

**BARCLAYS BANK PLC – PAKISTAN
BRANCHES**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

A.F.Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
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AUDITORS' REPORT TO THE DIRECTORS

We have audited the annexed balance sheet of the Pakistan Branches of Barclays Bank PLC, incorporated in England and Wales with limited liability (the Bank), as at December 31, 2009 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year ended December 31, 2009, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than 60% of the total loans and advances of the Bank, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984);
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984) and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 3.2 to the financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2009 and its true balance of the loss, its cash flows and changes in equity for the year ended December 31, 2009; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.


Chartered Accountants
Engagement Partner: **Salman Hussain**
Dated: March 29, 2010
Karachi

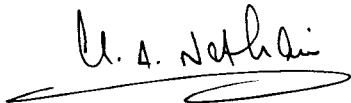
BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)

BALANCE SHEET
AS AT DECEMBER 31, 2009

Note	2009	2008
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	6 2,434,134	1,609,550
Balances with other banks	7 1,517,901	392,032
Lendings to financial institutions	8 5,857,743	1,485,808
Investments	9 11,625,172	9,332,849
Advances	10 18,033,785	9,679,474
Operating fixed assets	11 1,451,343	1,381,260
Deferred tax assets - net	12 1,068,551	398,188
Other assets	13 554,098	324,872
	42,542,727	24,604,033
LIABILITIES		
Bills payable	15 317,339	256,590
Borrowings	16 2,988,707	2,476,155
Deposits and other accounts	17 29,920,456	14,557,453
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	18 2,470,625	981,842
	35,697,127	18,272,040
NET ASSETS	<u>6,845,600</u>	<u>6,331,993</u>
REPRESENTED BY		
Head office capital account	19 9,320,564	7,139,900
Reserves	-	-
Accumulated loss	(2,480,542)	(809,414)
	6,840,022	6,330,486
Surplus on revaluation of securities - net	20 5,578	1,507
	<u>6,845,600</u>	<u>6,331,993</u>
CONTINGENCIES AND COMMITMENTS		
	21	

The annexed notes 1 to 42 form an integral part of these financial statements.

M.N.


MOHSIN NATHANI
Country Head and Managing Director

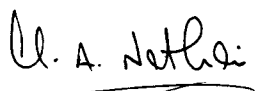

RIZWAN HUSSAINY
Finance Director

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	For the year ended December 31, 2009	For the period from July 23, 2008 to December 31, 2008
Rupees in '000			
Mark-up / return / interest earned	23	3,336,395	832,665
Mark-up / return / interest expensed	24	2,000,062	335,338
Net mark-up / interest income		<u>1,336,333</u>	<u>497,327</u>
Provision against loans and advances	10.3	161,127	33,841
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		<u>161,127</u>	<u>33,841</u>
Net mark-up / interest income after provisions		<u>1,175,206</u>	<u>463,486</u>
Non mark-up / interest income			
Fee, commission and brokerage income		114,603	16,491
Dividend income		-	-
Income from dealing in foreign currencies		(45,598)	11,764
Gain on sale of securities - net	25	3,948	260
Unrealised gain on revaluation of investments classified as held for trading		-	-
Other income		-	-
Total non mark-up / interest income		<u>72,953</u>	<u>28,515</u>
		<u>1,248,159</u>	<u>492,001</u>
Non mark-up / interest expense			
Administrative expenses	26	3,975,517	1,700,315
Other provisions / write offs		-	-
Other charges	27	1,447	100
Total non mark-up / interest expense		<u>3,976,964</u>	<u>1,700,415</u>
Extra ordinary / unusual items	28	385,122	-
Loss before taxation		<u>(2,343,683)</u>	<u>(1,208,414)</u>
Taxation - Current		-	-
- Prior years		-	-
- Deferred	29	(672,555)	(399,000)
		<u>(672,555)</u>	<u>(399,000)</u>
Loss after taxation		<u>(1,671,128)</u>	<u>(809,414)</u>

The annexed notes 1 to 42 form an integral part of these financial statements.

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MOHSIN NATHANI
Country Head and Managing Director


RIZWAN HUSSAINY
Finance Director

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

Note	For the year ended December 31, 2009	For the period from July 23, 2008 to December 31, 2008
	(Rupees in '000)	
Loss after taxation	(1,671,128)	(809,414)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS)	<u>(1,671,128)</u>	<u>(809,414)</u>

Surplus / deficit on revaluation of 'Available for sale' securities is presented under a separate head below equity as 'Surplus on revaluation of securities - net' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular no. 20 dated August 4, 2000 and BSD circular no. 10 dated July 13, 2004 and the Companies Ordinance, 1984 respectively.

The annexed notes 1 to 42 form an integral part of these financial statements.

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Country Head and Managing Director



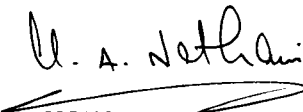
RIZWAN HUSSAINY
Finance Director

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2009

Note	For the year ended December 31, 2009	For the period from July 23, 2008 to December 31, 2008
Rupees in '000		
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(2,343,683)	(1,208,414)
Adjustments:		
Depreciation	284,071	100,254
Amortisation	38,502	1,119
Impairment on intangible asset	26,149	-
Provision against loans and advances	161,127	33,841
Gain on sale of investments	(3,948)	(260)
Loss on sale of operating fixed assets	83,716	659
Provision for loss on fixed assets	53,356	-
Extraordinary income	(385,122)	-
	<u>257,851</u>	<u>135,613</u>
	(2,085,832)	(1,072,801)
(Increase) / decrease in operating assets		
Lendings to financial institutions	(4,371,935)	(1,485,808)
Advances	(8,515,438)	(9,713,315)
Other assets (excluding advance taxation)	(222,163)	(324,693)
	<u>(13,109,536)</u>	<u>(11,523,816)</u>
Increase / (decrease) in operating liabilities		
Bills payable	60,749	256,590
Borrowings from financial institutions	512,552	2,476,155
Deposits	15,363,003	14,557,453
Other liabilities	1,820,549	981,842
	<u>17,756,853</u>	<u>18,272,040</u>
	2,561,485	5,675,423
Income taxes deducted at source	(7,063)	(179)
Net cash inflow from operating activities	<u>2,554,422</u>	<u>5,675,244</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	(2,282,112)	(9,330,270)
Investment in operating fixed assets	(517,784)	(1,483,570)
Sale proceeds from disposal of property and equipment	15,263	278
Net cash outflow from investing activities	<u>(2,784,633)</u>	<u>(10,813,562)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Remittances received from head office as capital	2,180,664	7,139,900
Net cash inflow from financing activities	<u>2,180,664</u>	<u>7,139,900</u>
Increase in cash and cash equivalents	<u>1,950,453</u>	<u>2,001,582</u>
Cash and cash equivalents at the beginning of the year	2,001,582	-
Cash and cash equivalents at the end of the year / period	<u>3,952,035</u>	<u>2,001,582</u>

The annexed notes 1 to 42 form an integral part of these financial statements.

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Country Head and Managing Director

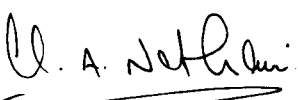

RIZWAN HUSSAINY
Finance Director

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

	Head office capital account	Accumulated loss	Share based payment contribution reserve	Total
----- Rupees in '000 -----				
Remittances received from head office as capital	7,139,900	-	-	7,139,900
Loss after taxation for the period from July 23, 2008 to December 31, 2008	-	(809,414)	-	(809,414)
Other comprehensive income for the year - net	-	-	-	-
Balance as at December 31, 2008	<u>7,139,900</u>	<u>(809,414)</u>	<u>-</u>	<u>6,330,486</u>
Remittances received from head office	2,180,664	-	-	2,180,664
Loss after taxation for the year ended December 31, 2009	-	(1,671,128)	-	(1,671,128)
Other comprehensive income for the year - net	-	-	-	-
Contribution by Barclays Bank PLC in respect of share-based payments	-	-	15,633	15,633
Recharged balance payable to Barclays Bank PLC in respect of share-based payments	-	-	(15,633)	(15,633)
Balance as at December 31, 2009	<u><u>9,320,564</u></u>	<u><u>(2,480,542)</u></u>	<u><u>-</u></u>	<u><u>6,840,022</u></u>

The annexed notes 1 to 42 form an integral part of these financial statements.

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MOHSIN NATHANI
Country Head and Managing Director


RIZWAN HOSSAINY
Finance Director

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

1 STATUS AND NATURE OF BUSINESS

Barclays Bank PLC, Pakistan Branches (the Bank) operates as a branch of Barclays Bank PLC which is a foreign banking company incorporated and domiciled in England and Wales with limited liability (rated "AA-", Long term and "A-1+", Short term by Standard & Poor's) and is a member of Barclays PLC Group (rated "A+", Long term and "A-1", Short term by Standard & Poor's) which is the ultimate holding company. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and operates through 15 branches (2008: 9 branches) across Pakistan. The Bank commenced its operations on July 23, 2008. Its registered office in Pakistan is situated at Dawood Centre, M. T. Khan Road, Karachi.

2 BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade related modes of financing include purchasing of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and sale arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and appropriate portion of mark-up there on.

3 STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards 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, Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the requirements of the said directives shall take precedence.

The State Bank of Pakistan as per BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. In addition, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard 7, Financial Instruments: Disclosure (IFRS 7) 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, valued and disclosed in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

3.2 Changes in accounting policies and disclosures - standards, interpretations and amendments to published approved accounting standards that are effective in the current year.

- a) IAS 1 (Revised), 'Presentation of financial statements', was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

The Bank has applied IAS 1 (Revised) during the current year and has accordingly changed its accounting policy to comply with the new requirements of IAS 1. The Bank has elected to present two separate performance statements i.e. the profit and loss account and the statement of comprehensive income. The change in presentation has not affected the net assets of the Bank for either the current or the prior period.

- b) IAS 23 (Amendment), 'Borrowing costs' requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments Recognition and measurement'. The application of the amendment has had no effect on the financial statements of the Bank for the current year or the prior period.

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c) IAS 19 (Amendment), 'Employee Benefits'

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', requires contingent liabilities to be disclosed, which are not recognised. IAS 19 has been amended to be consistent.

The Bank has adopted the afore-mentioned amendment from January 01, 2009. The management of the Bank believes that this amendment does not have any impact on the Bank's financial statements.

d) IAS 36 (Amendment), 'Impairment of assets'. As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Bank has adopted the afore-mentioned amendment from January 01, 2009. The management of the Bank believes that this amendment does not have any impact on the Bank's financial statements.

e) IAS 38 (Amendment), 'Intangible assets'. The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Bank has adopted the afore-mentioned amendment from January 01, 2009. The management of the Bank believes that this amendment does not have any impact on the Bank's financial statements.

f) IFRS 2 (Amendment), 'Share-based payment'. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Bank has adopted the afore-mentioned amendment from January 01, 2009. The management of the Bank believes that this amendment does not have any impact on the Bank's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or to have any significant effect on the bank's operations and are therefore not detailed in these financial statements.

3.3 Standards, interpretations and amendments to published approved accounting standard that are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after January 01, 2010

IFRIC Interpretation 17 'Distribution of Non-cash Assets to Owners' was issued in November 2008 and is applicable for the financial years beginning on or after July 01, 2009. It addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit and loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation. At present the management believes that the afore-mentioned interpretation is not expected to have any impact on the Bank's financial statements.

IFRIC Interpretation 18 'Transfers of assets from customers' was issued in January 2009 and is applicable for the financial years beginning on or after July 01, 2009. It clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment, and the entity must then use that item to provide the customer with ongoing access to supply of goods and/or services. At present the management believes that the afore-mentioned interpretation is not expected to have any impact on the Bank's financial statements.

IFRS 9 'Financial instruments part 1: Classification and measurement' is mandatory for the Bank's accounting periods beginning on or after January 1, 2013.

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