnel	<b>31</b>	-
<b>Mark-up expense on COIs of related parties</b>	<b>7,701</b>	163
<b>Contribution made to provident fund</b>	<b>3,506</b>	2,564
<b>Contribution made to gratuity fund</b>	<b>4,872</b>	5,465
	<b>June 30, 2010</b>	December 31, 2009
	<b>(Rupees in '000)</b>	
<b>Loans and advances to key management personnel</b>		
Balance as at January 1	<u>22,523</u>	6,704
Disbursement during the period / year	<u>15,000</u>	19,000
Recovery during the period / year	<u>(8,252)</u>	(3,181)
<b>Balance as at</b>	<u><u>6,748</u></u>	<u>15,819</u>
	<u><u>29,271</u></u>	<u>22,523</u>
<b>Bank balances with an associate</b>	<b>27,687</b>	57,089
<b>Mark-up receivable on bank deposit with an associate</b>	<b>75</b>	297
<b>Deposits / COIs from associate &amp; other related party</b>	<b>127,500</b>	102,500
<b>Mark-up payable to associate &amp; other related party</b>	<b>7,860</b>	4,160
<b>Investments in</b>		
- quoted, at market values		
- associates	<b>3,611,804</b>	3,721,029
- unquoted, at cost		
- subsidiary companies	<b>81,120</b>	81,120
- associates	<b>357,053</b>	357,053
- other related parties	<b>500</b>	500
<b>Commitments for investment in equity of / loan to associates</b>	<b>166,220</b>	166,220

### 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 Wealth Management, Head of Compliance, Head of Internal Audit and the Head of Human Resources. Their salaries and other benefits amount to Rs. 27.157 million (June 30, 2009: Rs. 25.458 million) and staff retirement benefits amount to Rs. 1.570 million (June 30 2009: Rs. 0.945 million).


#### 14. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated interim condensed financial statements were authorised for issue in the Board of Directors meeting held on August 18, 2010.

#### 15. GENERAL

15.1. The figures have been rounded off to nearest thousand rupees.

15.2. The JCR-VIS Credit Rating Company Limited has maintained long term credit ratings of AAA (Triple A) and the short term rating of A1+(A one plus) for the company. The Pakistan Credit Rating Agency (PACRA) has maintained the long-term entity rating of AA+ and the short term rating at A1+(A one plus).

  
Deputy General Manager / Chief Financial Officer

  
Director

*Signature*  
  
Chief Executive

  
Director