

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

**UNCONSOLIDATED CONDENSED INTERIM FINANCIAL
STATEMENTS**

FOR THE HALF YEAR ENDED 30 JUNE 2011

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



REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of **Pakistan Kuwait Investment Company (Private) Limited** as at 30 June 2011 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity, unconsolidated 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 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 30 June 2011.

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.

Ernst & Young Ford Rhodes Sidat Hyder
CHARTERED ACCOUNTANTS

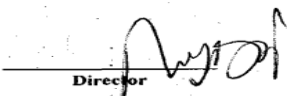
28 July 2011
KARACHI:


Pakistan Kuwait Investment Company (Private) Limited
 Unconsolidated Condensed Interim Statement of Financial Position
 As at June 30, 2011

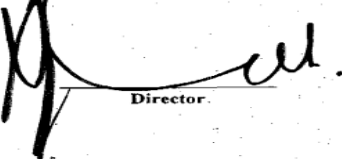
| | Note | June 30, 2011 (Un -Audited) (Rupees in '000) | December 31, 2010 (Audited) |
|---|------|---|-----------------------------------|
| ASSETS | | | |
| Cash and balances with treasury banks | | 47,152 | 51,424 |
| Balances with other banks | | 7,190 | 1,363,207 |
| Lendings to financial institutions | 6 | - | 250,000 |
| Investments | 7 | 14,550,294 | 15,207,224 |
| Advances | 8 | 6,654,352 | 4,969,190 |
| Operating fixed assets | | 228,329 | 220,636 |
| Deferred tax assets | | 230,747 | 279,633 |
| Other assets | | 719,920 | 556,665 |
| | | 22,437,984 | 22,897,979 |
| LIABILITIES | | | |
| Bills payable | | - | - |
| Borrowings from financial institutions | 9 | 8,945,265 | 9,807,369 |
| Deposits and other accounts | 10 | 3,740,030 | 3,138,512 |
| Subordinated loans | | - | - |
| Liabilities against assets subject to finance lease | | - | - |
| Deferred tax liabilities | | - | - |
| Other liabilities | | 400,644 | 334,007 |
| | | 13,085,939 | 13,279,888 |
| NET ASSETS | | | |
| | | 9,352,045 | 9,618,091 |
| REPRESENTED BY | | | |
| Share capital | | 6,000,000 | 6,000,000 |
| Reserves | | 2,992,287 | 2,992,287 |
| Unappropriated profit | | 371,754 | 429,576 |
| | | 9,364,041 | 9,421,863 |
| (Deficit) / surplus on revaluation of 'available-for-sale' securities - net of tax | 11 | (11,996) | 196,228 |
| | | 9,352,045 | 9,618,091 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 12 | | |

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


 Deputy General Manager / Chief Financial Officer


 Director


 Chief Executive


 Director

Pakistan Kuwait Investment Company (Private) Limited
 Unconsolidated Condensed Interim Profit and Loss Account - (Un-audited)
 For the half year ended June 30, 2011

| | Quarter ended June 30, 2011 | Half year ended June 30, 2011 | Quarter ended June 30, 2010 | Half year ended June 30, 2010 |
|---|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| ------(Rupees in '000)----- | | | | |
| Mark-up / return / interest earned | 473,781 | 1,004,823 | 527,304 | 1,020,543 |
| Mark-up / return / interest expensed | 304,426 | 679,925 | 328,466 | 693,571 |
| Net mark-up / interest income | 169,355 | 324,898 | 198,838 | 326,972 |
| Reversal of provision against non-performing advances - net | (2,064) | (7,850) | (5,306) | (10,424) |
| Recovery of written off advances | (22,594) | (22,594) | - | - |
| Reversal of provision against non-performing lending to financial institution | (4,500) | (9,000) | - | - |
| Provision for diminution / impairment in the value of investments | 15,649 | 41,972 | 15,984 | 23,545 |
| Bad debts written off directly | - | - | - | - |
| | (13,509) | 2,528 | 10,678 | 13,121 |
| Net mark-up / interest income after provisions | 182,864 | 322,370 | 188,160 | 313,851 |
| NON MARK-UP / INTEREST INCOME | | | | |
| Fee, commission and brokerage income | 1,380 | 1,380 | 9 | 39 |
| Dividend income | 31,372 | 93,327 | 24,287 | 83,267 |
| Income from dealing in foreign currencies | - | - | - | - |
| Gain on sale of securities - net | 63,828 | 229,187 | 43,889 | 178,772 |
| Unrealised gain on revaluation of 'held-for-trading' securities | - | - | 1,133 | - |
| Other income | 5,471 | 9,871 | 6,118 | 10,096 |
| Total non mark-up / interest income | 102,051 | 333,765 | 75,436 | 272,174 |
| NON MARK-UP / INTEREST EXPENSES | | | | |
| Administrative expenses | 104,402 | 198,763 | 87,168 | 159,404 |
| Other provisions / write offs | - | - | - | - |
| Other charges | - | - | 50 | 1,149 |
| Total non mark-up / interest expenses | 104,402 | 198,763 | 87,218 | 160,553 |
| Extra ordinary / unusual items | - | - | - | - |
| PROFIT BEFORE TAXATION | 180,513 | 457,372 | 176,378 | 425,472 |
| Taxation | | | | |
| - Current | 64,318 | 109,994 | 72,268 | 136,624 |
| - Prior years | - | - | - | - |
| - Deferred | (2,079) | 45,200 | (20,581) | (14,373) |
| | 62,239 | 155,194 | 51,687 | 122,251 |
| PROFIT AFTER TAXATION | 118,274 | 302,178 | 124,691 | 303,221 |
| Unappropriated profit brought forward | 613,480 | 429,576 | 178,530 | - |
| Unappropriated profit carried forward | 731,754 | 731,754 | 303,221 | 303,221 |
| ------(Rupees)----- | | | | |
| Basic and diluted earning per share (On share of Rs. 25,000 each) | 493 | 1,259 | 520 | 1,263 |

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


 Deputy General Manager / Chief Financial Officer


 Director



 Chief Executive

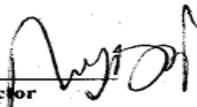

 Director


Pakistan Kuwait Investment Company (Private) Limited
 Unconsolidated Condensed Interim Statement of Changes in Equity - (Un-audited)
 For the half year ended June 30, 2011

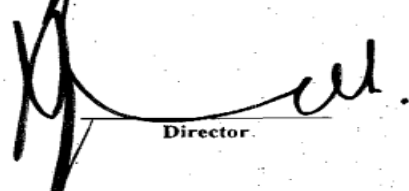
| | Share capital | Reserves | | Unappropriated profit | Total |
|--|------------------|------------------|----------|-----------------------|------------------|
| | | Statutory | Revenue | | |
| ------(Rupees in '000)----- | | | | | |
| Balance as at January 01, 2010 | 6,000,000 | 2,884,894 | - | - | 8,884,894 |
| Profit for the half year ended June 30, 2010 | - | - | - | 303,221 | 303,221 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | - | - | 303,221 | 303,221 |
| Balance as at June 30, 2010 | <u>6,000,000</u> | <u>2,884,894</u> | <u>-</u> | <u>303,221</u> | <u>9,188,115</u> |
| Balance as at January 01, 2011 | 6,000,000 | 2,992,287 | - | 429,576 | 9,421,863 |
| Profit for the half year ended June 30, 2011 | - | - | - | 302,178 | 302,178 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | - | - | 302,178 | 302,178 |
| Final Dividend for the year ended December 31, 2010 @1,500 per share approved subsequent to year end. | - | - | - | (360,000) | (360,000) |
| Balance as at June 30, 2011 | <u>6,000,000</u> | <u>2,992,287</u> | <u>-</u> | <u>371,754</u> | <u>9,364,041</u> |

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


 Deputy General Manager / Chief Financial Officer


 Director



 Chief Executive

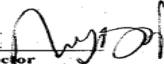

 Director

Pakistan Kuwait Investment Company (Private) Limited
 Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)
 For the half year ended June 30, 2011

| | June 30, 2011 | June 30, 2010 |
|---|--------------------|--------------------|
| | (Rupees in '000) | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 457,372 | 425,472 |
| Less: Dividend income | 93,327 | 83,267 |
| | <u>364,045</u> | <u>342,205</u> |
| Adjustments for: | | |
| Depreciation | 7,130 | 6,841 |
| Amortization | 634 | 40 |
| Reversal of provision against non-performing advances - net | (7,850) | (10,424) |
| Recovery of written off advances | (22,594) | - |
| Provision for diminution / impairment in the value of investments | 41,972 | 23,545 |
| (Reversal of provision) against non-performing lending to financial institution | (9,000) | - |
| Gain on sale of operating fixed assets | (25) | (2,442) |
| | <u>10,267</u> | <u>17,560</u> |
| | <u>374,312</u> | <u>359,765</u> |
| (Increase) / decrease in operating assets | | |
| Lendings to financial institutions | 259,001 | (952,085) |
| 'Held-for-trading' securities | 35,713 | 239,209 |
| Advances | (1,654,718) | (640,858) |
| Others assets (excluding advance taxation) | (152,032) | 62,748 |
| | <u>(1,512,036)</u> | <u>(1,290,986)</u> |
| Increase / (decrease) in operating liabilities | | |
| Borrowings from financial institutions | (862,104) | 1,527,750 |
| Deposits | 601,518 | (1,224,617) |
| Other liabilities (excluding current taxation) | 507,481 | (108,864) |
| | <u>246,895</u> | <u>194,269</u> |
| | <u>(890,829)</u> | <u>(736,952)</u> |
| Income tax paid | (550,838) | (394,649) |
| <i>Net cash (outflow) from operating activities</i> | <u>(1,441,667)</u> | <u>(1,131,601)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Net investment in 'available-for-sale' securities / subsidiaries | 374,706 | 149,342 |
| Dividend income | 82,104 | 90,757 |
| Investments in operating fixed assets | (15,457) | (17,384) |
| Sale proceeds from sale of operating fixed assets | 25 | 3,066 |
| <i>Net cash inflow from investing activities</i> | <u>441,378</u> | <u>225,781</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Dividend paid | (360,000) | - |
| <i>Net cash (outflow) from financing activities</i> | <u>(360,000)</u> | <u>-</u> |
| (Decrease) in cash and cash equivalents | <u>(1,360,289)</u> | <u>(905,820)</u> |
| Cash and cash equivalents at beginning of the period | <u>1,414,631</u> | <u>1,889,735</u> |
| Cash and cash equivalents at end of the period | <u>54,342</u> | <u>983,915</u> |

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


 Deputy General Manager / Chief Financial Officer


 Director


 Chief Executive

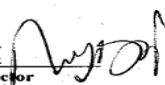

 Director


Pakistan Kuwait Investment Company (Private) Limited
 Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
 For the half year ended June 30, 2011

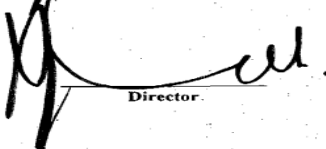
| | Quarter ended | Half year ended | Quarter ended | Half year ended |
|---|------------------------------|--------------------|------------------|--------------------|
| | June 30, 2011 | | June 30, 2010 | |
| | ----- (Rupees in '000) ----- | | | |
| Profit for the period | 118,274 | 302,178 | 124,691 | 303,221 |
| Other comprehensive income | - | - | - | - |
| Comprehensive income transferred to equity | 118,274 | 302,178 | 124,691 | 303,221 |
| Component of comprehensive income not transferred to equity | | | | |
| (Deficit) on revaluation of 'available-for-sale' securities - net of tax | (94,046) | (208,224) | (237,988) | (247,166) |
| Total Comprehensive Income / (loss) for the period | 24,228 | 93,954 | (113,297) | 56,055 |

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


 Deputy General Manager / Chief Financial Officer


 Director


 Chief Executive


 Director

Pakistan Kuwait Investment Company (Private) Limited
Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited)
For the half year ended June 30, 2011

1. STATUS AND NATURE OF BUSINESS

- 1.1** 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.
- 1.2** As at 1 January 2011, the Company had 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. FCSL has not started its operations. During the period, PKFSL has been liquidated through Easy Exit Scheme of Securities and Exchange Commission of Pakistan (SECP). PKFSL's liquidation was confirmed by SECP under Easy Exit Scheme via notification in the official gazette dated 10 January, 2011. The principal business of PKFSL was to provide Asset Management Services.
- 1.3** These unconsolidated 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 unconsolidated 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, 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, these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2010.

3. STATEMENT OF COMPLIANCE

- 3.1** These unconsolidated condensed interim financial statements of the Company have been prepared in accordance with the requirements of International Accounting Standard 34 - "Interim Financial Reporting", provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the SBP. In case requirements differ, the provisions of the Companies Ordinance, 1984 and the said directives have been followed.
- 3.2** The SBP has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Banks and Development Financial Institutions (DFIs) in Pakistan. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim 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 unconsolidated condensed interim financial statements are the same as those applied in preparation of annual financial statements for the year ended December 31, 2010, except as follows:

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

IAS 24 – Related Party Disclosure (Revised)
IAS 32 – Financial Instruments: Presentation – Classification of Right Issues (Amendment)
IFRIC 14 – Prepayments of a Minimum Funding Requirement (Amendment)
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB in April 2010

IFRS 3 – Business Combinations
IAS 27 – Consolidated and Separate Financial Statements
IAS 1 – Presentation of Financial Statements
IFRIC 13 – Customer Loyalty Programmes
IAS 34 – Interim Financial Reporting

The adoption of the above standards, amendments and interpretations did not have any effect on the 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, 2010.

| | Note | June 30, 2011 (Un-audited) (Rupees in '000) | December 31, 2010 (Audited) |
|---|------|--|-----------------------------------|
| 6. LENDINGS TO FINANCIAL INSTITUTIONS | | | |
| Certificates of investment (COIs) in local currency | | 11,822 | 270,822 |
| Provision against COI | 6.1 | (11,822) | (20,822) |
| | | <u>-</u> | <u>250,000</u> |

- 6.1 This represents provision outstanding against clean lending under COI to an investment bank. The lending was made on September 20, 2008 and matured on December 20, 2008. On maturity the investment bank was unable to repay and the Company had initiated legal proceedings for recovery of the outstanding amount. Based on the principle of prudence the Company had fully provided the amount.

During the period, the Company has recovered Rs. 9 million in the form of cash. The balance amount will be received in eight monthly installments in 2011 and 2012.

7. INVESTMENTS

7.1 Investments by type

| | June 30, 2011 (Un-audited) | | | December 31, 2010 (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 | - | - | - | 36,592 | - | 36,592 |
| Available-for-sale securities | | | | | | |
| Market treasury bills | 2,570,472 | 5,524,101 | 8,094,573 | 3,547,284 | 5,008,370 | 8,555,654 |
| Pakistan Investment Bonds | 1,196,081 | 429,730 | 1,625,811 | 449,199 | 1,175,573 | 1,624,772 |
| Shares of listed companies | 1,898,613 | - | 1,898,613 | 1,921,289 | - | 1,921,289 |
| Shares of unlisted companies | 125,099 | - | 125,099 | 125,122 | - | 125,122 |
| Listed preference shares | 93,399 | - | 93,399 | 93,399 | - | 93,399 |
| Listed term finance certificates | 125,580 | - | 125,580 | 153,687 | - | 153,687 |
| Unlisted term finance certificates | 608,513 | - | 608,513 | 458,598 | - | 458,598 |
| | <u>6,617,757</u> | <u>5,953,831</u> | <u>12,571,588</u> | <u>6,748,578</u> | <u>6,183,943</u> | <u>12,932,521</u> |
| Associates | 2,270,560 | - | 2,270,560 | 2,270,560 | - | 2,270,560 |
| Subsidiaries | 50,000 | - | 50,000 | 81,120 | - | 81,120 |
| | <u>8,938,317</u> | <u>5,953,831</u> | <u>14,892,148</u> | <u>9,136,850</u> | <u>6,183,943</u> | <u>15,320,793</u> |
| Less: Provision for diminution / impairment in the value of investments | (292,244) | - | (292,244) | (267,620) | - | (267,620) |
| Total investments - net of provisions | <u>8,646,073</u> | <u>5,953,831</u> | <u>14,599,904</u> | <u>8,869,230</u> | <u>6,183,943</u> | <u>15,053,173</u> |
| (Deficit) on revaluation of 'held-for-trading' securities | - | - | - | (880) | - | (880) |
| (Deficit) / surplus on revaluation of 'available-for-sale' securities | (27,178) | (22,432) | (49,610) | 274,909 | (119,978) | 154,931 |
| Total investments | <u>8,618,895</u> | <u>5,931,399</u> | <u>14,550,294</u> | <u>9,143,259</u> | <u>6,063,965</u> | <u>15,207,224</u> |

| | June 30, 2011 (Un-audited) (Rupees in '000) | December 31, 2010 (Audited) |
|---------------------------------------|--|-----------------------------------|
| 8. ADVANCES | | |
| In Pakistan | | |
| Advances | 6,327,739 | 4,735,906 |
| Net investment in finance leases | 1,739,378 | 1,653,899 |
| | <u>8,067,117</u> | <u>6,389,805</u> |
| Provision for non-performing advances | (1,412,765) | (1,420,615) |
| Advances - net of provision | <u>6,654,352</u> | <u>4,969,190</u> |

- 8.1 Advances include Rs.1,577.770 million (December 31, 2010: Rs 1,648.540 million) which have been placed under non-performing status as detailed below:

| Category of classification | Domestic | Overseas | Total | Provision | Provision |
|------------------------------|------------------|----------|------------------|------------------|------------------|
| | | | | Required | Held |
| ----- (Rupees in '000) ----- | | | | | |
| Substandard | 27,500 | - | 27,500 | 6,875 | 6,875 |
| Doubtful | 288,760 | - | 288,760 | 144,380 | 144,380 |
| Loss | 1,261,510 | - | 1,261,510 | 1,261,510 | 1,261,510 |
| | <u>1,577,770</u> | <u>-</u> | <u>1,577,770</u> | <u>1,412,765</u> | <u>1,412,765</u> |

8.2 Particulars of provision for non-performing advances - specific

| | Note | June 30, | December 31, |
|--|------|------------------|------------------|
| | | 2011 | 2010 |
| | | (Un-audited) | (Audited) |
| | | (Rupees in '000) | |
| Opening balance | | 1,420,615 | 1,395,656 |
| Charge for the period | | 38,751 | 87,089 |
| Reversals | | (46,601) | (62,130) |
| | | (7,850) | 24,959 |
| Amounts written off against provisions | | - | - |
| Closing balance | | <u>1,412,765</u> | <u>1,420,615</u> |

9. BORROWINGS FROM FINANCIAL INSTITUTIONS

| | Note | June 30, | December 31, |
|----------------------------------|------|------------------|------------------|
| | | 2011 | 2010 |
| | | (Un-audited) | (Audited) |
| | | (Rupees in '000) | |
| Secured | | | |
| Repurchase agreement borrowings | 9.1 | 5,939,890 | 6,067,160 |
| Term finance certificates (TFCs) | | - | 1,250,000 |
| Borrowing from SBP under LTF-EOP | 9.2 | 135,131 | 188,757 |
| Borrowing from SBP under LTFF | 9.3 | 275,225 | 301,452 |
| Borrowing from SBP under FFSAP | 9.4 | 23,019 | - |
| Unsecured | | | |
| Murabaha | 9.5 | <u>2,572,000</u> | <u>2,000,000</u> |
| | | <u>8,945,265</u> | <u>9,807,369</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 13.20 to 13.95 (December 31, 2010: 12.60 to 13.90) percent per annum with maturity of two days to forty one days (December 31, 2010 : three days to sixty days).
- 9.2 In order to facilitate the export oriented projects, SBP has introduced a scheme to refinance the fixed term loan availed from Banks / DFIs. A one time swap facility option under the Scheme (LTF-EOP) has been extended to textile sector for import of plant and machinery, allowed by the State Bank of Pakistan through their SMED Circular No.19 of 2006. The loan is repayable over a maximum period of 7.5 years from the date of first disbursement with mark-up payable at maximum of 5 percent per annum.
- 9.3 This represents Long Term Finance Facility 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 8.20 percent per annum. SBP allocates an overall yearly limit under the facility to individual PFI. The sanctioned limit was Rs. 500 million.

- 9.4 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 was Rs. 500 million.
- 9.5 This represents finance obtained from an Islamic bank. The profit rate on the finance ranges between 13.35 and 13.60 (December 31, 2010: 12.75 and 13.00) percent per annum with maturity between 07 July 2011 and 01 August 2011 (December 31, 2010: 03 January 2011 and 14 January 2011).

| 10. DEPOSITS AND OTHER ACCOUNTS | Note | June 30, 2011 (Un-audited) (Rupees in '000) | December 31, 2010 (Audited) (Rupees in '000) |
|--|------|--|---|
| Certificates of investment (COIs) / deposits | 10.1 | <u>3,740,030</u> | <u>3,138,512</u> |

- 10.1 The profit rates on these COIs / deposits range between 12.00 and 13.75 (December 31, 2010: 11.50 and 13.75) percent per annum. The COIs are due for maturity between July 02, 2011 and March 22, 2015 (December 31, 2010: January 11, 2011 and March 22, 2015).

| 11. (DEFICIT) / SURPLUS ON REVALUATION OF 'AVAILABLE-FOR-SALE' SECURITIES-NET OF TAX | June 30, 2011 (Un-audited) (Rupees in '000) | December 31, 2010 (Audited) |
|--|--|-----------------------------------|
| Federal and provincial government securities | (113,228) | (167,798) |
| Quoted shares | 62,021 | 323,793 |
| Other securities | <u>1,597</u> | <u>(1,065)</u> |
| | (49,610) | 154,930 |
| Deferred Tax | <u>37,614</u> | <u>41,298</u> |
| | <u>(11,996)</u> | <u>196,228</u> |

12. CONTINGENCIES AND COMMITMENTS

12.1 Other contingencies

The Income Tax Department has amended the deemed assessment orders for the tax year 2004 to 2010, raising a tax demand of Rs 1,856 million, 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 2010. The total additions made in tax years 2004 to 2010 under this head amounts to Rs 3,612 million.

In tax year 2003 same issue has been set aside by the Appellate Tribunal Inland Revenue (ATIR), 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 disputes.

An appeal has been filed for the tax years 2004, 2005, 2006, 2007 and 2010 with the Commissioner of Inland Revenue (Appeals) and for tax years 2008 and 2009 with ATIR. The Company has already made provision of Rs.723 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.

12.2 Other commitments

| 12.2 Other commitments | June 30, 2011 (Un-audited) (Rupees in '000) | December 31, 2010 (Audited) |
|--|--|-----------------------------------|
| Commitment - acquisition of software | 14,684 | 15,634 |
| Undisbursed sanctions for financial assistance in the form of: | | |
| - equity participation | 26,220 | 16,220 |
| - loans and advances | <u>1,230,000</u> | <u>161,287</u> |
| | <u>1,270,904</u> | <u>193,141</u> |

13. 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, 2011 - (Un-audited) | | | | | | |
| Total income - gross | 413,992 | 595,711 | 1,380 | 318,577 | 8,928 | 1,338,588 |
| Total mark-up / return / interest expense | (47,058) | (632,867) | - | - | - | (679,925) |
| Segment (provision) / reversal of provision / (impairment) / (unrealised losses) | 30,303 | 9,000 | - | (41,831) | - | (2,528) |
| | (16,755) | (623,867) | - | (41,831) | - | (682,453) |
| Net operating income / (loss) | 397,237 | (28,156) | 1,380 | 276,746 | 8,928 | 656,135 |
| Administrative expenses and other charges | | | | | | (198,763) |
| Profit before taxation | | | | | | 457,372 |
| Half year ended June 30, 2011 - (Un-audited) | | | | | | |
| Segment assets - net | 7,451,915 | 9,838,166 | - | 3,736,158 | 1,411,745 | 22,437,984 |
| Segment non-performing loans | 1,577,770 | - | - | - | - | 1,577,770 |
| Segment provision required and held | 1,412,765 | - | - | - | - | 1,412,765 |
| Segment liabilities | 526,963 | 12,251,920 | - | - | 307,056 | 13,085,939 |
| Segment return on net assets (ROA) % * | 14.57% | 12.71% | - | 16.81% | 1.38% | |
| Segment cost of funds (%) * | 9.23% | 12.90% | - | - | - | |

* Based on daily average assets and funds.

| | Corporate Finance | Treasury | Investment Banking | Capital Markets | Others | Total |
|---|----------------------|------------|-----------------------|--------------------|-----------|------------|
| ----- (Rupee in '000) ----- | | | | | | |
| Half year ended June 30, 2010 - (Un-audited) | | | | | | |
| 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) / reversal of 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 |
| Year ended December 31, 2010 - (Audited) | | | | | | |
| Segment assets - net | 5,689,274 | 11,820,169 | - | 4,142,823 | 1,245,713 | 22,897,979 |
| Segment non-performing loans | 1,648,540 | - | - | - | - | 1,648,540 |
| Segment provision required and held | 1,420,615 | - | - | - | - | 1,420,615 |
| Segment liabilities | 1,852,024 | 11,329,595 | - | - | 98,269 | 13,279,888 |
| Segment return on net assets (ROA) % | 14.15% | 12.42% | - | 13.98% | 1.35% | |
| Segment cost of funds (%) | 11.30% | 12.16% | - | - | - | |

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.

| | Six months period ended June 30, 2011 (Un-audited) | Six months period ended June 30, 2010 (Audited) |
|---|---|--|
| | (Rupees in '000) | |
| Expenses charged to an associate | 7,868 | 7,494 |
| Expenses charged by | | |
| - associates | 746 | 1,148 |
| - other related party | 8,850 | 6,473 |
| Dividend income from other related parties | 8,448 | - |
| Mark-up earned on bank deposit with an associate | 353 | 566 |
| Mark-up earned on loans and advances | | |
| - key management personnel | 570 | 31 |
| Mark-up expense on COIs of related parties | 7,300 | 7,701 |
| Contribution made to provident fund | 7,430 | 3,506 |
| Contribution made to gratuity fund | 8,546 | 4,872 |
| | June 30, 2011 (Un-audited) | December 31, 2010 (Audited) |
| | (Rupees in '000) | |
| Loans and advances to key management personnel | | |
| Balance as at January 1 | 42,447 | 22,523 |
| Disbursement during the period / year | 2,065 | 29,043 |
| Recovery during the period / year | (2,684) | (9,119) |
| | (619) | 19,924 |
| Balance as at | 41,828 | 42,447 |
| Bank balances with an associate | 3,539 | 11,611 |
| Mark-up receivable on bank deposit with an associate | 40 | 75 |
| Deposits / COIs from associate & other related party | | |
| Balance as at January 1 | 127,500 | 102,500 |
| Deposits / COIs issued during the period / year | 110,000 | 107,500 |
| Matured during the period / year | (175,000) | (82,500) |
| | (65,000) | 25,000 |
| Balance as at | 62,500 | 127,500 |
| Mark-up payable to associate & other related party | 3,118 | 5,280 |
| Investments in | | |
| - quoted shares, at market values | | |
| - associates | 4,887,459 | 4,142,589 |
| - unquoted shares, at cost | | |
| - subsidiary companies | 50,000 | 81,120 |
| - associates | 357,053 | 357,053 |
| - other related parties | 500 | 500 |
| Commitments for investment in equity of / loan to associates | 16,220 | 16,220 |

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. 33.859 million (June 30, 2010: Rs. 27.157 million) and staff retirement benefits amount to Rs. 4.052 million (June 30, 2010: Rs. 1.570 million).


15. DATE OF AUTHORISATION FOR ISSUE

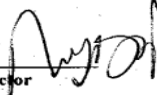
These unconsolidated condensed interim financial statements were authorised for issue in the Board of Directors meeting held on July 28, 2011.


16. GENERAL

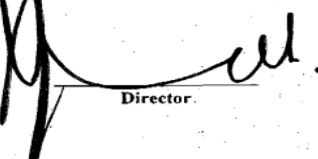
16.1. The figures have been rounded off to nearest thousand rupees.

16.2. The JCR-VIS Credit Rating Company Limited has reaffirmed 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 upgraded the long-term entity rating to AAA (Triple A) and maintained the short term rating at A1+ (A one plus), the highest level.


Deputy General Manager / Chief Financial Officer


Director


Chief Executive


Director