

**PAK OMAN INVESTMENT
COMPANY LIMITED**

**CONSOLIDATED
CONDENSED INTERIM
FINANCIAL STATEMENTS
(UN-AUDITED)**

FOR THE HALF YEAR
ENDED 30 JUNE 2020

Pak Oman Investment Company Limited
Consolidated Condensed Interim Statement of Financial Position
As at 30 June 2020

(Unaudited) 30 June 2020 (US Dollar in '000)	(Audited) 31 December 2019		Note	(Unaudited) 30 June 2020 (Rupees in '000)	(Restated) 31 December 2019
ASSETS					
1,255	912	Cash and balances with treasury banks	6	210,822	153,272
8,144	11,756	Balances with other banks	7	1,368,659	1,975,535
28,958	48,393	Lendings to financial institutions	8	4,866,470	8,132,475
406,143	351,531	Investments	9	68,252,549	59,074,973
118,879	119,155	Advances	10	19,977,693	20,024,133
1,401	1,385	Fixed assets	11	235,396	232,765
1,329	1,329	Intangible assets	12	223,273	223,278
-	1,958	Deferred tax assets	13	-	329,034
13,405	12,369	Other assets	14	2,252,794	2,078,582
579,514	548,788			97,387,656	92,224,047
LIABILITIES					
-	-	Bills payable		-	-
431,673	439,115	Borrowings	15	72,542,953	73,793,526
80,275	51,035	Deposits and other accounts	16	13,490,318	8,576,392
2	4	Liabilities against assets subject to finance lease	17	408	610
-	-	Subordinated debt		-	-
404	-	Deferred tax liabilities		67,893	-
13,030	9,627	Other liabilities	18	2,189,455	1,617,609
525,384	499,781			88,291,027	83,988,137
54,130	49,007	NET ASSETS		9,096,629	8,235,910
REPRESENTED BY					
36,596	36,596	Share capital		6,150,000	6,150,000
8,236	7,530	Reserves		1,384,027	1,265,504
5,557	962	Surplus on revaluation of assets	19	933,901	161,727
3,701	3,878	Unappropriated profit		621,969	651,712
54,090	48,966	Equity attributable to shareholder of holding company		9,089,897	8,228,943
40	41	Non-Controlling Interest		6,732	6,967
54,130	49,007			9,096,629	8,235,910
CONTINGENCIES AND COMMITMENTS					
			20		

The annexed notes from 1 to 38 form an integral part of these consolidated condensed interim financial statements.

Bahauddin Khan	Mohammad Jamal Nasir	Omar Hamid Khan	Sayyid Juland Jaifar Salim Al Said	Yahya Bin Said Bin Abdullah Al- Jabri
Managing Director and Chief Executive	Chief Financial Officer	Director	Director	Chairman

Pak Oman Investment Company Limited
Consolidated Condensed Interim Profit and Loss Account (Un-Audited)
For the half year ended 30 June 2020

Half year ended				Quarter ended		Half year ended	
30 June	30 June			30 June	30 June	30 June	30 June
2020	2019			2020	2019	2020	2019
(US Dollar in '000)			Note	(Rupees in '000)			
32,765	16,198	Mark-up / Return / Interest Earned	21	2,705,701	1,571,046	5,506,147	2,722,057
27,628	13,304	Mark-up / Return / Interest Expensed	22	2,127,190	1,343,467	4,642,919	2,235,672
<u>5,137</u>	<u>2,894</u>	Net mark-up / interest income		<u>578,511</u>	<u>227,579</u>	<u>863,228</u>	<u>486,385</u>
NON MARK-UP / INTEREST INCOME							
178	366	Fee and commission income	23	11,182	36,460	29,875	61,499
-	-	Dividend income		-	-	-	-
-	-	Foreign exchange income		-	-	-	-
-	-	Income / (loss) from derivatives		-	-	-	-
1,351	125	Gain on securities	24	142,979	9,669	227,050	20,961
(51)	100	Share of (loss) / profit from associates - net of tax		7,387	1,354	(8,507)	16,830
46	28	Other income	25	(5,962)	3,250	7,747	4,778
<u>1,524</u>	<u>619</u>	Total non mark-up / interest income		<u>155,586</u>	<u>50,733</u>	<u>256,165</u>	<u>104,068</u>
<u>6,661</u>	<u>3,513</u>	Total Income		<u>734,097</u>	<u>278,312</u>	<u>1,119,393</u>	<u>590,453</u>
NON MARK-UP / INTEREST EXPENSES							
2,008	1,969	Operating expenses	26	172,722	166,576	337,473	330,870
100	21	Workers Welfare Fund		12,144	1,021	16,725	3,565
114	71	Other charges	27	11,529	7,213	19,197	11,974
<u>2,222</u>	<u>2,061</u>	Total non mark-up / interest expenses		<u>196,395</u>	<u>174,810</u>	<u>373,395</u>	<u>346,409</u>
<u>4,439</u>	<u>1,452</u>	Profit Before Provisions		<u>537,702</u>	<u>103,502</u>	<u>745,998</u>	<u>244,044</u>
2	169	(Provisions)/reversals and write offs - net	28	-	1,200	295	28,431
-	-	Extra ordinary / unusual items		-	-	-	-
<u>4,441</u>	<u>1,621</u>	PROFIT BEFORE TAXATION		<u>537,702</u>	<u>104,702</u>	<u>746,293</u>	<u>272,475</u>
(1,360)	(415)	Taxation	29	(162,772)	(25,338)	(228,552)	(69,808)
<u>3,081</u>	<u>1,206</u>	PROFIT AFTER TAXATION		<u>374,930</u>	<u>79,364</u>	<u>517,741</u>	<u>202,667</u>
ATTRIBUTABLE TO:							
3,082	1,209	Shareholders of the holding company		375,510	79,630	517,976	203,108
(1)	(3)	Non-controlling interest		(580)	(266)	(235)	(441)
<u>3,081</u>	<u>1,206</u>			<u>374,930</u>	<u>79,364</u>	<u>517,741</u>	<u>202,667</u>
(US \$)		(Rupees)					
<u>0.0050</u>	<u>0.0020</u>	Basic and diluted earnings per share attributable to shareholders of the holding	30	<u>0.61</u>	<u>0.13</u>	<u>0.84</u>	<u>0.33</u>

The annexed notes from 1 to 38 form an integral part of these consolidated condensed interim financial statements.

Bahauddin Khan	Mohammad Jamal Nasir	Omar Hamid Khan	Sayyid Juland Jaifar Salim Al Said	Yahya Bin Said Bin Abdullah Al-Jabri
Managing Director and Chief Executive	Chief Financial Officer	Director	Director	Chairman

Pak Oman Investment Company Limited
Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)
For the half year ended 30 June 2020

Half year ended			Quarter ended		Half year ended	
30 June	30 June		30 June	30 June	30 June	30 June
2020	2019		2020	2019	2020	2019
(US Dollar in '000)			Restated (Rupees in '000)			
3,081	1,206	Profit after taxation for the period	374,930	79,364	517,741	202,667
Other comprehensive income						
Items that may be reclassified to profit and loss account in subsequent periods:						
4,603	(57)	Movements in deficit on revaluation of investments - net of tax	217,967	(5,799)	773,478	(9,547)
Items that will not be reclassified to profit and loss account in subsequent periods:						
		Movement in deficit on revaluation of non-banking	(652)	(1,295)	(1,304)	(1,956)
(8)	(12)		(652)	(1,295)	(1,304)	(1,956)
7,676	1,137	Total comprehensive income	592,245	72,270	1,289,915	191,164
ATTRIBUTABLE TO:						
7,677	1,140	Shareholders of the holding company	592,825	72,536	1,290,150	191,605
(1)	(3)	Non-controlling interest	(580)	(266)	(235)	(441)
7,676	1,137		592,245	72,270	1,289,915	191,164

The annexed notes from 1 to 38 form an integral part of these consolidated condensed interim financial statements.

Bahauddin Khan	Mohammad Jamal Nasir	Omar Hamid Khan	Sayyid Juland Jaifar Salim Al Said	Yahya Bin Said Bin Abdullah Al-Jabri
Managing Director and Chief Executive	Chief Financial Officer	Director	Director	Chairman

Pak Oman Investment Company Limited
Consolidated Condensed Interim Statement of Changes in Equity (Un-Audited)
For the half year ended 30 June 2020

	Share capital	Statutory reserve	General reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Sub total	Non-controlling interest	Total
				Investments	Non-banking assets				
(Rupees in '000)									
Opening balance as at 01 January 2019 (as previously reported)	6,150,000	1,153,013	11,630	(7,502)	46,927	690,607	8,044,675	8,318	8,052,993
Effect of adjustment to prior period (refer note 4.2)						19,779	19,779	620	20,399
Opening balance as at 01 January 2019 (Restated)	6,150,000	1,153,013	11,630	(7,502)	46,927	710,386	8,064,454	8,938	8,073,392
Total comprehensive income									
Profit after taxation (Restated)	-	-	-	-	-	203,108	203,108	(441)	202,667
Other comprehensive income / (loss) - net of tax	-	-	-	(9,547)	(1,956)	-	(11,503)	-	(11,503)
Total comprehensive income for the half year ended 30 June 2019 (Restated)	-	-	-	(9,547)	(1,956)	203,108	191,605	(441)	191,164
Transfer to statutory reserve	-	45,832	-	-	-	(45,832)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	1,222	1,222	-	1,222
Transaction with owners recorded directly in equity									
Final cash dividend - 31 December 2018 declared subsequent to the year end (Rs. 0.7 per share)	-	-	-	-	-	(430,500)	(430,500)	-	(430,500)
Opening balance as at 01 July 2019 (Restated)	6,150,000	1,198,845	11,630	(17,049)	44,971	438,384	7,826,781	8,497	7,835,278
Total comprehensive income									
Profit after taxation	-	-	-	-	-	255,162	255,162	(1,530)	253,632
Other comprehensive income / (loss) - net of tax	-	-	-	135,108	(1,303)	11,892	145,697	-	145,697
Total comprehensive income for the half year ended 31 December 2019	-	-	-	135,108	(1,303)	267,054	400,859	(1,530)	399,329
Transfer to statutory reserve	-	55,029	-	-	-	(55,029)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	1,303	1,303	-	1,303
Opening balance as at 01 January 2020 - Restated	6,150,000	1,253,874	11,630	118,059	43,668	651,712	8,228,943	6,967	8,235,910
Total comprehensive income									
Profit after taxation	-	-	-	-	-	517,976	517,976	(235)	517,741
Other comprehensive income / (loss) - net of tax	-	-	-	773,478	(1,304)	-	772,174	-	772,174
Total comprehensive income for the half year ended 30 June 2020	-	-	-	773,478	(1,304)	517,976	1,290,150	(235)	1,289,915
Transfer to statutory reserve	-	118,523	-	-	-	(118,523)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	1,304	1,304	-	1,304
Transaction with owners recorded directly in equity									
Final cash dividend - 31 December 2019 declared subsequent to the year end (Rs. 0.7 per share)	-	-	-	-	-	(430,500)	(430,500)	-	(430,500)
Closing balance as at 30 June 2020	6,150,000	1,372,397	11,630	891,537	42,364	621,969	9,089,897	6,732	9,096,629

The annexed notes from 1 to 38 form an integral part of these consolidated condensed interim financial statements.

Bahauddin Khan	Mohammad Jamal Nasir	Omar Hamid Khan	Sayyid Juland Jaifar Salim Al Said	Yahya Bin Said Bin Abdullah Al-Jabri
_____ Managing Director and Chief Executive	_____ Chief Financial Officer	_____ Director	_____ Director	_____ Chairman

Pak Oman Investment Company Limited
Consolidated Condensed Interim Cash Flow Statement (Un-Audited)
For the half year ended 30 June 2020

30 June 2020	30 June 2019		30 June 2020	30 June 2019 Restated
(US Dollar in '000)		Note	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES				
4,441	1,621		746,293	272,475
-	-		-	-
<u>4,441</u>	<u>1,621</u>		<u>746,293</u>	<u>272,475</u>
Adjustments:				
127	129		21,389	21,642
84	73		14,119	12,184
-	1		5	235
(2)	(169)	28	(295)	(28,431)
(10)	(4)		(1,658)	(684)
51	(100)		8,507	(16,830)
52	48		8,712	8,119
1	1		127	109
(221)	(45)		(37,083)	(7,517)
82	(66)		13,823	(11,173)
<u>4,523</u>	<u>1,555</u>		<u>760,116</u>	<u>261,302</u>
(Increase) / Decrease in operating assets				
20,922	(13,569)		3,516,005	(2,280,344)
20,866	46,923		3,506,464	7,885,373
278	(2,151)		46,735	(361,534)
(222)	(2,383)		(37,300)	(400,453)
<u>41,844</u>	<u>28,820</u>		<u>7,031,904</u>	<u>4,843,042</u>
Increase / (decrease) in operating liabilities				
-	-		-	-
(7,442)	142,044		(1,250,573)	23,870,602
29,241	(12,735)		4,913,926	(2,140,189)
3,415	(403)		573,902	(67,703)
<u>25,214</u>	<u>128,906</u>		<u>4,237,255</u>	<u>21,662,710</u>
<u>71,581</u>	<u>159,281</u>		<u>12,029,275</u>	<u>26,767,054</u>
(1,424)	(847)		(239,281)	(142,334)
<u>70,157</u>	<u>158,434</u>		<u>11,789,994</u>	<u>26,624,720</u>
Net cash flow generated from operating activities				
CASH FLOW FROM INVESTING ACTIVITIES				
(69,149)	(159,140)		(11,620,608)	(26,743,635)
-	-		-	-
-	-		-	-
(176)	(18)		(29,508)	(2,949)
14	4		2,393	736
<u>(69,311)</u>	<u>(159,154)</u>		<u>(11,647,723)</u>	<u>(26,745,848)</u>
Net cash flow (used in) investing activities				
CASH FLOW FROM FINANCING ACTIVITIES				
(2)	(2)		(329)	(296)
(64)	(154)		(10,768)	(25,937)
(2,562)	(2,562)		(430,500)	(430,500)
<u>(2,628)</u>	<u>(2,718)</u>		<u>(441,597)</u>	<u>(456,733)</u>
<u>(1,782)</u>	<u>(3,438)</u>		<u>(299,326)</u>	<u>(577,861)</u>
(Decrease) in cash and cash equivalents				
12,668	14,381		2,128,807	2,416,807
<u>10,886</u>	<u>10,943</u>	31	<u>1,829,481</u>	<u>1,838,946</u>
Cash and cash equivalents at end of the period				

The annexed notes from 1 to 38 form an integral part of these consolidated condensed interim financial statements.

Bahauddin Khan	Mohammad Jamal Nasir	Omar Hamid Khan	Sayyid Juland Jaifar Salim Al Said	Yahya Bin Said Bin Abdullah Al-Jabri
<u>Managing Director and Chief Executive</u>	<u>Chief Financial Officer</u>	<u>Director</u>	<u>Director</u>	<u>Chairman</u>

Pak Oman Investment Company Limited
Notes to the Consolidated Condensed Interim Financial Information (Un-Audited)
For the half year ended 30 June 2020

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of Pak-Oman Investment Company Limited - POICL (the "holding company" or "parent"), a subsidiary, Pak Oman Asset Management Company Limited (POAMCL) and associates. The Group is principally engaged in promotion of the economic growth of Pakistan and Oman through industrial development and agro-based industries on commercial basis and to carry on the business of finance and / or investment bank, asset management and investment advisory services. Brief profile of the holding company and its subsidiary is as follows:

1.1.1 Holding Company

Pak-Oman Investment Company Limited - POICL (the "holding company" or "parent") was incorporated as a private limited company on 23 July 2001. Subsequently, on 17 March 2004 the holding company was converted into a public company. The Company is a joint venture between the Government of Pakistan and the Government of the Sultanate of Oman. The Company's objectives interalia include promotion of the economic growth of Pakistan and Oman through industrial development and agro-based industries on commercial basis and to carry on the business of finance and / or investment company. The registered office of the Company is situated at 1st Floor, Block A, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The holding company operates a branch at Lahore and other representative offices at Islamabad, Gwadar and Muscat. The holding company is designated as a Development Financial Institution (DFI) under the BPD Circular Letter No. 35 dated 28 October, 2003 issued by the State Bank of Pakistan.

1.1.2 Subsidiary Company

Pak-Oman Asset Management Company Limited (the "subsidiary company" or "POAMCL") was incorporated in Pakistan under the repealed Companies Ordinance, 1984 on 28 July 2006 as an unlisted public limited company having its registered office at Icon House, 83-C, 12th Commercial street Phase- II Extension, DHA Karachi, Pakistan. POAMCL obtained certificate of commencement of business on 31 October 2006. The principal activities of the subsidiary company includes investment advisory and asset management services.

In 2017, the subsidiary company had purchased 100% shares of Askari Investment Management Limited and accordingly four funds of Askari Investment Management Limited are now under the management of the subsidiary company as disclosed in note 34.1.

1.2 The Group's associates are as follows:

Entity	Country of Incorporatio	Nature of business	Holding %	
			30-Jun-20	31-Dec-19
Pak Oman Advantage Islamic Income Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	16.94	91.78
Pak Oman Islamic Asset Allocation fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	40.69	39.44
Pak Oman Advantage Asset Allocation Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	95.15	88.10
Pak Oman Government Securities Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	99.19	99.67
Pak Oman Microfinance Bank Limited	Pakistan	Incorporated under the repealed Companies Ordinance, 1984 and is engaged in providing micro finance services to the poor and under served segment of the society.	16.67	16.67
Japan Power Generation Limited	Pakistan	Incorporated under the repealed Companies Ordinance, 1984 and is engaged in generation of	11.29	11.29

power and its supply to WAPDA.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These consolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated 22 March 2019 and IAS 34. These consolidated condensed interim financial statements do not include all the information and disclosures required for annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019.

SBP vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 directed the all banks / DFIs in Pakistan to implement IFRS 9 with effect from 01 January 2021. IFRS 9 includes revised guidelines on the classification and measurement of financial instruments, a new expected credit loss approach for calculating impairment losses on financial assets, and certain new general hedge accounting requirements. The standard also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Accordingly, the requirements of this standard have not been considered in the preparation of these consolidated condensed interim financial statements.

These consolidated financial statements have been prepared from the information available in the unaudited condensed interim financial statements of the holding company for the half year ended 30 June 2020 and the unaudited financial statements of the subsidiary (POAMCL) for the for the half year ended 30 June 2020. The consolidated condensed interim financial statements used equity accounting for the associates.

These consolidated condensed interim financial statements have been presented in Pakistani Rupees, which is the Company's functional and presentation currency.

The US dollar amounts shown in the consolidated condensed interim statement of financial position, consolidated condensed interim profit and loss account, consolidated condensed interim statement of comprehensive income and consolidated condensed interim cash flow statement are stated solely for information purposes. For this purpose the amounts in Pakistan rupees have been converted into US Dollars at a rate of Rs.168.0506 = 1 US dollar for the half year ended 30 June 2020 and the corresponding period.

The consolidated condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual consolidated financial statements for the year ended 31 December 2019.

2.2 Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are effective in the current period

There are certain interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 01 January 2020 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these unconsolidated condensed interim financial statements.

2.3 Standards, interpretations of and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective

There are various standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not effective in the current year. These are not likely to have material effect on the Company's financial statements except for the following:

Standard, Interpretation or Amendment	IASB Effective date (annual periods beginning on or after)
• Amendment to IFRS 16 'Leases': Covid-19-Related Rent Concessions	June 01, 2020
• Amendments to IAS 1 'Presentation of Financial Statements': Classification of Liabilities as Current or Non-current	January 01, 2022
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
• IFRS 1 - First-time Adoption of International Financial Reporting Standards	July 01, 2014
• IFRS 17 – Insurance Contracts	January 01, 2023

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual consolidated financial statements for the year ended 31 December 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 The basis for accounting estimates adopted in the preparation of these consolidated condensed interim financial statements is the same as that applied in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2019.

4.2 Prior year adjustment

The SECP vide its S.R.O. No. 1160(1)/2015 dated 25 November 2015, and Circular no. 40 of 2016 dated December 20, 2016, had allowed asset management companies to charge reimbursement against accounting and operational charges, and selling and marketing charges from the Collective Investment Schemes (CISs) under their management up to a maximum of 0.1% and 0.4% of their average annual net assets, respectively.

Previously, the Pak Oman Asset Management Company Limited had not been claiming this amount from its funds under management, and no receivable was being accrued in its books. During the current period, the Company has claimed and received this amount from the funds, including the reimbursement relating to prior years amounting to Rs. 26 million. Since this income does not belong to the current period, it has been accounted for retrospectively in accordance with the requirements of International Accounting Standard (IAS) 8, "Accounting policies, changes in estimates and errors". Accordingly, prior year accounts have been restated as shown below:

31 December 2019			
Rupees in '000			
Impact on Statement of Financial Position	Balance as reported previously	Adjustment	Restated Balance
Equity	8,209,901	26,009	8,235,910
Receivable from funds under management	112,729	26,009	138,738
30 June 2019			
Rupees in '000			
Impact on Statement of Comprehensive Income	Amount as reported previously	Adjustment	Restated Amount
Administrative Expenses	336,480	(5,610)	330,870
31 December 2018			
Rupees in '000			
Impact on Statement of Financial Position	Balance as reported previously	Adjustment	Restated Balance
Equity	8,052,993	20,399	8,073,392

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the company are consistent with those disclosed in the audited annual consolidated financial statements for the year ended 31 December 2019.

The COVID – 19 pandemic has taken a toll on global economy, including Pakistan. To reduce the impact on businesses and economies in general, governments / regulators across the world have introduced a host of measures on both the fiscal and economic fronts.

The State Bank of Pakistan has also responded to the crisis by cutting the policy rate by 625 basis points since mid-March to 7% in June 2020. Other regulatory measures to provide an impetus to economic activity include the following:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Increasing the regulatory limit on extension of credit to SMEs to Rs 180 million;
- Allowing banks / DFIs to defer borrowers' principal loan payments by one year and or restructure / reschedule loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up with no reflection on credit history;
- Introduction of refinancing schemes for payment of wages and salaries.
- Announcement of Temporary Economic Refinance Facility (TERF) for setting up of new industrial units; and
- Introduction of refinance facility for hospitals and medical centers to develop capacity for treatment of infected patients of COVID – 19.

5.1 Credit Risk Management

The Company has further strengthened its credit risk assessment in light of COVID – 19. The risk management function is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The detailed credit risk assessment has been carried out against each individual customer applying for principal deferment or rescheduling/restructuring.

5.2 Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and rescheduling / restructuring of loans, the originally expected cash inflows will face a lag. However, cash flows are being closely monitored by Asset and Liability Committee (ALCO) on a constant basis and the Company is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

5.3 Equity Risk Management

The Company has Nil carrying value in listed equity securities - classified as available for sale as of June 30, 2020. Therefore, there is no impact of COVID – 19 on the Company's financial position.

5.4 Operational Risk Management

The management is monitoring the situation and has taken various precautionary measures as notified by the Provincial and Federal Government to address the safety of Company's staff and visitors alike and ensure uninterrupted service to the customers. Such measures include:

- All employees / visitors are screened daily for temperature before entering the premises.
- Wearing a face mask is mandatory for all employees / visitors.
- An entire premise is disinfected on daily basis.
- All employees were tested for COVID – 19 with the Company bearing all testing-related medical costs.
- All employees are required to maintain safe distance while interacting with others with indicative spacing marks been placed around work terminals.

Business Continuity Plan (BCP) is in place and has been rigorously tested. Remote work capabilities were enabled for staff, where required and related risk and control measures were assessed to ensure that the Company's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. Despite difficult working conditions due to outbreak of Covid-19, the Company has ensured that service levels are maintained and turnaround times are monitored so that the benefits of SBP's relief measures are timely forwarded to its customers.

5.5 Capital Adequacy Ratio (CAR)

SBP, vide its BPRD Circular Letter No. 12 of 2020, introduced following 2 measures:

- Capital Conversion Buffer (CCB) reduced from 2.50% to 1.50% which reduced CET1 and CAR requirements by 1.00%
- Regulatory retail portfolio limit was enhanced from Rs. 125 million to Rs. 180 million.

These measures were introduced to encourage banks / DFIs to continue lending, particularly to SME sector, despite anticipated pressure on profits and credit risk.

The Company has continued to fund the real economy while managing its risks. As of June 30, 2020, the Company's CAR stood at 18.24% which is well above the revised requirement of 11.50%.

5.6 Suspension of dividends

The SBP through its Circular Letter No. BPRD/BA & CPD/006315-2/20 dated April 22, 2020 has advised that Banks/ DFIs which had declared dividend for the quarter ended March 31, 2020 should suspend cash dividend distribution for the next two quarters.

		(Un-audited) 30 June 2020	(Audited) 31 December 2019
		(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS	<i>Note</i>		
In hand			
local currency		365	257
foreign currency		221	221
		586	478
With State Bank of Pakistan in			
Local currency current account	6	209,916	151,637
With National Bank of Pakistan in			
Local currency current account		320	1,157
		<u>210,822</u>	<u>153,272</u>
6.1	This represent the amount required to be maintained by the holding company in accordance with the SBP's Regulations.		
7. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current accounts		35,872	3,072
In deposit accounts	7	1,331,794	1,969,048
		<u>1,367,666</u>	<u>1,972,120</u>
Outside Pakistan:			
In current accounts		993	3,415
		<u>1,368,659</u>	<u>1,975,535</u>
7.1	These include term deposit receipts (TDRs) of Rs. 1,300 million (2019: Rs. 1,950 million) maturing between July 2020 to December 2020 (2019: January 2020 to June 2020). These carry mark-up rates ranging from 10% to 14% (2019: 14.50% to 14.75%) per annum.		
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Placements		250,000	-
Repurchase agreement lendings (Reverse Repo)		4,616,470	8,132,475
		<u>4,866,470</u>	<u>8,132,475</u>

9 INVESTMENTS

	30 June 2020 (Unaudited)				31 December 2019 (Audited)			
	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
(Rupees in '000)								
9.1 Investments by types								
Held-for-trading securities								
Federal Government securities	11,469,073	-	11,603	11,480,676	14,975,537	-	(25,480)	14,950,057
Shares	-	-	-	-	-	-	-	-
Non-Government debt securities	-	-	-	-	-	-	-	-
	11,469,073	-	11,603	11,480,676	14,975,537	-	(25,480)	14,950,057
Available-for-sale securities								
Federal Government securities	51,021,353	-	1,337,497	52,358,850	39,217,557	-	199,422	39,416,979
Shares	346,266	(120,266)	-	226,000	346,266	(120,266)	-	226,000
Non-Government debt securities	3,780,167	(463,477)	(81,811)	3,234,879	3,963,355	(463,477)	(33,142)	3,466,736
	55,147,786	(583,743)	1,255,686	55,819,729	43,527,178	(583,743)	166,280	43,109,715
Associates	952,144	-	-	952,144	1,015,201	-	-	1,015,201
Total Investments	67,569,003	(583,743)	1,267,289	68,252,549	59,517,916	(583,743)	140,800	59,074,973

9.1.1 Investments given as collateral

	30 June 2020 (Unaudited)				31 December 2019 (Audited)			
	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
(Rupees in '000)								
Federal Government Securities								
- Pakistan Investment Bonds	17,250,851	-	859,352	18,110,203	16,895,051	-	176,137	17,071,188
- Market treasury bills	35,546,043	-	388,262	35,934,305	32,635,824	-	(8,013)	32,627,811
	<u>52,796,894</u>	<u>-</u>	<u>1,247,614</u>	<u>54,044,508</u>	<u>49,530,875</u>	<u>-</u>	<u>168,124</u>	<u>49,698,999</u>
Shares								
- Listed companies	-	-	-	-	-	-	-	-
- Unlisted companies	226,000	-	-	226,000	226,000	-	-	226,000
	<u>226,000</u>	<u>-</u>	<u>-</u>	<u>226,000</u>	<u>226,000</u>	<u>-</u>	<u>-</u>	<u>226,000</u>
Total investments	<u>53,022,894</u>	<u>-</u>	<u>1,247,614</u>	<u>54,270,508</u>	<u>49,756,875</u>	<u>-</u>	<u>168,124</u>	<u>49,924,999</u>

(Un-audited)
Half year ended
30 June
2020

(Audited)
Year ended
31 December
2019

(Rupees in '000)

9.2 Provision for diminution in value of investments

9.2.1 Opening balance

583,743 589,056

Charges / reversals

Charge for the year	-	-
Reversals for the year	-	(5,313)
	-	(5,313)

Transfers - net

Amounts written off

Closing balance

-

-

583,743 583,743

9.2.2 Particulars of provision against debt securities

Category of classification	30 June 2020		31 December 2019 (Audited)	
	NPI	Provision	NPI	Provision
(Rupees in '000)				
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	483,926	463,477	483,926	463,477
Total	<u>483,926</u>	<u>463,477</u>	<u>483,926</u>	<u>463,477</u>

10 ADVANCES	Performing		Non-performing		Total	
	30-Jun-20 (Rupees in '000)	31-Dec-19	30-Jun-20 (Rupees in '000)	31-Dec-19	30-Jun-20 (Rupees in '000)	31-Dec-19
Loans, cash credits, running finances, etc.	19,855,810	19,619,927	673,457	678,329	20,529,267	20,298,256
Margin trading	-	277,746	-	-	-	277,746
Advances - Gross	19,855,810	19,897,673	673,457	678,329	20,529,267	20,576,002
Provision against advances						
Specific	-	-	551,361	551,656	551,361	551,656
General	213	213	-	-	213	213
	213	213	551,361	551,656	551,574	551,869
Advances - net of provision	19,855,597	19,897,460	122,096	126,673	19,977,693	20,024,133

10.1 Particulars of advances (Gross)

	30-Jun-20 (Rupees in '000)	31-Dec-19 (Rupees in '000)
In local currency	20,529,267	20,576,002
In foreign currencies	-	-
	20,529,267	20,576,002

10.2 Advances include Rs.674 million (2019: Rs 678 million) which have been placed under the non-performing status as detailed below:

Category of Classification	30 June 2020		31 December 2019 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	180,000	90,000	182,104	90,000
Loss	493,457	461,361	496,225	461,656
	673,457	551,361	678,329	551,656

10.3 Particulars of provision against advances

	Half year ended 30 June 2020 (Unaudited)			Year ended 31 December 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	551,656	213	551,869	580,479	213	580,692
Charge for the year	-	-	-	1,039	-	1,039
Reversals	(295)	-	(295)	(29,862)	-	(29,862)
	(295)	-	(295)	(28,823)	-	(28,823)
Amounts written off	-	-	-	-	-	-
Closing balance	551,361	213	551,574	551,656	213	551,869

10.4 In accordance with BPRD Circular No. 6 dated 26 June 2014 issued by the SBP, the holding Company has availed the benefit of FSV against the non-performing advances. As of 30 June 2020, the Company has availed total accumulated FSV benefit amounting to Rs. 15.8 million (net of tax Rs. 11.2 million). Accordingly, accumulated profit of Rs.11.2 million (net of transfer to statutory reserves Rs. 9 million) will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the Company as required by the aforementioned SBP directives.

10.5 The State Bank of Pakistan, vide BPRD circular letter 13 of 2020 dated March 26, 2020, has relaxed certain criteria of classification of SBP Prudential Regulation R-8 (Classification and Provisioning of Assets) to dampen the adverse impact of COVID-19 on the Banks/DFIs and to give relief to the borrowers.

		(Un-audited) 30 June 2020 — (Rupees in '000) —	(Audited) 31 December 2019 — (Rupees in '000) —
11	FIXED ASSETS		
	Capital work-in-progress	11.1 12,515	-
	Right of use assets	11.2 & 11.3 130,199	142,362
	Property and equipments	92,682	90,403
		<u>235,396</u>	<u>232,765</u>

11.1 Capital work-in-progress

Advances to suppliers

	<u>12,515</u>	<u>-</u>
--	---------------	----------

	(Un-Audited) 30 June 2020	(Un-Audited) 30 June 2019
--	---------------------------------	---------------------------------

— (Rupees in '000) —

11.2 Additions to fixed assets

The following additions have been made to fixed assets during the period:

Capital work in progress

	12,515	-
--	--------	---

Property and equipment

Improvements

	908	462
--	-----	-----

Office equipment

	653	2,189
--	-----	-------

Computer equipment

	3,682	148
--	-------	-----

Furniture and fixture

	1,049	150
--	-------	-----

Vehicles

	10,701	-
--	--------	---

	16,993	2,949
--	--------	-------

Capital work-in-progress

Leasehold buildings

	-	147,229
--	---	---------

Total

	<u>29,508</u>	<u>150,178</u>
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11.3 Disposal of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

Furniture and fixture

	-	52
--	---	----

Vehicles

	735	
--	-----	--

Total

	<u>735</u>	<u>52</u>
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12 INTANGIBLE ASSETS

Computer Software

	-	5
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Goodwill

	223,273	223,273
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	<u>223,273</u>	<u>223,278</u>
--	----------------	----------------

(Un-audited) (Audited)
 30 June 31 December
 2020 2019
 — (Rupees in '000) —

13 DEFERRED TAX ASSETS / (LIABILITIES)

Deductible Temporary Differences on

Provision for diminution in the value of investments	169,285	169,285
Assets subject to finance leases	70	72
Amortisation of premium on Federal Government Securities	401	(89)
Provision against non-performing advances	159,956	160,042
Revaluation on investments classified as available-for-sale	(364,149)	(48,221)
Revaluation on investments classified as held-for-trading	(3,365)	7,389
Net investment in finance leases	(61,180)	1,659
Accumulated tax losses - POAMCL	36,847	36,847
	(62,135)	326,984

Taxable Temporary Differences on

Accelerated tax depreciation allowances	8,811	5,697
Revaluation on Non-banking assets	(931)	(3,647)
Dividend receivable	(13,638)	-
	(5,758)	2,050
	(67,893)	329,034

Restated

14 OTHER ASSETS

Income/ Mark-up accrued in local currency - net of provision	1,338,896	1,073,195
Dividend income receivable	54,550	-
Mark-up / profit receivable on purchase of securities	94,560	314,240
Security deposits	8,962	8,962
Prepayments	34,140	12,302
Taxation	288,307	196,579
Non-banking assets acquired in satisfaction of claims	244,644	252,174
Receivable from funds under management and investment advisory clients	119,857	138,738
Staff Gratuity	6,819	15,447
Others	2,391	5,441
	2,193,126	2,017,078
Less: Provision held against other assets	-	-
Other assets (net of provisions)	2,193,126	2,017,078
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	59,668	61,504
	2,252,794	2,078,582

	(Un-Audited) 30 June 2020	(Audited) 31 December 2019
15 BORROWINGS	(Rupees in '000)	
Secured		
Borrowings from the State Bank of Pakistan:		
- Long term financing facility (LTFF)	2,520,996	2,612,588
Repurchase agreement borrowings	40,972,950	48,861,903
Long term borrowings	4,815,087	5,321,380
Short term running finance	-	515,324
Bai Muajjal	15,599,201	8,208,161
Total secured	63,908,234	65,519,356
Unsecured		
Placements	260,000	2,285,013
Murabaha financing	8,374,719	5,989,157
Total unsecured	8,634,719	8,274,170
	72,542,953	73,793,526

16 DEPOSITS AND OTHER ACCOUNTS

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	In local currency	Total	In local currency	Total
	(Rupees in '000)			
Certificates of investment				
Financial institutions	1,812,000	1,812,000	12,000	12,000
Others	11,678,318	11,678,318	8,564,392	8,564,392
	13,490,318	13,490,318	8,576,392	8,576,392

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	30 June 2020 (Unaudited)			31 December 2019 (Audited)		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	(Rupees in '000)					
Not later than one year	412	4	408	628	18	610
Later than one year and upto five years	-	-	-	-	-	-
	412	4	408	628	18	610

- 17.1** The holding company has entered into lease agreement with financial institution for lease of vehicle. Lease rentals are payable in monthly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate of 7.90% (2019: 7.90%) per annum. At the end of lease term, the holding company has option to acquire the assets, subject to adjustment of security deposits.

		(Un-Audited) 30 June 2020	(Audited) 31 December 2019
18	OTHER LIABILITIES	(Rupees in '000)	
	Mark-up/ Return/ Interest payable in local currency	1,438,408	801,896
	Accrued expenses	223,723	226,853
	Security deposits against investment in finance leases	170,598	253,411
	Sales tax and federal excise duty payable	91,888	93,641
	Lease liability against right-of-use assets	146,391	150,198
	Withholding tax and sales tax payable	4,158	6,702
	Others	114,289	84,908
		<u>2,189,455</u>	<u>1,617,609</u>
19	SURPLUS ON REVALUATION OF ASSETS		
	Surplus / (deficit) on revaluation of		
	- Available for sale securities	1,255,686	166,280
	- Non-banking assets acquired in satisfaction of claims	59,668	61,504
		1,315,354	227,784
	Deferred tax on surplus / (deficit) on revaluation of:		
	- Available for sale securities	(364,149)	(48,221)
	- Non-banking assets acquired in satisfaction of claims	(17,304)	(17,836)
		(381,453)	(66,057)
		<u>933,901</u>	<u>161,727</u>
20	CONTINGENCIES AND COMMITMENTS	(Un-Audited) 30 June 2020	(Audited) 31 December 2019
		(Rupees in '000)	
	Transaction related contingent liability:		
	Standby letter of credit	531,330	532,162
	Pledge of shares on behalf of Japan Power Generation Limited	70,726	70,726
	Pledge of shares on behalf of Orient Power Company (Private) Limited	226,000	226,000
	Commitments for:		
	Purchase of Government securities	7,994,648	11,774,285
	Sale of Government securities	65,931	2,925,786
	Commitments for advances and net investment in finance leases	1,155,413	1,066,750
	Securities given as collateral against loan taken by Pak Oman Asset Management Company Limited	45,000	136,000

Note

- 20.1** Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2019: Rs. 70.726 million) are pledged as security on behalf of that associate company against a syndicate finance facility obtained by it (the associate company).
- 20.2** Investment in unlisted shares in Orient Power Company (Private) Limited (related party) aggregating 22,600,000 having a cost of Rs. 226 million are pledged as security against a syndicate finance facility obtained by Orient Power Company (Private) Limited.
- 20.3** PIBs having face value amounting to Rs. 45 million (2019: Rs 136 million) which have been collateralized against a loan sanctioned to Pak Oman Asset Management Company Limited from Habib Bank Limited for the acquisition of Askari Investment Management Limited (AIML).

20.4 Pak Oman Asset Management Company Limited

- 20.4.1** In year 2007, the Pak Oman Asset Management Company Limited ("POAMCL" or "the Company") had launched POBOP Advantage Plus Fund (the Fund) under the capital subscription and fee sharing agreement with The Bank of Punjab (BOP). BOP had subscribed five million core units and ten million non-core units of the aggregate face value of Rs. 250 million and Rs. 500 million respectively. During year 2011 the management rights of the Fund were transferred to another asset management company.

In 2013, BOP filed a suit against the POAMCL before the Honorable High Court of Sindh claiming damages of Rs. 100.4 million in respect of the alleged losses suffered by BOP due to non-honoring of its redemption requests by POAMCL in year 2009 allegedly violating the NBFC regulations and provisions of the trust deed.

The legal advisor of POAMCL has opined that the suit is based on factual inconsistencies and POAMCL has sound defense on legal grounds. During the year ended 31 December 2015, POAMCL had also lodged a counter claim of Rs. 250 million against BOP for damaging the image and reputation of POAMCL.

- 20.4.2** During the years ended 31 December 2013 and 2014 two former employees of the merged entity served notices to the Company and its former Chief Executive Officer. The employees demanded Rs. 28.5 million for defamation and Rs. 0.723 million against settlement of outstanding dues. Later, the employees also filed cases in the Court of District Judge South at Karachi. The legal advisors of the Company are of the view that although the outcome of the case appears to be favourable, the Company's chances of success cannot currently be determined due to the inherently uncertain nature of the litigation. Furthermore, the management expects that an insignificant amount will be required to settle these cases. Accordingly, provision to the extent of Rs. 0.489 million has been recognised on account of settlement of outstanding dues while no provision has been recognised in respect of defamation claim in the consolidated condensed interim financial statements for the half year ended 30 June 2020.

		(Un-Audited)	
		Half Year ended	
		30 June 2020	30 June 2019
		(Rupees in '000)	
21	MARK-UP / RETURN / INTEREST EARNED		
	On:		
	a) On loans and advances	1,280,490	1,134,571
	b) On investments	3,899,678	1,289,667
	c) On lendings to financial institutions	210,638	209,681
	d) On balances with banks	115,341	88,138
		<u>5,506,147</u>	<u>2,722,057</u>
22	MARK-UP / RETURN / INTEREST EXPENSED		
	On:		
	a) Deposits	632,152	371,848
	b) Borrowings	4,002,055	1,855,705
	c) Lease liability against right-of-use assets	8,712	8,119
		<u>4,642,919</u>	<u>2,235,672</u>
23	FEE AND COMMISSION INCOME		
	Credit related fees	5,902	25,249
	Investment banking fees	3,262	2,528
	Commission on guarantees	2,104	1,560
	Underwriting commission of Government securities auction	-	3,832
	Remuneration from funds under management	18,030	27,152
	Fee from investments advisory services	577	1,178
		<u>29,875</u>	<u>61,499</u>
24	GAIN ON SECURITIES		
	Realised	189,967	13,444
	Unrealised - held for trading	37,083	7,517
		<u>227,050</u>	<u>20,961</u>
24.1	Realised gain on:		
	Federal Government Securities	189,327	14,067
	Non Government debt securities	640	(623)
		<u>189,967</u>	<u>13,444</u>
25	OTHER INCOME		
	Gain on sale of fixed assets - net	1,658	684
	Rental income	-	4,050
	Utilization of Fixtures	1,050	-
	Reversal of liabilities no longer payables	5,039	-
	Others	-	44
		<u>7,747</u>	<u>4,778</u>

26 OPERATING EXPENSES	(Un-Audited)	
	Half year ended	
	30 June 2020	30 June 2019
	(Rupees in '000)	
Total compensation expense	237,431	227,603
Property expense		
Rent & taxes	442	7,346
Utilities cost	2,057	1,640
Security (including guards)	483	456
Repair & maintenance (including janitorial charges)	4,369	3,671
Depreciation on right-of-use assets	14,119	12,184
Depreciation	1,053	1,053
	22,523	26,350
Information technology expenses		
Software maintenance	1,269	550
Hardware maintenance	406	-
Depreciation	789	638
Amortisation	5	235
Network charges	1,334	1,318
Others	568	551
	4,371	3,292
Other operating expenses		
Directors' fees and allowances	13,414	11,850
Directors' fees and allowances - Subsidiary	2,332	2,917
Legal & professional charges	6,162	8,840
Travelling & conveyance	4,004	4,753
Depreciation	19,547	19,951
Training & development	84	250
Postage & courier charges	374	400
Communication	3,606	4,309
Stationery & printing	811	898
Marketing, advertisement & publicity	731	532
Donations	400	500
Auditors' remuneration	2,066	1,016
Membership and subscriptions	1,453	2,451
Transportation	4,387	4,136
Insurance	2,955	2,577
Finance charges on leased assets	127	109
Entertainment and canteen expenses	1,750	1,573
Shahriah advisor fee	-	150
Distribution commission	1,690	4,893
Others	7,255	1,520
	73,148	73,625
Total operating expenses	337,473	330,870

		(Un-Audited)	
		Half year ended	
		30 June 2020	30 June 2019
		(Rupees in '000)	
27	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan	-	600
	Fees, commission and others	19,197	11,374
		<u>19,197</u>	<u>11,974</u>
28	(PROVISIONS) / REVERSALS & WRITE OFFS - NET		
	Reversals of provisions for diminution in value of investments	-	(4,246)
	Reversals of provisions against loans & advances	(295)	(24,185)
		<u>(295)</u>	<u>(28,431)</u>
29	TAXATION		
	Current	147,553	45,913
	Prior years	-	-
	Deferred	80,999	23,895
		<u>228,552</u>	<u>69,808</u>

29.1 Tax contingencies

29.1.1 Pak Oman Investment Company Limited

The Income tax Department has amended the deemed assessment orders for the tax years 2004, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018, wherein major issues raised by the authorities were related to applicability of Workers Welfare Fund (WWF), disallowance of allocation of common expenses and disallowance of losses claimed on early termination of leased assets. The Company's appeals are pending at various appellate forums. For the tax year 2005 and 2008, the Commissioner Inland Revenue (Appeals) [CIR(A)] has adjudicated that the proceeding initiated by the department under section 122(5A) for respective tax years were barred in time, thereby, the amended assessment order has been annulled. Thereafter, the department being aggravated by the CIR(A) decision, filed appeal before the Appellate Tribunal Inland Revenue for the respective tax years. Further, for the matter of WWF, Supreme Court (SC) in its recent decision has annulled the amendments made through Finance Act 2006 and 2008. However, Federal Board of Revenue (FBR) has now filed review petition in the SC against the SC decision in the matter of WWF. Management estimates that sufficient provisions have been made and no further provision is required.

29.1.2 Pak Oman Asset Management Company Limited

As per the requirement of Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of Management Company has been applied effective from 13 June 2013. The management is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan and the Honorable High Court of Sindh has issued stay order against such levy.

During 2016, the Honorable Sindh High Court, in its judgment dated 30 June 2016, on the Constitutional Petition instituted by MUFAP declared that the provisions of the Federal Excise Act, 2005, insofar as they relate to providing or rendering of services, are ultra vires to the 18th amendment of the Constitution with effect from 01 July 2011, the date on which Sindh Sales Tax on Services Act, 2011 came into force. However, the Federal Board of Revenue (FBR) has right to challenge the decision in the Supreme Court of Pakistan within 90 days of the above decision of the Court, and the petition of the Management Company is still pending in the Court; therefore, as a matter of prudence, the Company has maintained the accumulated provision against FED amounting to Rs. 78.345 million as of 30 June 2020.

Through Finance Act 2016, FED on services rendered by Non-Banking Financial Institutions (NBFIs) including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn. Accordingly, no FED has been charged on the remuneration of the Company for period subsequent to 30 June 2016.

The tax charge for the current year represents minimum tax on gross management and advisory income under section 153(b).

30 BASIC AND DILUTED EARNINGS PER SHARE

Profit attributable to shareholders of the holding company	<i>Rupees in '000</i>	<u>517,976</u>	<u>203,108</u>
Weighted average number of ordinary shares in issue	<i>Numbers in '000</i>	<u>615,000</u>	<u>615,000</u>
Basic and diluted earnings per share attributable to shareholders of holding company	<i>Rupees</i>	<u>0.84</u>	<u>0.33</u>

30.1 Diluted earnings per share has not been presented separately as the Company does not have any convertible instruments in issue.

31 CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	210,822	319,453
Balances with other banks	1,368,659	1,519,493
Placements	250,000	-
	<u>1,829,481</u>	<u>1,838,946</u>

32 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

Non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these condensed interim unconsolidated financial

32.1 Fair Value of financial assets

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement.

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

In the opinion of management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	30 June 2020 (Unaudited)			
	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	(Rupees in '000)			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	63,839,526	-	63,839,526
Non-Government Debt Securities	-	3,234,879	-	3,234,879
Mutual funds	606,608	-	-	606,608
Financial assets - disclosed but not measured at fair value				
Investments	-	-	#VALUE!	#VALUE!
	31 December 2019 (Audited)			
On balance sheet financial instruments	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	23,887,609	-	23,887,609
Non-Government Debt Securities	-	3,003,598	-	3,003,598
Mutual funds	640,864	-	-	640,864
Financial assets - disclosed but not measured at fair value				
Investments	-	-	600,337	600,337

32.2 Fair value of non-financial assets

	Level 1			
	Level 1	Level 2	Level 3	Total
	As at 30 June 2020			
	(Rupees in '000)			
Non-banking assets acquired in satisfaction of claims	-	-	375,990	375,990
	(Rupees in '000)			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Non-banking assets acquired in satisfaction of claims	-	-	375,990	375,990

33 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

Half year ended 30 June 2020 (Unaudited)					
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
(Rupees in '000)					
Profit & Loss					
Net mark-up/return/profit	310,288	(86,913)	644,641	(4,788)	863,228
Non mark-up / return / interest income	8,332	(5,507)	228,644	24,696	256,165
Total Income	318,620	(92,420)	873,285	19,908	1,119,393
Segment direct expenses	179,440	26,918	136,931	30,106	373,395
Reversals	(295)	-	-	-	(295)
Profit before tax	139,475	(119,338)	736,354	(10,198)	746,293
Balance Sheet					
Cash & Bank balances	-	-	1,560,045	19,436	1,579,481
Investments	-	1,178,133	67,074,405	11	68,252,549
Lendings to financial institutions	-	-	4,866,470	-	4,866,470
Advances - performing	19,855,597	-	-	-	19,855,597
non- performing	122,096	-	-	-	122,096
Others	789,934	313,549	1,175,199	432,781	2,711,463
Total Assets	20,767,627	1,491,682	74,676,119	452,228	97,387,656
Borrowings	16,046,265	1,105,705	55,353,483	37,500	72,542,953
Subordinated debt	-	-	-	-	-
Deposits & other accounts	2,890,191	207,595	10,392,532	-	13,490,318
Others	476,566	(4,865)	1,688,560	97,495	2,257,756
Total liabilities	19,413,022	1,308,435	67,434,575	134,995	88,291,027
Equity	1,354,605	183,247	7,241,544	317,233	9,096,629
Total Equity & liabilities	20,767,627	1,491,682	74,676,119	452,228	97,387,656
Contingencies & Commitments	1,686,743	341,726	8,060,579	-	10,089,048

Half year ended 30 June 2019 (Unaudited) - Restated					
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
(Rupees in '000)					
Profit & Loss					
Net mark-up/return/profit	275,039	(49,111)	262,526	(2,069)	486,385
Non mark-up / return / interest income	27,128	18,739	24,643	33,558	104,068
Total Income	302,167	(30,372)	287,169	31,489	590,453
Segment direct expenses	167,390	26,387	106,709	45,923	346,409
(Reversals) / Provisions	(24,185)	(4,246)	-	-	(28,431)
Profit before tax	158,962	(52,513)	180,460	(14,434)	272,475

Year ended 31 December 2019 - Restated					
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
(Rupees in '000)					
Balance Sheet					
Cash & Bank balances	-	-	2,128,067	740	2,128,807
Investments	-	3,374,754	55,700,209	10	59,074,973
Lendings to financial institutions	-	-	8,132,475	-	8,132,475
Advances - performing	19,619,714	-	277,746	-	19,897,460
non-performing	126,673	-	-	-	126,673
Others	827,947	504,842	1,043,789	487,081	2,863,659
Total Assets	20,574,334	3,879,596	67,282,286	487,831	92,224,047
Borrowings	16,880,052	3,356,971	53,444,003	112,500	73,793,526
Subordinated debt	-	-	-	-	-
Deposits & other accounts	1,916,249	393,618	6,266,525	-	8,576,392
Others	525,669	55,925	890,341	146,284	1,618,219
Total liabilities	19,321,970	3,806,514	60,600,869	258,784	83,988,137
Equity	1,252,364	73,082	6,681,417	229,047	8,235,910
Total Equity & liabilities	20,574,334	3,879,596	67,282,286	487,831	92,224,047
Contingencies & Commitments	1,598,912	432,726	14,700,071	-	16,731,709

34 RELATED PARTY TRANSACTIONS

The Group has related party relationship with various parties, including its directors, key management personnel (including their associates), associates, subsidiary company, employee benefit plans, and company having common directors. The details of investments in subsidiary company and associates are stated in note 9 to these financial statements.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Advances are given to employees as per the Group's Policy. Transactions with other related parties are carried out on commercial terms and as per market rates.

The nature of the relationships and transactions with related parties, other than those which have been specifically disclosed elsewhere in the consolidated financial statements are as follows:

34.1 Associates

- Japan Power Generation Limited
- Pak Oman Microfinance Bank Limited
- Pak Oman Advantage Islamic Income Fund
- Pak Oman Islamic Asset Allocation Fund
- Pak Oman Advantage Asset Allocation Fund
- Pak Oman Government Securities Fund
- Askari High Yield Scheme
- Askari Asset Allocation Fund
- Askari Sovereign Yield Enhancer
- Askari Sovereign Cash Fund

34.2 Retirement benefit fund

- Defined benefit plan
- Defined contribution plan

34.3 Other related party

- Orient Power Company (Private) Limited
- Ismail Industries Limited
- K- Electric
- Oman LNG, Sultanate of Oman
- Diamond Textile Mills (Pvt.) Limited
- Civil Aviation Authority
- Pakistan LNG Limited
- Public Private Partnership Authority

34.4 Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	Half year ended 30 June 2020 (Unaudited)					Year ended 31 December 2019 (Audited)				
	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties
	(Rupees in '000)									
Investments										
Opening balance	-	-	1,015,201	-	226,000	-	-	996,898	-	226,000
Investment made during the year	-	-	(63,057)	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	18,303	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	952,144	-	226,000	-	-	1,015,201	-	226,000
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	-
Advances										
Opening balance	-	38,487	68,200	-	565,459	-	43,626	68,200	-	72,916
Addition during the year	-	5,247	-	-	-	-	15,400	-	-	539,566
Repaid during the year	-	(6,204)	-	-	(40,893)	-	(20,539)	-	-	(47,023)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	37,530	68,200	-	524,566	-	38,487	68,200	-	565,459
Provision held against advances	-	-	68,200	-	-	-	-	68,200	-	-
	(Rupees in '000)									
Other Assets										
Interest / mark-up accrued	-	-	-	-	7,190	-	-	-	-	3,241
Receivable from staff retirement fund	-	-	-	6,819	-	-	-	-	15,447	-
Other receivable	-	-	119,857	-	-	-	-	112,729	-	-
Provision against other assets	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	-	4,082	-	-	-	-	909	-	5,492	-
Received during the year	-	51,761	-	11,326	-	-	64,629	-	102,997	-
Withdrawn during the year	-	(45,664)	-	(9,026)	-	-	(61,456)	-	(108,489)	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	10,179	-	2,300	-	-	4,082	-	-	-
Other Liabilities										
Interest / mark-up payable	-	46	-	78	-	-	33	-	-	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
Outright sale of Securities	-	-	1,090,752	859,585	-	-	-	1,385,342	909,630	-
Outright purchase of Securities	-	-	406,109	863,800	-	-	-	243,315	720,365	-
Contingencies and Commitments										
Other contingencies	-	-	70,726	-	226,000	-	-	70,726	-	226,000

34.5 Related party transactions

	Half year ended 30 June 2020 (Unaudited)					Half year ended 30 June 2019 (Unaudited)				
	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties
	(Rupees in '000)									
Income										
Mark-up / return / interest earned	-	812	-	-	65,773	-	1,123	-	-	4,288
Fee and commission income	-	-	-	-	2,500	-	-	-	-	-
Dividend income	-	-	54,550	-	-	-	-	27,314	-	-
Net gain on sale of securities	-	-	96	6	-	-	-	(2)	(1)	-
Other income	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Expense										
Mark-up / return / interest paid	-	515	-	176	-	-	363	-	829	-
Operating expenses	-	-	-	-	-	-	-	-	-	-
Non-Executive Directors' fees and allowances	13,414	-	-	-	-	11,850	-	-	-	-
Compensation expenses	-	167,511	-	-	-	-	153,043	-	-	-
Contribution to defined contribution plan	-	-	-	8,324	-	-	-	-	9,469	-
Charge for defined benefit plan	-	-	-	9,240	-	-	-	-	7,196	-

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-Audited) 30 June 2020 (Rupees in '000)	(Restated) 31 December 2019
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>6,150,000</u>	<u>6,150,000</u>
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	<u>7,029,651</u>	5,793,159
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>7,029,651</u>	5,793,159
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>7,029,651</u>	<u>5,793,159</u>
Risk Weighted Assets (RWAs):		
Credit Risk	<u>27,180,675</u>	27,688,047
Market Risk	<u>9,602,098</u>	8,301,000
Operational Risk	<u>2,131,697</u>	2,131,697
Total	<u>38,914,470</u>	<u>38,120,744</u>
Common Equity Tier 1 Capital Adequacy ratio	<u>18.06%</u>	15.20%
Tier 1 Capital Adequacy Ratio	<u>18.06%</u>	15.20%
Total Capital Adequacy Ratio	<u>18.06%</u>	15.20%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	7,029,651	5,793,159
Total Exposures	<u>107,076,706</u>	108,929,747
Leverage Ratio	<u>6.57%</u>	<u>5.32%</u>
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>6,294,566</u>	6,227,965
Total Net Cash Outflow	<u>12,732,298</u>	9,139,548
Liquidity Coverage Ratio	<u>49%</u>	<u>68%</u>
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>22,086,772</u>	21,887,939
Total Required Stable Funding	<u>21,662,326</u>	21,507,690
Net Stable Funding Ratio	<u>101.96%</u>	<u>101.77%</u>

36 CREDIT RATING

The VIS Credit Rating Company Limited has maintained the holding Company's rating of AA+ (Double A Plus) in the long term and A-1+ (A One Plus) for the short term.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset management rating of AM3+ (Stable) to the subsidiary company in the medium and long term vide its report dated 28 August 2019.

37. GENERAL

37.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

37.2 The comparative figures have been re-arranged for comparison purposes.

38. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on 12 August 2020 by the Board of Directors of the holding company.

Bahauddin Khan	Mohammad Jamal Nasir	Omar Hamid Khan	Sayyid Juland Jaifar Salim Al Said	Yahya Bin Said Bin Abdullah Al- Jabri
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Managing Director and Chief Executive	Chief Financial Officer	Director	Director	Chairman