



PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

Unconsolidated Interim Condensed Financial Statements - Unaudited


For the nine months ended 30 September 2009

Pakistan Kuwait Investment Company (Private) Limited
Interim Condensed Balance Sheet - (Un-audited)
As at September 30, 2009

	<i>Note</i>	September 30, 2009	December 31, 2008 (Audited)
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		75,560	17,179
Balances with other banks		59,115	2,759,358
Lendings to financial institutions		3,934,491	500,000
Investments	5	15,127,682	8,436,921
Advances	6	3,125,892	3,358,935
Other assets		346,186	162,751
Operating fixed assets		110,699	107,138
Deferred tax asset		307,443	126,230
		23,087,068	15,468,512
LIABILITIES			
Bills payable		-	-
Borrowings from financial institutions	7	8,797,463	6,370,782
Deposits and other accounts	8	4,659,871	37,500
Subordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liability		-	-
Other liabilities		515,452	750,649
		13,972,786	7,158,931
NET ASSETS		9,114,282	8,309,581
REPRESENTED BY			
Share capital		6,000,000	6,000,000
Reserves		3,288,822	6,447,712
Accumulated loss		(418,692)	(4,079,185)
		8,870,130	8,368,527
Surplus / (deficit) on revaluation of 'available-for-sale' securities - net of tax		244,152	(58,946)
		9,114,282	8,309,581
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes 1 to 13 form an integral part of these interim condensed financial statements.


Deputy General Manager


Chief Executive


Chief Executive

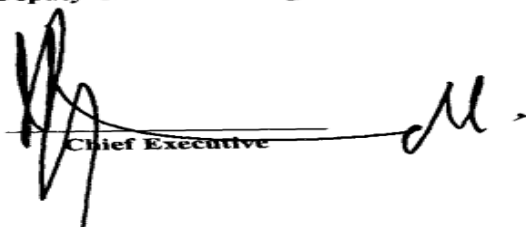

Director

Pakistan Kuwait Investment Company (Private) Limited
Interim Condensed Profit and Loss Account - (Un-audited)
For the nine months period ended September 30, 2009

	Three months period ended September 30, 2009	Nine months period ended September 30, 2009	Three months period ended September 30, 2008	Nine months period ended September 30, 2008
------(Rupees in '000)-----				
Mark-up / return / interest earned	447,338	1,249,829	260,397	841,068
Mark-up / return / interest expensed	319,699	777,344	95,962	401,658
Net mark-up / interest income	127,639	472,485	164,435	439,410
Provision against non-performing advances - net	62,454	340,505	98,876	188,318
Provision for diminution / impairment in the value of investments	516	166,329	1,422,626	2,441,864
Bad debts written off directly	-	-	-	-
	62,970	506,834	1,521,502	2,630,182
Net mark-up / interest income / (expense) after provisions	64,669	(34,349)	(1,357,067)	(2,190,772)
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	301	744	861	3,933
Dividend income	37,162	85,069	52,289	102,096
Gain / (Loss) on sale of securities - net	328,727	723,235	(2,806)	280,075
Income from dealing in foreign currencies	-	-	-	-
Unrealised (deficit) on revaluation of 'held for trading' securities	(6,220)	(7,373)	(82,510)	(161,992)
Unrealised surplus / (deficit) on revaluation of 'derivative instruments'	-	-	-	-
Other income	4,068	14,100	13,562	27,585
Total non mark-up / interest income	364,038	815,775	(18,604)	251,697
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	67,808	195,709	68,523	229,641
Other charges	-	203	-	-
Total non mark-up / interest expenses	67,808	195,912	68,523	229,641
Extra ordinary / unusual items	-	-	-	-
PROFIT / (LOSS) BEFORE TAXATION	360,899	585,514	(1,444,194)	(2,168,716)
Taxation				
- Current	75,844	247,148	82,204	235,979
- Prior years	-	-	-	-
- Deferred	(38,419)	(163,237)	(53,532)	(103,905)
	37,425	83,911	28,672	132,074
PROFIT / (LOSS) AFTER TAXATION	323,474	501,603	(1,472,866)	(2,300,790)
Basic and diluted earnings / (loss) per share (On share of Rs. 25,000 each)	1,348	2,090	(6,137)	(9,587)

The annexed notes 1 to 13 form an integral part of these interim condensed financial statements.


Deputy General Manager


Chief Executive


Chief Executive


Director

Pakistan Kuwait Investment Company (Private) Limited

Interim Condensed Cash Flow Statement (Un-audited)

For the nine months period ended September 30, 2009

	Nine months period ended September 30, 2009	Nine months period ended September 30, 2008
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	585,514	(2,168,716)
Less: Dividend income	<u>(85,069)</u>	<u>(102,096)</u>
	500,445	(2,270,812)
Adjustments for:		
Depreciation	8,648	13,336
Unrealised deficit on revaluation of 'held for trading' securities	7,373	161,992
Provision against non-performing advances - net	340,505	188,318
Provision for diminution / impairment in the value of investments	166,329	2,441,864
Gain on sale of operating fixed assets	<u>(766)</u>	<u>(1,282)</u>
	522,089	2,804,228
	<u>1,022,534</u>	<u>533,416</u>
Decrease / (increase) in operating assets		
Lendings to financial institutions	(3,434,491)	5,407,878
'Held for trading' securities	(82,164)	(2,548)
Advances	(107,462)	274,038
Others assets	<u>(167,289)</u>	<u>31,497</u>
	(3,791,406)	5,710,865
(Decrease) / increase in operating liabilities		
Borrowings from financial institutions	2,426,681	(3,519,075)
Deposits	4,622,371	(1,860,000)
Other liabilities (excluding current taxation)	<u>47,407</u>	<u>(134,690)</u>
	7,096,459	(5,513,765)
	<u>4,327,587</u>	<u>730,516</u>
Income tax paid	<u>(529,752)</u>	<u>(65,767)</u>
<i>Net cash inflows / (outflows) from operating activities</i>	<u>3,797,834</u>	<u>664,749</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in 'available-for-sale' securities / subsidiaries	(6,497,177)	(1,945,254)
Dividend received	68,923	96,865
Investments in operating fixed assets	(13,827)	(9,501)
Sale proceeds from sale of operating fixed assets	2,385	4,273
<i>Net cash inflows / (outflows) from investing activities</i>	<u>(6,439,696)</u>	<u>(1,853,617)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	-	(480,000)
<i>Net cash inflows / (outflows) from financing activities</i>	-	(480,000)
Decrease in cash and cash equivalents	<u>(2,641,862)</u>	<u>(1,668,868)</u>
Cash and cash equivalents at beginning of the period	<u>2,776,537</u>	<u>5,373,858</u>
Cash and cash equivalents at end of the period	<u>134,675</u>	<u>3,704,990</u>

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Deputy General Manager


Chief Executive


Chief Executive

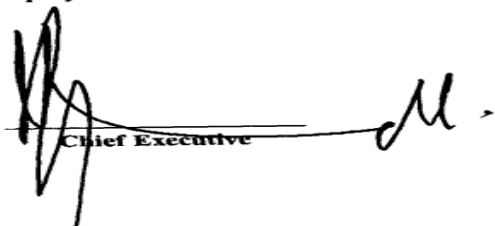

Director

Pakistan Kuwait Investment Company (Private) Limited
Interim Condensed Statement of Changes in Equity - (Un-audited)
For the nine months period ended September 30, 2009

	Share capital	Reserves			Unappropriated profit/(Accumulated loss)	Total
		Statutory	Tax	Revenue		
------(Rupees in '000)-----						
Balance as at January 01, 2008	6,000,000	3,288,822	80,045	2,422,404	1,159,325	12,950,596
Profit for the nine months period January 01 to September 30, 2008	-	-	-	-	(2,300,790)	(2,300,790)
Transfer to statutory reserve	-	-	-	-	-	-
Final dividend for the year ended December 31, 2007 @ Rs. 2,000 per share approved subsequent to year end	-	-	-	-	(480,000)	(480,000)
Transfer to contingencies reserve	-	-	-	46,482	(46,482)	-
Transfer to marketable and government securities reserve	-	-	(80,045)	694,400	(614,355)	-
Balance as at September 30, 2008	<u>6,000,000</u>	<u>3,288,822</u>	<u>-</u>	<u>3,163,286</u>	<u>(2,282,302)</u>	<u>10,169,806</u>
Balance as at January 01, 2009	6,000,000	3,288,822	-	3,158,890	(4,079,185)	8,368,527
Profit for the nine months period January 01 to September 30, 2009	-	-	-	-	501,603	501,603
Transfer to statutory reserve	-	-	-	-	-	-
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	-
Balance as at September 30, 2009	<u>6,000,000</u>	<u>3,288,822</u>	<u>-</u>	<u>-</u>	<u>(418,692)</u>	<u>8,870,130</u>

The annexed notes 1 to 13 form an integral part of these interim condensed financial statements.


Deputy General Manager


Chief Executive


Chief Executive


Director

Pakistan Kuwait Investment Company (Private) Limited

Notes to the Interim Condensed Financial statements (Un-audited)

For the nine months period ended September 30, 2009

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 is principally engaged in the business of 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.

2. BASIS OF PRESENTATION

These interim condensed 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 interim condensed financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2008.

3. STATEMENT OF COMPLIANCE

- 3.1** These interim condensed 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 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 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, 2008.

5. INVESTMENTS

5.1 Investments by type

	September 30, 2009			December 31, 2008		
	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	210,263	-	210,263	421,790	-	421,790
Pakistan Investment Bonds	487,634	-	487,634	-	-	-
Available-for-sale securities						
Market treasury bills	2,528,282	5,986,246	8,514,528	605,632	3,349,317	3,954,949
Pakistan Investment Bonds	1,327,626	-	1,327,626	-	-	-
Shares of listed companies	1,862,443	-	1,862,443	6,238,029	-	6,238,029
Shares of unlisted companies	119,813	-	119,813	151,546	-	151,546
Listed preference shares	93,488	-	93,488	96,003	-	96,003
Listed term finance certificates	413,218	-	413,218	124,341	-	124,341
Unlisted term finance certificates	36,111	-	36,111	93,958	-	93,958
Associates	2,225,560	-	2,225,560	1,726,560	-	1,726,560
Subsidiaries	81,120	-	81,120	81,120	-	81,120
Total investments - at cost	9,385,558	5,986,246	15,371,804	9,538,979	3,349,317	12,888,296
Less: Provision for diminution in the value of investments	(463,410)	-	(463,410)	(4,091,851)	-	(4,091,851)
Total investments - net of provisions	8,922,148	5,986,246	14,908,394	5,447,128	3,349,317	8,796,445
(Deficit) on revaluation of 'held for trading' securities	(7,373)	-	(7,373)	(301,064)	-	(301,064)
Surplus / (deficit) on revaluation of 'available-for-sale' securities	197,993	28,668	226,661	(59,621)	1,161	(58,460)
Total investments	9,112,768	6,014,914	15,127,682	5,086,443	3,350,478	8,436,921

5.1 Investments by segments

	September 30, 2009	December 31, 2008
(Rupees in '000)		
Government securities	10,278,893	3,956,336
Quoted securities	4,407,055	4,008,588
Unquoted securities	441,734	471,997
	15,127,682	8,436,921

6 ADVANCES

In Pakistan

Advances	2,947,853	2,685,896
Net investment in finance leases	1,386,973	1,583,220
	4,334,826	4,269,116
Provision for non-performing advances	(1,208,934)	(910,181)
Advances net of provision	3,125,892	3,358,935

- 6.1 Advances include Rs.1,652.382 million (December 31, 2008: Rs 1,278.058 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	279,003	-	279,003	69,751	69,751
Doubtful	468,393	-	468,393	234,197	234,197
Loss	904,986	-	904,986	904,986	904,986
	<u>1,652,382</u>	<u>-</u>	<u>1,652,382</u>	<u>1,208,934</u>	<u>1,208,934</u>

6.2 Particulars of provision for non-performing advances - Specific

	September 30, 2009	December 31, 2008
(Rupees in '000)		
Opening balance	910,181	338,539
Charge for the quarter	403,851	607,032
Reversals	(63,346)	(35,390)
	340,505	571,642
Amounts written off against provisions	(41,752)	-
Closing balance	<u>1,208,934</u>	<u>910,181</u>

7. BORROWINGS FROM FINANCIAL INSTITUTIONS

	September 30, 2009	December 31, 2008
(Rupees in '000)		
Secured		
Repurchase agreement borrowings	7.1	7,024,282
Term finance certificates (TFCs)	7.2	1,450,000
Borrowing from SBP under LTF-EOP	7.3	323,181
Unsecured		
Term finance certificates (TFCs)	-	1,000,000
	<u>8,797,463</u>	<u>6,370,782</u>

- 7.1 The company has arranged borrowings from various financial institutions against sale and repurchase of government securities. The mark-up on these finances is 11.50 to 12.90 (December 31, 2008: 11% to 14.9%) percent per annum with maturity of one day to twenty six days (December 31, 2008 : two days to six days).

- 7.2 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 basis points ranges from 50 to 65 (December 31, 2008: 65) basis points. As at September 30, 2009 the effective rate ranges between 12.59 to 13.23 (December 31, 2008: 15.81 and 16.15) percent per annum.

7.3 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.

The sanctioned limit was Rs. 1,000 million. The outstanding balance under swap arrangement amounts to Rs 323.181 million as at September 30, 2009 (December 31, 2008: Rs 369.148 million).

8. DEPOSITS AND OTHER ACCOUNTS		September 30, 2009	December 31, 2008
		(Rupees in '000)	
Certificates of investment (COIs) / deposits			
Financial institutions		-	-
Others	8.1	<u>4,659,871</u>	<u>37,500</u>
		<u>4,659,871</u>	<u>37,500</u>

8.1 The profit rates on these COIs / deposits range between 11.50 to 14.00 (December 31, 2008: 9.75 to 14.03) percent per annum. The COIs are due for maturity between October 1, 2009 and May 22, 2012 (December 31, 2008: January 19, 2009 and March 22, 2010).

9. CONTINGENCIES AND COMMITMENTS

9.1 Other contingencies

		September 30, 2009	December 31, 2008
		(Rupees in '000)	
Direct credit substitute – guarantee issued		<u>1,550</u>	<u>1,550</u>

9.2 The Income Tax Department has amended the deemed assessment orders for the tax years 2004 to 2008, raising a tax demand of Rs 1.1 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. The orders to this effect have already been framed for the tax years 2003 to 2008. The total additions made in tax years 2003 to 2008 under this head amounts to Rs 3.122 billion.

In tax year 2003, the 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 the '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 2008. The company has already made a provision of Rs.506 million on that issue against the demand for the above-mentioned years based on cost of investments. 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.

9.3 Other commitments

		September 30, 2009	December 31, 2008
		(Rupees in '000)	
Undisbursed sanctions for financial assistance in the form of			
- equity participation		166,220	1,135,100
- loans and advances		1,222,989	200,936
- forward contract - placement		200,000	-
		<u>1,589,209</u>	<u>1,336,036</u>

10. 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) -----						
Nine months period ended September 30, 2009						
Total income - gross	295,951	968,713	168	796,301	11,844	2,072,977
Total mark-up / return / interest expense	(199,617)	(577,727)	-	-	-	(777,344)
Segment provision / impairment / unrealised losses	(313,321)	(3,397)	-	(197,488)	-	(514,206)
	(512,938)	(581,124)	-	(197,488)	-	(1,291,550)
Net operating (loss) / income	(216,987)	387,589	168	598,813	11,844	781,427
Administrative expenses and other charges						(195,912)
Profit before taxation						585,515

Nine months period ended September 30, 2009

Segment assets - net	3,188,923	14,751,243	-	4,443,324	703,578	23,087,068
Segment non-performing loans	1,652,382	-	-	-	-	1,652,382
Segment provision required and held	1,208,934	-	-	-	-	1,208,934
Segment liabilities	1,896,710	8,440,990	-	-	3,635,086	13,972,786
Segment return on net assets (ROA) % *	12.58%	13.42%		27.41%		
Segment cost of funds (%) *	11.87%	12.99%				

* Based on daily average assets and funds.

	Corporate Finance	Treasury	Investment Banking	Capital Markets	Others	Total
----- (Rupee in '000) -----						
Nine months period ended September 30, 2008						
Total income - gross	330,909	552,210	3,009	358,176	10,453	1,254,757
Total mark-up / return / interest expense	(328,408)	(73,250)	-	-	-	(401,658)
Segment provision / impairment / unrealised gains	(180,654)	-	-	(2,611,520)	-	(2,792,174)
	(509,062)	(73,250)	-	(2,611,520)	-	(3,193,832)
Net operating (loss) / income	(178,153)	478,960	3,009	(2,253,344)	10,453	(1,939,075)
Administrative expenses and other charges						(229,641)
Profit before taxation						(2,168,716)
Year ended December 31, 2008						
Segment assets - net	3,908,126	7,732,843	-	3,384,138	443,405	15,468,512
Segment non-performing loans	1,278,058	-	-	-	-	1,278,058
Segment provision required and held	910,181	-	-	-	-	910,181
Segment liabilities	3,019,148	3,389,134	-	-	750,649	7,158,931
Segment return on net assets (ROA) %	11.60%	23.16%		7.06%		
Segment cost of funds (%)	9.90%	9.80%				

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

11. 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.

	Nine months period ended September 30, 2009	Nine months period ended September 30, 2008
	(Rupees in '000)	
Reimbursement of actual expenses incurred on behalf of a related party	11,944	7,754
Expenses charged by		
- associates	2,935	3,014
- other related party	13,533	9,649
Dividend income from other related parties	-	11,330
Mark-up earned on placement / COI / with an associate	-	653
Mark-up earned on loans and advances		
- associates	1,088	2,363
- other related party	-	6,959
Mark-up expense on COIs of related parties	454	869
Contribution made to provident fund	3,996	4,470
Contribution made to gratuity fund	8,197	5,229
	September 30, 2009	December 31, 2008
	(Rupees in '000)	
Placements / COIs with an associate		
Balance as at January 1	-	35,684
Addition / (deletion) during the period / year	-	(47,205)
Recovery during the period / year	-	11,521
	-	(35,684)
Balance as at	-	-
Loans and advances to key management personnel		
Balance as at January 1	6,704	14,618
Disbursement during the period / year	19,000	-
Recovery during the period / year	(2,868)	(10,864)
	16,132	(10,864)
Balance as at	22,836	3,754
Advances to associates / other related parties / subsidiaries	-	12,500
Mark-up receivable on placement / COI / leases & loans and advances		
- with associates	-	49
Bank balances with an associate	28,029	6,906
Deposits / COIs from associate & other related party	132,500	2,500
Mark-up payable to other related party	220	97
Investments in		
- quoted, at market values		
- associates	3,234,773	3,591,019
- unquoted, at cost		
- subsidiary companies	81,120	81,120
- associates	312,053	300,280
- other related parties	500	500
Commitments for investment in equity of / loan to associates	166,220	1,135,100

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. 39.735 million (September 30, 2008: Rs. 49.643 million) and staff retirement benefits amount to Rs. 2.100 million (September 2008: Rs. 3.434 million).

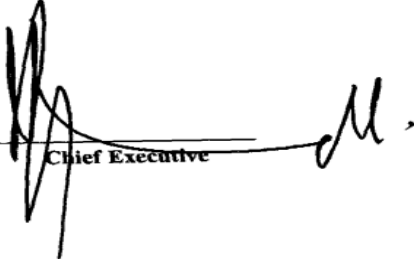
12. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorised for issue in the Board of Directors meeting held on 29 Oct 2009.

13. GENERAL

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 Executive


Chief Executive


Director