

ALBARAKA BANK (PAKISTAN) LIMITED

**FINANCIAL STATEMENTS
AS AT MARCH 31, 2011**

ALBARAKA BANK (PAKISTAN) LIMITED

[FORMERLY EMIRATES GLOBAL ISLAMIC BANK LIMITED]

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT MARCH 31, 2011**

Note (Un-Audited) (Audited)
March 31, December 31,
2011 2010
----- Rupees in '000-----

ASSETS

Cash and balances with treasury banks		3,060,666	4,460,257
Balances with other banks		4,396,107	7,409,620
Due from financial institutions		80,000	80,000
Investments	5	21,584,986	15,617,589
Financing	6	27,371,294	27,976,680
Operating fixed assets	7	2,720,232	2,732,332
Deferred tax assets	8	1,031,041	1,029,055
Other assets		1,891,585	2,169,521
		62,135,912	61,475,054

LIABILITIES

Bills payable		531,481	427,600
Due to financial institutions		2,294,624	2,756,892
Deposits and other accounts		50,576,009	49,324,209
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		14,046	19,303
Deferred tax liabilities		-	-
Other liabilities		2,519,875	2,827,973
		55,936,035	55,355,977

NET ASSETS

	<u>6,199,877</u>	<u>6,119,077</u>
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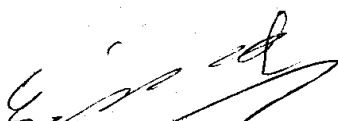
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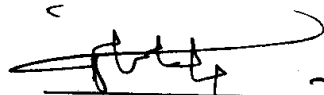
Share capital		8,935,200	8,935,200
Discount on issuance of shares	9	(767,290)	(767,290)
Reserves		-	-
Accumulated loss		(1,971,521)	(2,052,024)
		6,196,389	6,115,886
Surplus on revaluation of asset -net of tax		3,488	3,191
		<u>6,199,877</u>	<u>6,119,077</u>


CONTINGENCIES AND COMMITMENTS

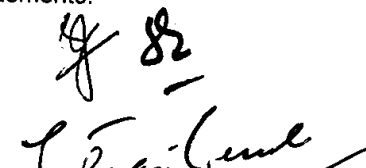
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The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.


Chief Executive Officer,


Director


Director


Director





ALBARAKA BANK (PAKISTAN) LIMITED

[FORMERLY EMIRATES GLOBAL ISLAMIC BANK LIMITED]

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2011**

	March 31, 2011	March 31, 2010
	Rupees in '000	
Profit / return earned on financings, investments and placements	1,816,675	489,275
Return on deposits and other dues expensed	1,468,748	302,118
Net spread earned	<u>347,927</u>	<u>187,157</u>
(Reversal) / Provision against non-performing financings-net	(38,869)	319,920
Provision for diminution in the value of investments	3,284	2,334
Bad debts written off directly	10	-
Net spread after provisions	<u>(35,575)</u>	<u>322,254</u>
	383,502	(135,097)
Other income		
Fee, commission and brokerage income	55,047	18,435
Dividend income	487	-
Income from dealing in foreign currencies	105,423	26,811
Capital gain / (loss) on sale of securities	1,468	(4,552)
Unrealized gain / (loss) on revaluation of investments classified as 'held for trading'	-	-
Other income	3,461	2,723
Total other income	<u>165,888</u>	<u>43,417</u>
	549,389	(91,680)
Other expenses		
Administrative expenses	453,690	337,020
Other provisions / write offs	-	-
Other charges	33	172
Total other expenses	<u>453,723</u>	<u>337,191</u>
	95,666	(428,871)
Extraordinary / unusual items	-	-
Profit / (Loss) before taxation	<u>95,666</u>	<u>(428,871)</u>
Taxation		
- Current - for the period	(16,594)	(2,663)
- Prior	-	-
- Deferred	1,431	166,603
	<u>(15,163)</u>	<u>163,940</u>
Profit / (Loss) after taxation	<u>80,503</u>	<u>(264,932)</u>
Accumulated loss brought forward	(2,052,024)	(1,012,429)
Accumulated loss carried forward	<u>(1,971,521)</u>	<u>(1,277,361)</u>
Earning / (Loss) per share - Basic and diluted (Rupees)	<u>0.009</u>	<u>(0.59)</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

Chief Executive Officer Director Director Director

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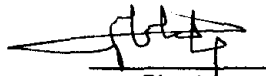
ALBARAKA BANK (PAKISTAN) LIMITED
 [FORMERLY EMIRATES GLOBAL ISLAMIC BANK LIMITED]
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED MARCH 31, 2011

	March 31, 2011	March 31, 2010
	Rupees in '000	
Profit / (Loss) for the period - after taxation	80,503	(264,932)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the period	<u><u>80,503</u></u>	<u><u>(264,932)</u></u>

As per the requirement of the State Bank of Pakistan, surplus / (deficit) on revaluation of available-for-sale securities is required to be taken to a separate account 'Surplus on revaluation of assets' shown in the balance sheet below equity. Accordingly, it has not been included in the statement of comprehensive income.

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.


 Chief Executive Officer


 Director


 Director


 Director




ALBARAKA BANK (PAKISTAN) LIMITED

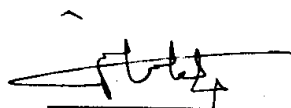
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**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2011**

	March 31, 2011	March 31, 2010
	----- Rupees In '000-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	95,666	(428,871)
Adjustments		
Depreciation	35,327	28,979
Depreciation on Ijarah assets held under IFAS 2	157,757	68,372
Amortisation	6,547	8,363
Fixed assets written off	-	-
Dividend income	(487)	-
Provision against non-performing financings	(38,869)	319,920
Provision for diminution in the value of investments	3,284	2,334
Write off of provision	10	-
Finance charges on leased assets	6,840	6,519
	<u>170,409</u>	<u>434,487</u>
(Increase) / decrease in operating assets	266,074	5,615
Due from financial institutions		
Financing	-	300,000
Others assets	(592,994)	(704,757)
	<u>661,168</u>	<u>35,876</u>
Increase / (decrease) in operating liabilities	68,174	(368,881)
Bills payable		
Due to financial institutions	103,881	(97,104)
Deposits and other accounts	(462,268)	(20,000)
Other liabilities	1,251,800	1,519,255
	<u>403,293</u>	<u>(31,680)</u>
Income tax paid	1,296,706	1,370,471
Dividend received	(32,290)	(2,306)
Financial charges paid	487	-
Net cash flow from operating activities	<u>(6,840)</u>	<u>(6,519)</u>
	1,592,311	998,381
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(5,970,386)	(129,967)
Net investments in operating fixed assets	(29,772)	(32,274)
Receipt on disposal of fixed assets	-	365
Net cash outflow on investing activities	<u>(6,000,158)</u>	<u>(161,876)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of lease obligations	(5,257)	(5,653)
Net cash from financing activities	<u>(5,257)</u>	<u>(5,653)</u>
Net (decrease) / Increase in cash and cash equivalents	<u>(4,413,104)</u>	<u>830,852</u>
Cash and cash equivalents at beginning of the year	11,869,877	2,296,970
Cash and cash equivalents as at March 31	<u><u>7,456,773</u></u>	<u><u>3,127,822</u></u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

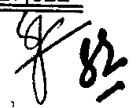

Chief Executive Officer


Director


Director


Director





ALBARAKA BANK (PAKISTAN) LIMITED

(FORMERLY EMIRATES GLOBAL ISLAMIC BANK LIMITED)

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2011**

	Issued subscribed and paidup share capital	Share subscription money	Discount on issuance of shares	Accumulated loss	Total
	Rupees in '000				
Balance as at January 01, 2010	4,500,000	657	-	(1,012,429)	3,488,228
Loss after taxation for the period	-	-	-	(264,932)	(264,932)
Balance as at March 31, 2010	4,500,000	657	-	(1,277,361)	3,223,296
Shares issued during the year upon amalgamation	4,435,200	-	-	-	4,435,200
Transfer to other liabilities	-	(657)	-	-	(657)
Discount on issuance of shares during the year	-	-	(767,290)	-	(767,290)
Loss for the period	-	-	-	(774,663)	(774,663)
Balance as at December 31, 2010	8,935,200	-	(767,290)	(2,052,024)	6,115,886
Profit after taxation - for the period	-	-	-	80,503	80,503
Balance as at March 31, 2011	8,935,200	-	(767,290)	(1,971,521)	6,196,389

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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Chief Executive Officer

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Director

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Director

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Director

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ALBARAKA BANK (PAKISTAN) LIMITED

[FORMERLY EMIRATES GLOBAL ISLAMIC BANK LIMITED]

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2011**

1. STATUS AND NATURE OF BUSINESS

The Bank was incorporated in Pakistan on December 20, 2004 as a public limited company under the Companies Ordinance, 1984.

The main objective of the bank is to carry on Islamic banking business in and outside Pakistan in accordance and in conformity with Islamic Shariah. The bank was granted an Islamic Banking License BL(i)-01(07), issued by the Banking Policy and Regulations Department of the State Bank of Pakistan vide their letter no. BPRD (LCGD-02)/625-76/D/2007/521 dated January 18, 2007 under section 27 of the Banking Companies Ordinance, 1962 read with Islamic Banking Department circular no. 2 of 2004. Subsequently, the bank was also granted approval for commencement of business as a scheduled bank with effect from February 13, 2007 by the State Bank of Pakistan vide their letter no. BPRD (LCGD-02)/625-76/X/JD/2007/1269 dated February 12, 2007.

The Bank's registered office is located at 162, Banglore Town, Main Sharah-e-Faisal, Karachi. The Bank operates 87 branches and 2 sub-branches (December 31, 2010: 87 branches and 2 sub-branches) in Pakistan.

1.2

The SBP vide BSD Circular No. 7 of 2009 dated 15 April 2009 required the Minimum Capital Requirement (MCR) for Banks to be raised to Rs. 10 billion to be achieved in phased manner by December 31, 2013. As per said circular MCR (free of losses) as of December 31, 2010, 2011, 2012 and 2013 is Rs.7 billion, Rs.8 billion, Rs.9 billion and Rs.10 billion respectively. The paid up capital of the Bank (free of losses) as of March 31, 2011 is Rs. 6.2 billion. Subsequent to the period end, the Bank has been granted exemption from the MCR by the SBP vide its letter no. BSD/BAI-3/608/4673/2011 dated April 14, 2011 for a period of three years i.e. December 31, 2010, 2011 and 2012 subject to the compliance of the following conditions during the exemption period:

- i) The Bank shall maintain paid up capital (free of losses) of at least Rs 6 billion at all times and raise the paid up capital (free of losses) to Rs 6.5 billion in the year 2011, Rs 8 billion in the year 2012 and Rs 10 billion by December 31, 2013.
- ii) The Bank shall maintain Capital Adequacy ratio (CAR) of 15% or above during the period;
- iii) There would be moratorium on dividend payments until the Bank meets existing regulatory capital requirements;
- iv) The Bank shall not undertake related party transaction (as defined under note 43 of the annual financial statements circulated vide BCD Circular No 4 of February 17, 2006.
- v) The Bank will be subject to MCR and Capital Adequacy Ratio (CAR) as of December 31, 2013 and onwards as per BSD Circular no.7 dated April 15, 2009.

2. BASIS OF PRESENTATION

The Bank provides financing mainly through Murabaha, Ijarah, and other Islamic modes. Under Murabaha the goods are purchased and are then sold to the customers on deferred payments. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The income on such financing is recognized in accordance with the principles of Islamic Shariah. However income, if any, received which does not comply with the principles of Islamic Shariah is recognised as charity payable if so directed by the Shariah Advisor.





3. STATEMENT OF COMPLIANCE

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, Islāmic Financial Accounting Standards (IFAS) and the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance 1962 or the requirements of the said directives prevail.

The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 02 dated May 12, 2004 and International Accounting Standard 34, 'Interim Financial Reporting Standard 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2010.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002 till further instructions. In addition the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banking companies vide SRO 411(I) / 2008 till further orders. 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 requirements prescribed by the SBP through various circulars.

3.1 BASIS OF MEASUREMENT

These financial statements have been prepared under historical cost convention except for certain investments which have been carried at fair value.

4. SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

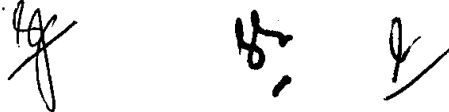
The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Bank for the year ended December 31, 2010.

The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Bank for the year ended on December 31, 2010.

The corresponding figures of condensed interim profit and loss account and its related notes are prior to its merger with Al Baraka Islamic Bank B.S.C (c) - Pakistan branches.

4.1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis of the significant accounting estimates and judgements adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual audited financial statements of the Bank for the year ended December 31, 2010.





ALBARAKA BANK (PAKISTAN) LIMITED

(FORMERLY EMIRATES GLOBAL ISLAMIC BANK LIMITED)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2011

	Note	March 31, 2011	December 31 2010
----- Rupees in '000-----			
5. DUE FROM FINANCIAL INSTITUTIONS			
Call money lendings		-	-
Repurchase agreement lendings (Reverse Repo)		-	-
Receivable against commodity murabaha	5.1	80,000	80,000
		<u>80,000</u>	<u>80,000</u>
5.1 Receivable against commodity murabaha			
Gross amount receivable against commodity murabaha	5.2	83,682	83,682
Less: Profit for future periods		-	-
Profit receivable		3,682	3,682
		<u>80,000</u>	<u>80,000</u>

5.2 This represents placements made with institution against commodity murabaha agreement and carry returns at the rate of 12.7% (2010: 12.7%) per annum. These have been subsequently adjusted / recovered.

Note	March 31, 2011 (Un-Audited)			December 31, 2010 (Audited)		
	Held by	Given as	Total	Held by	Given as	Total
	Bank	collateral		Bank	collateral	
----- Rupees in '000-----						
6. Investments by types						
Available for sale						
Sukuk certificates	20,489,432	-	20,489,432	14,560,752	-	14,560,752
Listed Companies (ordinary shares)	3,768	-	3,768	3,768	-	3,768
Unlisted Company (ordinary shares)						
- related party	52,200	-	52,200	52,200	-	52,200
Mutual funds - open ended	36,327	-	36,327	36,546	-	36,546
	<u>20,581,727</u>	-	<u>20,581,727</u>	<u>14,653,266</u>	-	<u>14,653,266</u>
Held to maturity securities						
Sukuk certificates	1,054,779	-	1,054,779	1,012,500	-	1,012,500
Investments at cost	<u>21,636,506</u>	-	<u>21,636,506</u>	<u>15,670,213</u>	-	<u>15,665,766</u>
Less: Provision for diminution in value of investments	(55,007)	-	(55,007)	(51,723)	-	(51,723)
Investments (net of provision)	<u>21,581,499</u>	-	<u>21,581,499</u>	<u>15,614,043</u>	-	<u>15,614,043</u>
surplus on revaluation of 'available for sale' securities	3,488	-	3,488	3,546	-	3,546
Total investments at market value	<u>21,584,987</u>	-	<u>21,584,987</u>	<u>15,617,589</u>	-	<u>15,617,589</u>

6.1 Unlisted Company (ordinary shares)

	March 31 2011	December 31 2010	March 31 2011	December 31 2010	Percentage of equity holding %	Latest available audited financial statements
	Number of shares		Rupees in '000			
Takaful Pakistan Limited (related party)	5,100,000	5,100,000	52,200	52,200	17	December, 31 2010
Crown Textile Mills Limited *	444,656	444,656	52,200	52,200		

* These have been transferred at nil value upon amalgamation of Pakistan branches of Al Baraka with and into the Bank.

7. FINANCING	Note	March 31,	December 31,
		2011	2010
----- Rupees in '000-----			
In Pakistan			
- Murabaha financing	7.1	17,048,361	16,942,722
- Export refinance under Islamic scheme		2,536,782	3,070,538
- Net investment in Ijarah		1,303,320	1,367,478
- Net asset / investment in Ijarah accounted for under IFAS - 2		1,926,994	1,990,987
- Diminishing musharaka financings		5,172,361	5,210,878
- Overdue acceptance payment		420,273	633,978
- Payment against guarantees		5,901	5,901
- Salam financing		819,036	653,157
- Musawamah financing		5,166	5,166
- Qarz-e-Hasna		17,347	18,911
- Financing in respect of rahnuma travel services		65	144
Financing - gross		<u>29,255,606</u>	<u>29,899,860</u>
Provision for non-performing financing - specific	7.2 & 7.3	1,869,058	1,907,248
Provision for non-performing financing - general	7.3	15,255	15,932
Financing - net of provision		<u>27,371,294</u>	<u>27,976,680</u>
7.1 Murabaha receivable - gross		17,790,693	17,654,112
Less: Deferred murabaha income		742,332	711,390
Murabaha financings		<u>17,048,361</u>	<u>16,942,722</u>

7.2 Financing includes Rs. 4,002.48 million (December 31,2010: Rs 3,735.78 million) which have been placed under non-performing status as detailed below:

Category of classification	March 31, 2011				
	Domestic	Overseas	Total	Provision required	Provision held
----- Rupees in 000 -----					
Substandard	626,861	-	626,861	88,142	88,142
Doubtful	954,371	-	954,371	317,592	317,592
Loss	2,421,246	-	2,421,246	1,463,325	1,463,325
	<u>4,002,478</u>	<u>-</u>	<u>4,002,478</u>	<u>1,869,058</u>	<u>1,869,058</u>

Category of classification	December 31, 2010				
	Domestic	Overseas	Total	Provision required	Provision held
----- Rupees in 000 -----					
Substandard	346,981	-	346,981	55,939	55,939
Doubtful	903,539	-	903,539	285,335	285,335
Loss	2,485,260	-	2,485,260	1,565,974	1,565,974
	<u>3,735,780</u>	<u>-</u>	<u>3,735,780</u>	<u>1,907,248</u>	<u>1,907,248</u>

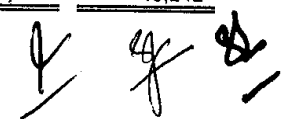
7.3 Particulars of provisions against non-performing financing

	March 31, 2011			December 31, 2010		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	1,907,248	15,932	1,923,180	313,387	7,582	320,969
Charge for the year	137,223	-	137,223	767,704	206	767,910
Reversals	(175,413)	(677)	(176,090)	(8,405)	(204)	(8,609)
Transfer upon amalgamation	-	-	-	834,562	8,348	842,910
Closing balance	<u>1,869,058</u>	<u>15,255</u>	<u>1,884,313</u>	<u>1,907,248</u>	<u>15,932</u>	<u>1,923,180</u>

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	Note	March 31, 2011	December 31, 2010
----- Rupees in'000-----			
8. OPERATING FIXED ASSETS			
Capital work-in-progress		663,160	645,112
Property and equipment - net		1,254,190	1,278,491
Intangible assets		802,882	808,729
		<u>2,720,232</u>	<u>2,732,332</u>
8.1 Capital work-in-progress			
Advance against purchase of property	8.1.1	276,680	276,780
Advances to suppliers and contractors		386,480	368,332
		<u>663,160</u>	<u>645,112</u>
8.1.1	This includes advance payment made by the Bank amounting to Rs. 251.680 million for the purchase of two floors in the Karachi Financial Towers (KFT) against an aggregate purchase price of Rs. 533.408 million. The KFT project is being developed by Ensha NLC Developers (Private) Limited and is currently suspended. However, in terms of the deed of indemnity issued by Ensha LLC to the Bank, Ensha LLC shall indemnify the Bank for any loss suffered or required to be booked in the condensed interim financial statements in respect of the above advance payment. Further, in the event that the KFT project is not revived and substantial progress is not made within a period of three years commencing from the date of the deed of indemnity, Ensha LLC will pay to the Bank the full extent of the advance payment. In view of the above indemnity, no provision against the aforesaid advance payment has been considered necessary in these condensed interim financial statements.		
9. SHARE CAPITAL			
9.1 Authorized Capital			
		March 31, 2011	December 31, 2010
		Number of shares	
		<u>1,000,000,000</u>	<u>1,000,000,000</u>
		Ordinary shares of Rs 10/- each	
		<u>10,000,000</u>	<u>10,000,000</u>
9.2 Issued, subscribed and paid up capital			
		March 31, 2011	December 31, 2010
		Number of shares	
		Ordinary shares of Rs 10 each	
		450,000,000	450,000,000
		Fully paid in cash	
		443,520,000	443,520,000
		Issued for consideration other than cash	
		<u>893,520,000</u>	<u>893,520,000</u>
10. CONTINGENCIES AND COMMITMENTS			
10.1 Commitments in respect of forward exchange contracts			
Purchase		3,227,981	1,823,726
Sale		2,408,911	3,639,691
10.2 Commitments for acquisition of operating fixed assets			
Commitments in respect of purchase of property (see note 8.1.1)		281,728	281,728
Commitments in respect of construction of new premises		-	178
Commitments in respect of other capital expenditures		41,779	50,323
10.3 Transaction - related contingent liabilities			
Guarantees		4,704,731	4,515,137
10.4 Trade - related contingent liabilities			
Letters of credit		3,139,586	3,056,606
Others- Shipping Guarantees		26,896	5,855
Acceptances		1,809,874	1,163,589
10.5 Commitments for lease liability			
Commitments in respect of rental payments under ijarah are:			
- not later than one year		21,290	20,036
- later than one year and not later than five years		20,715	26,206
- later than five years		-	-
		<u>42,005</u>	<u>46,242</u>





10.6 Other Contingencies

10.6.1 The Bank had entered into agreement with Mr. Furqan A. Sheikh for the exchange of Bank's property situated at Main Khayaban-e-Tanzeem, Phase V, DHA, Karachi with a building to be constructed in Modern Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi by 31 March 2010. The Bank has also paid Rs. 25 million as an advance against such building. The property situated at Main Khayaban-e-Tanzeem is not in the possession of the Bank. The Bank's considers that as the construction work on the Modern Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi has not been completed on the said date, the said agreement stands cancelled and hence the amount paid shall be either refunded to the Bank or adjusted against future rental payments for the above referred property.

During 2010 a law suit has been filed by Mr. Furqan A. Sheikh against the Bank seeking appointment of arbitrator for the execution of agreement between Mr. Furqan A. Sheikh and the Bank as referred above. The management, based on the opinion of its legal consultant is confident that the case will be decided in the favour of the Bank and hence no provision has been considered necessary in these financial statements in respect of loss on exchange of property amounting to Rs. 160.751 million that may be occasioned upon the implementation of the above referred property exchange agreement or on account of non-refund of the advance paid by the Bank.

10.6.2 During 2010, a constitutional petition and certain suits have been filed by Mr. Faisal Vawda in the Honorable High Court of Sindh against the Bank wherein Mr. Vawda has claimed that he was offered 24 million ordinary shares of the Bank at an aggregate value of Rs. 300 million as sale consideration against the commercial property sold to the Bank. He further claimed that in addition to the said property, he has also paid Rs. 60 million towards the purchase consideration for the above referred shares. However, the said shares or any other consideration against the property has not been received by him. Based on the above, Mr. Vawda has alleged the Bank of involvement in illegal business and has requested the High Court to direct the SBP to refrain from according approval / sanction to the merger between the Bank and Al-Baraka Islamic Bank. The Bank contends that the aforesaid allegations of Mr. Vawda are baseless and without any merit and that the subject property has been duly purchased and paid for by the Bank. Further, in the opinion of legal advisor of the Bank, the petitioner is not likely to be successful in securing the reliefs prayed in the said petitions.

In terms of the merger agreement dated 16 August 2010 between sponsors shareholders of the Bank and Al Baraka, the Emirates Financial Holdings LLC will keep the Bank fully indemnified, safe and secured against all losses, costs, claims, damages of any nature whatsoever resulting to the Bank on account of the Mr. Faisal Vawda Litigations including any additional or ancillary litigation or proceedings filed by Faisal Vawda Group in relation to the subject matter of the Faisal Vawda Litigations.

10.6.3 Income tax amounting to Rs. 149.681 million has not been acknowledged by the Bank. The Bank has filed appeals before CIT (Appeals) and Income Tax Appellate Tribunal (ITAT) against the orders in respect of tax years 2003 to 2009. Moreover, the Income Tax Department has also filed appeals before ITAT against the orders in respect of assessment years 2001-2002, 2002-2003 and tax year 2003 to 2006 issued by CIT (Appeals). Appeals filed by the Bank and the Income Tax Department are pending for decision. Management of the Bank has evaluated, after consulting their income tax advisor, that the appeals are likely to be decided in favor of the Bank and, hence no provision has been made for the same in these financial statements.

10.6.4 In respect of tax year 2010, the additional Commissioner Inland Revenue (ACIR) has issued notice under section 122(9) read with section 122 (5A) of the Income Tax Ordinance, 2001 (the Ordinance) for proposed amendment of deemed assessment order in which certain disallowances, including disallowance in respect of provision against financings and claim of deduction of improvement in leasehold premises have been made. The reply to the notice has been filed through tax consultant; however the order of the Additional Commissioner Inland Revenue is awaited.

10.6.5 Claim not acknowledged as debt

	March 31, 2011	March 31, 2010
	----- Rupees in'000-----	
	30,000	30,000

11. PROFIT / RETURN EARNED ON FINANCINGS, INVESTMENTS AND PLACEMENTS

	Note	March 31, 2011	March 31, 2010
		----- Rupees in'000-----	
On financing to			
- Customers	11.1	1,132,297	326,354
- Employees		8,325	2,559
On investments in			
- Available for sale securities		535,606	112,530
- Held to maturity securities		18,338	-
On Deposits with banks		122,109	3,445
On placements against commodity murabaha		-	44,387
		<u>1,816,675</u>	<u>489,275</u>

11.1 This includes return on Ijarah assets / investment under IFAS - 2 as follows:

Rental income on Ijarah assets / investments	225,621	80,135
Less: Depreciation on Ijarah assets / investments	<u>(157,757)</u>	<u>(68,372)</u>
	<u>67,864</u>	<u>11,763</u>

[Handwritten signatures and initials]

12. RELATED PARTY TRANSACTIONS

12.1 Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions and include associated companies with or without common directors,


12.2 Details of transactions with related parties and balances as at the period end are as follows:


	Total		Associates		Key management personnel	
	March 2011	December 2010	March 2011	December 2010	March 2011	December 2010
	----- Rupees in '000-----					
Financings						
At January 1,	208,545	108,714	2,982	12,845	205,563	95,869
Disbursed during the period	5,446	29,236	-	-	5,446	29,236
Repaid during the period	(85,249)	(22,087)	(2,982)	(9,863)	(82,267)	(12,224)
Taken over on amalgamation			-	79,808	-	16,527
Balance as at	128,742	115,863	-	2,982	128,742	129,408
Deposits						
At January 1,	686,817	245,913	425,037	225,686	261,780	20,227
Received during the period	178,595	681,076	26,405	366,682	152,189	314,394
Withdrawn during the period	(201,699)	(757,434)	(29,280)	(459,926)	(172,419)	(297,508)
Taken over on amalgamation			122,423	167,298	-	50,225
Balance as at	663,713	169,555	422,163	299,740	241,550	87,338
Other payable						
At January 1,	314,416	5,514	3,722	5,514	310,694	-
Accrued during the period	237	5,557	237	5,557	-	-
Paid during the period	(214,990)	(9,210)	-	(9,210)	(214,990)	-
Balance as at	99,663	1,861	3,959	1,861	-	-
Other Balances						
Profit receivable on financing	17	310	17	293	-	17
Investment in Takaful Pakistan Limited	52,200	52,200	52,200	52,200	-	-
Provision for diminution in value of investment	30,008	26,723	30,008	26,723	-	-
Return payable on deposit	4,556	1,683	18	13	4,538	1,670
Transactions, income and expenses						
Profit earned on financing	2,312	5,869	52	1,756	2,260	4,113
Return on deposits	4,398	9,805	75	4,995	4,323	4,810
Salaries and allowances	58,701	106,216	-	-	58,701	106,216

13. These financial statements were authorized for issue on April 28, 2011 by the Board of Directors.


14. GENERAL

14.1 Figures have been rounded off to the nearest thousand rupees. Corresponding figures have been rearranged / reclassified, wherever necessary, for the purpose of comparison.


Chief Executive Officer


Director


Director


Director