

**PAK OMAN INVESTMENT
COMPANY LIMITED**

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

**FOR THE HALF YEAR
ENDED 30 JUNE 2019**

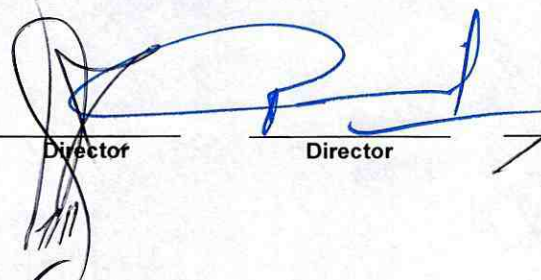
Pak Oman Investment Company Limited
Consolidated Condensed Interim Statement of Financial Position
As at 30 June 2019

(Unaudited) 30 June 2019 (US Dollar in '000)	(Audited) 31 December 2018		(Unaudited) 30 June 2019 (Rupees in '000)	(Audited) 31 December 2018
		Note		
ASSETS				
1,996	767	Cash and balances with treasury banks	319,453	122,740
9,494	14,333	Balances with other banks	1,519,493	2,294,067
48,201	33,953	Lendings to financial institutions	7,714,640	5,434,296
294,828	177,079	Investments	47,187,783	28,341,835
130,381	127,971	Advances	20,867,775	20,482,056
1,433	647	Fixed assets	229,289	103,626
1,648	1,650	Intangible assets	263,835	264,069
2,389	2,517	Deferred tax assets	382,290	402,873
9,117	5,943	Other assets	1,459,337	951,091
499,487	364,860		79,943,895	58,396,653
LIABILITIES				
-	-	Bills payable	-	-
400,649	251,507	Borrowings	64,124,747	40,254,145
42,925	56,297	Deposits and other accounts	6,870,301	9,010,490
5	6	Liabilities against assets subject to finance lease	805	992
-	-	Subordinated debt	-	-
-	-	Deferred tax liabilities	-	-
7,117	6,735	Other liabilities	1,138,773	1,078,033
450,696	314,545		72,134,626	50,343,660
48,791	50,315	NET ASSETS	7,809,269	8,052,993
REPRESENTED BY				
38,425	38,425	Share capital	6,150,000	6,150,000
7,563	7,277	Reserves	1,210,475	1,164,643
174	246	Surplus on revaluation of assets	27,922	39,425
2,581	4,315	Unappropriated profit	413,166	690,607
48,743	50,263	Equity attributable to shareholder of holding company	7,801,563	8,044,675
48	52	Non-Controlling Interest	7,706	8,318
48,791	50,315		7,809,269	8,052,993
CONTINGENCIES AND COMMITMENTS				
			20	

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


**Managing Director/
 Chief Executive Officer**


Chief Financial Officer


Director

Director

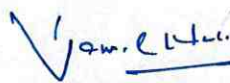

Director

Pak Oman Investment Company Limited
Consolidated Condensed Interim Profit and Loss Account (Un-Audited)
For the half year ended 30 June 2019

Half year ended			Quarter ended		Half year ended	
30 June	30 June		30 June	30 June	30 June	30 June
2019	2018	Note	2019	2018	2019	2018
(US Dollar in '000)			(Rupees in '000)			
17,007	9,702	21	1,571,046	758,116	2,722,057	1,552,794
13,968	7,225	22	1,343,467	554,336	2,235,672	1,156,451
3,039	2,477		227,579	203,780	486,385	396,343
NON MARK-UP / INTEREST INCOME						
384	591	23	36,460	46,754	61,499	94,597
-	10		-	742	-	1,539
-	-		-	-	-	-
-	-		-	-	-	-
131	163	24	9,669	17,947	20,961	26,113
105	74		1,354	(6,544)	16,830	11,888
30	148	25	3,250	3,495	4,778	23,743
650	986		50,733	62,394	104,068	157,880
3,689	3,463		278,312	266,174	590,453	554,223
NON MARK-UP / INTEREST EXPENSES						
2,102	2,092	26	172,186	164,307	336,480	334,886
22	34		1,021	3,077	3,565	5,500
75	79	27	7,213	6,653	11,974	12,719
2,199	2,205		180,420	174,037	352,019	353,105
1,490	1,258		97,892	92,137	238,434	201,118
178	1,352	28	1,200	96,388	28,431	216,458
-	-		-	-	-	-
1,668	2,610		99,092	188,525	266,865	417,576
(436)	(1,218)	29	(25,338)	(129,833)	(69,808)	(194,938)
1,232	1,392		73,754	58,692	197,057	222,638
ATTRIBUTABLE TO:						
1,236	1,391		74,191	58,521	197,669	222,398
(4)	1		(437)	171	(612)	240
1,232	1,392		73,754	58,692	197,057	222,638
(US \$)			(Rupees)			
0.0020	0.0023	30	0.12	0.10	0.32	0.36
Basic and diluted earnings per share attributable to shareholders of the holding company						

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 Managing Director/
 Chief Executive Officer


 Chief Financial Officer


 Director


 Director


 Director

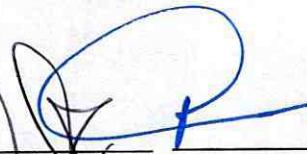
Pak Oman Investment Company Limited
Consolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)
For the half year ended 30 June 2019

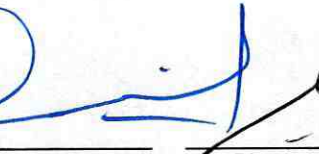
Half year ended			Quarter ended		Half year ended	
30 June	30 June		30 June	30 June	30 June	30 June
2019	2018		2019	2018	2019	2018
(US Dollar in '000)			(Rupees in '000)			
1,232	1,392	Profit after taxation for the period	73,754	58,692	197,057	222,638
		Other comprehensive income				
		Items that may be reclassified to profit and loss account in subsequent periods:				
(60)	1	Movements in deficit on revaluation of investments - net of tax	(5,799)	(13,587)	(9,547)	167
		Items that will not be reclassified to profit and loss account in subsequent periods:				
		Movement in deficit on revaluation of non-banking assets- net of tax	(1,295)	698	(1,956)	(7,131)
(12)	(45)		(1,295)	698	(1,956)	(7,131)
<u>1,160</u>	<u>1,348</u>	Total comprehensive income	<u>66,660</u>	<u>45,803</u>	<u>185,554</u>	<u>215,674</u>
		ATTRIBUTABLE TO:				
1,164	1,347	Shareholders of the holding company	67,097	45,632	186,166	215,434
(4)	1	Non-controlling interest	(437)	171	(612)	240
<u>1,160</u>	<u>1,348</u>		<u>66,660</u>	<u>45,803</u>	<u>185,554</u>	<u>215,674</u>

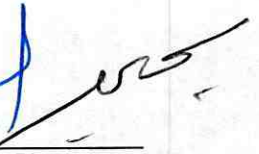
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 Managing Director/
 Chief Executive Officer


 Chief Financial Officer


 Director


 Director

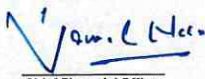

 Director

Pak Oman Investment Company Limited
Consolidated Condensed Interim Statement of Changes in Equity (Un-Audited)
For the half year ended 30 June 2019

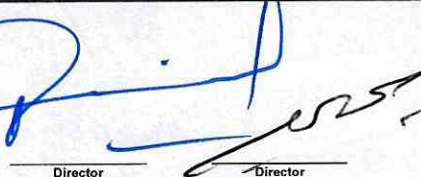
	Share capital	(Reserves)		Surplus / (deficit) on revaluation of		Unappropriated profit	Sub total	Non-controlling interest	Total
		Statutory reserve	General reserve	Investments	Non-banking assets				
(Rupees in '000)									
Opening balance as at 01 January 2018	6,150,000	1,060,131	11,630	8,182	55,380	737,744	8,023,067	8,142	8,031,209
Total comprehensive income									
Profit after taxation	-	-	-	-	-	222,398	222,398	240	222,638
Other comprehensive loss - net of tax	-	-	-	167	(7,131)	-	(6,964)	-	(6,964)
Total comprehensive income for the half year ended 30 June 2018	-	-	-	167	(7,131)	222,398	215,434	240	215,674
Transfer to statutory reserve	-	44,617	-	-	-	(44,617)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	1,480	1,480	-	1,480
Transaction with owners recorded directly in equity									
Final cash dividend - 31 December 2017 declared subsequent to the year end (Rs. 0.7 per share)	-	-	-	-	-	(430,500)	(430,500)	-	(430,500)
Opening balance as 01 July 2018	6,150,000	1,104,748	11,630	8,349	48,249	486,505	7,809,481	8,382	7,817,863
Total comprehensive income									
Profit after taxation	-	-	-	-	-	244,061	244,061	(64)	243,997
Other comprehensive loss - net of tax	-	-	-	(15,851)	(1,322)	6,984	(10,189)	-	(10,189)
Total comprehensive income for the half year ended 31 December 2018	-	-	-	(15,851)	(1,322)	251,045	233,872	(64)	233,808
Transfer to statutory reserve	-	48,265	-	-	-	(48,265)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	1,322	1,322	-	1,322
Opening balance as 01 January 2019	6,150,000	1,153,013	11,630	(7,502)	46,927	690,607	8,044,675	8,318	8,052,993
Total comprehensive income									
Profit after taxation	-	-	-	-	-	197,669	197,669	(612)	197,057
Other comprehensive loss - net of tax	-	-	-	(9,547)	(1,956)	-	(11,503)	-	(11,503)
Total comprehensive income for the half year ended 30 June 2019	-	-	-	(9,547)	(1,956)	197,669	186,166	(612)	185,554
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)
Closing balance as at 30 June 2019	6,150,000	1,198,845	11,630	(17,049)	44,971	413,166	7,801,563	7,706	7,809,269

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


 Managing Director/
 Chief Executive Officer


 Chief Financial Officer


 Director


 Director

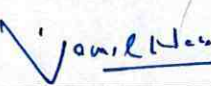

 Director

Pak Oman Investment Company Limited
Consolidated Condensed Interim Cash Flow Statement (Un-Audited)
For the half year ended 30 June 2019

30 June 2019 (US Dollar in '000)	30 June 2018 (US Dollar in '000)		Note	30 June 2019 (Rupees in '000)	30 June 2018 (Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES					
1,668	2,610	Profit before taxation		266,865	417,576
-	(10)	Less: Dividend income		-	(1,539)
1,668	2,600			266,865	416,037
Adjustments:					
135	147	Depreciation		21,642	23,563
76	-	Depreciation on right-of-use assets		12,184	-
1	1	Amortization		235	235
(178)	(1,352)	(Reversals) and write offs - net	28	(28,431)	(216,458)
(4)	(10)	Gain on sale of fixed assets		(684)	(1,662)
(105)	(74)	Share of (profit) from associates - net of tax		(16,830)	(11,888)
51	-	Mark-up / return / profit / interest expensed on lease liability against right-of-use assets		8,119	-
1	-	Finance charges on leased assets		109	50
(47)	(27)	Unrealised (gain) / loss on revaluation of investments classified as held-for-trading		(7,517)	(4,333)
(70)	(1,315)			(11,173)	(210,493)
1,598	1,285			255,692	205,544
(Increase) / Decrease in operating assets					
(14,248)	(26,227)	Lendings to financial institutions		(2,280,344)	(4,197,735)
49,268	63,702	Held-for-trading securities		7,885,373	10,195,649
(2,259)	(20,395)	Advances		(361,534)	(3,264,250)
(2,468)	(1,092)	Other assets (excluding advance taxation)		(394,843)	(174,575)
30,293	15,988			4,848,652	2,559,089
Increase / (decrease) in operating liabilities					
-	-	Bills payable		-	-
149,143	(41,893)	Borrowings		23,870,602	(6,705,079)
(13,372)	(315)	Deposits		(2,140,189)	(50,455)
(423)	(2,518)	Other liabilities (excluding current taxation)		(67,703)	(402,977)
135,348	(44,726)			21,662,710	(7,158,511)
167,239	(27,453)			26,767,054	(4,393,878)
(889)	(736)	Income tax paid		(142,334)	(117,876)
166,350	(28,189)	Net cash flow generated from / (used in) operating activities		26,624,720	(4,511,754)
CASH FLOW FROM INVESTING ACTIVITIES					
(167,093)	26,153	Net investments in available-for-sale securities		(26,743,635)	4,185,905
171	1,285	Investments in associates		27,314	205,695
(171)	(105)	Dividend received		(27,314)	(16,766)
(18)	(9)	Investments in operating fixed assets		(2,949)	(1,392)
5	29	Proceeds from sale of fixed assets		736	4,570
(167,106)	27,353	Net cash flow (used in) / generated from investing activities		(26,745,848)	4,378,012
CASH FLOW FROM FINANCING ACTIVITIES					
(2)	(1)	Payments of lease obligations		(296)	(229)
(162)	-	Payments of lease liability against right-of-use assets		(25,937)	-
(2,690)	(2,690)	Dividend paid		(430,500)	(430,500)
(2,854)	(2,691)	Net cash flow (used in) financing activities		(456,733)	(430,729)
(3,610)	(3,527)	(Decrease) in cash and cash equivalents		(577,861)	(564,471)
15,100	13,828	Cash and cash equivalents at beginning of the period		2,416,807	2,213,137
11,490	10,301	Cash and cash equivalents at end of the period	31	1,838,946	1,648,666

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


 Managing Director/
 Chief Executive Officer


 Chief Financial Officer


 Director


 Director


 Director

Pak Oman Investment Company Limited
Notes to the Consolidated Condensed Interim Financial Information (Un-Audited)
For the half year ended 30 June 2019

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 inter alia 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 1st Floor, Tower A, Shahrah-e-faisal, 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 for a consideration of Rs. 551 million. The acquisition is effective from the close of business as on 31 May 2017 under a Share Purchase Agreement dated 10 January 2017. Askari Investment Management Limited has been merged with Pak Oman AMCL effective from 30 October 2017 and accordingly seven 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 Incorporation	Nature of business	Holding %	
			30-Jun-19	31-Dec-18
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.	73.86	70.44
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.	50.69	30.98
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.	94.09	88.66
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.	98.98	98.68
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 power and its supply to WAPDA.	11.29	11.29

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 SECP vide its press release dated 15 February 2019 has deferred the applicability of IFRS 9 for reporting periods ending on or after 30 June 2019. However, the SBP vide its email dated 23 July 2019 has clarified that IFRS 9 is not applicable on financial information of the Company for period ending 30 June 2019. Further, the group considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non-performing financing, the implementation of IFRS 9 may require changes in the regulatory regime. Therefore, the group expects that the SBP would issue suitable guidance and instruction on the application of IFRS 9 for the banking sector of Pakistan.

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 31 December 2018.

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 2019 and the unaudited financial statements of the subsidiary (POAMCL) for the half year ended 30 June 2019. The consolidated condensed interim financial statements used for the equity accounting of 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.160.0521 = 1 US dollar for the half year ended 30 June 2019 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 financial statements for the financial year ended 31 December 2018.

2.2 Amendments to approved accounting standards that are effective in the current period

During the period IFRS 16, the accounting standard for leases, became applicable for the company. The impact of the adoption of IFRS 16 on the group's consolidated condensed interim financial statements is disclosed in note 3.2 below

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 1 January 2019 but are considered not to be relevant or do not have any significant impact on the Company's consolidated condensed interim financial statements.

2.3 Standards, interpretations of and amendments to approved accounting standards that are not yet effective

There are other certain standards, amendments and interpretations with respect to the approved accounting standards that are not yet effective and are not expected to have material impact on the company's financial statements in the period of their initial application.

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 financial statements for the year ended 31 December 2018 except as disclosed in note 3.2.

3.1 Change in reporting format

The SBP vide BPRD Circular Letter No.5 dated 22 March 2019 specified the new reporting format for the quarterly and half yearly financial statements of Banks/ DFIs. The new format has revised the disclosure requirements of the Banks/DFIs for the half year ended 30 June 2019 which has resulted in certain additional disclosures and reclassifications of the items in these consolidated condensed interim financial statements.

3.2 Adoption of IFRS 16 - 'Leases'

International Accounting Standards Board (IASB) has issued IFRS 16 'Leases' in January 2016 which supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The new standard sets out the principles for:

- Lessees to account for all leases under a single on-balance sheet model and governs recognition, measurement, presentation and disclosure of leases; and
- Lessor accounting which is substantially unchanged. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is a lessor.

The Company has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application as January 01, 2019. Under this method, the standard has been applied retrospectively, with the cumulative effect of initially applying the standard, recognised at the date of initial application. Accordingly, adjustment to the carrying amount of assets and liabilities were recognised in the current period. Upon adoption of IFRS 16, the lessees are required to recognise a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. Under IAS 17, leased assets, under operating lease mode, were not recognised on Company's balance sheets and it only required lessees to recognise a periodic lease expense (rent) on a straight-line basis over the term for leases tenure and relevant lease commitments were disclosed.

New accounting policies of the Company upon adoption of IFRS 16 are:

Right-of-use (RoU) assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any premeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability

At the commencement date of the lease, the Company recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

The effect of adoption of IFRS 16 as at January 1, 2019 (increase/ (decrease)) is as follows:

	January 1, 2019 (Rupees in '000)
Assets	
Right-of-use (RoU) asset	147,229
Prepayments	(6,030)
Total Assets	<u>141,199</u>
Liabilities	
Lease liability	<u>141,199</u>

The carrying amounts of the Company's right-of-use assets, lease liabilities and the movements during the period is as below:

	June 30, 2019	
	RoU asset (Rupees in '000)	Lease liability (Rupees in '000)
As at January 1, 2019	167,851	141,199
Addition	464	-
Depreciation	(12,184)	-
Borrowing cost	-	(8,119)
Payments	-	(3,667)
As at June 30, 2019	<u>156,131</u>	<u>129,413</u>

Had this standard not been applied, assets and liabilities would have been lower by Rs.156.131 million and Rs.129.413 million respectively. Rent expense would have been higher by Rs. 11.966 million and depreciation charge and mark-up expense would have been lower by Rs.12.184 million and Rs.8.119 million respectively

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The basis for accounting estimates adopted in the preparation of this consolidated condensed interim financial information is the same as that applied in the preparation of the consolidated financial statements for the year ended December 31, 2018.

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the group are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2018.

	Note	(Un-audited)	(Audited)
		30 June 2019	31 December 2018
		(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
local currency		465	433
foreign currency		198	198
		<u>663</u>	<u>631</u>
With State Bank of Pakistan in Local currency current account	6.1	317,568	121,861
With National Bank of Pakistan in Local currency current account		1,222	248
		<u>319,453</u>	<u>122,740</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		2,046	17,776
In deposit accounts	7.1	1,514,699	2,275,788
		<u>1,516,745</u>	<u>2,293,564</u>
Outside Pakistan:			
In current accounts		2,748	503
		<u>1,519,493</u>	<u>2,294,067</u>

7.1 These include term deposit receipts (TDRs) of Rs. 1,500 million (2018: Rs. 2,250 million) maturing between July 2019 to September 2019 (2018: January 2019 to March 2019). These carry mark-up rates ranging from 12.75% to 13.99% (2018: 9.35% to 12%) per annum.

8. LENDINGS TO FINANCIAL INSTITUTIONS

Certificates of investment		-	-
Repurchase agreement lendings (Reverse Repo)		7,714,640	5,434,296
		<u>7,714,640</u>	<u>5,434,296</u>

9 INVESTMENTS

	30 June 2019 (Unaudited)				31 December 2018 (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	14,668,188	-	1,903	14,670,091	22,528,724	-	(3,246)	22,525,478
Shares	-	-	-	-	-	-	-	-
Non-Government debt securities	402,733	-	3,234	405,967	419,849	-	8,587	428,436
	15,070,921	-	5,137	15,076,058	22,948,573	-	5,341	22,953,914
Available-for-sale securities								
Federal Government securities	28,105,951	-	(27,090)	28,078,861	1,405,393	-	(43,262)	1,362,131
Shares	347,333	(121,333)	-	226,000	347,333	(121,333)	-	226,000
Non-Government debt securities	3,280,849	(463,477)	3,078	2,820,450	3,237,772	(467,723)	32,843	2,802,892
	31,734,133	(584,810)	(24,012)	31,125,311	4,990,498	(589,056)	(10,419)	4,391,023
Associates	986,414	-	-	986,414	996,898	-	-	996,898
Total Investments	47,791,468	(584,810)	(18,875)	47,187,783	28,935,969	(589,056)	(5,078)	28,341,835

9.1.1 Investments given as collateral

	30 June 2019 (Unaudited)				31 December 2018 (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	7,753,394	-	(18,378)	7,735,016	3,827,167	-	(44,398)	3,782,769
- Market treasury bills	30,789,509	-	(9,505)	30,780,004	18,374,587	-	(2,253)	18,372,334
	38,542,903	-	(27,883)	38,515,020	22,201,754	-	(46,651)	22,155,103
Shares								
- Listed companies	-	-	-	-	-	-	-	-
- Unlisted companies	226,000	-	-	226,000	226,000	-	-	226,000
	226,000	-	-	226,000	226,000	-	-	226,000
Total investments	38,768,903	-	(27,883)	38,741,020	22,427,754	-	(46,651)	22,381,103

9.2 Provision for diminution in value of investments

9.2.1 Opening balance

Charges / reversals

Charge for the year
Reversals for the year

Transfers - net
Amounts written off
Closing balance

9.2.2 Particulars of provision against debt securities

Category of classification

Domestic
Other assets especially mentioned
Substandard
Doubtful
Loss

Total

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	NPI	Provision	NPI	Provision
(Rupees in '000)				
Domestic	-	-	-	-
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	483,926	463,477	488,172	467,723
	483,926	463,477	488,172	467,723

(Un-audited)
Half year ended
30 June
2019

(Audited)
Year ended
31 December
2018

(Rupees in '000)

589,056 697,700

-	-
(4,246)	(37,533)
(4,246)	(37,533)

- (71,111)

584,810 589,056

10 ADVANCES	Performing		Non-performing		Total	
	30-Jun-19 (Rupees in '000)	31-Dec-18 (Rupees in '000)	30-Jun-19 (Rupees in '000)	31-Dec-18 (Rupees in '000)	30-Jun-19 (Rupees in '000)	31-Dec-18 (Rupees in '000)
Loans, cash credits, running finances, etc.	20,698,902	20,122,055	686,826	711,233	21,385,728	20,833,288
Margin trading	38,554	229,460	-	-	38,554	229,460
Advances - Gross	20,737,456	20,351,515	686,826	711,233	21,424,282	21,062,748
Provision against advances						
Specific	-	-	556,294	580,479	556,294	580,479
General	213	213	-	-	213	213
	213	213	556,294	580,479	556,507	580,692
Advances - net of provision	20,737,243	20,351,302	130,532	130,754	20,867,775	20,482,056

10.1 Particulars of advances (Gross)	30-Jun-19 (Rupees in '000)	31-Dec-18 (Rupees in '000)
In local currency	21,424,282	21,062,748
In foreign currencies	-	-
	21,424,282	21,062,748

10.2 Advances include Rs. 687 million (2018: Rs 711 million) which have been placed under the non-performing status as detailed below:

Category of Classification	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	(Rupees in '000)			
Domestic	-	-	-	-
Other Assets Especially Mentioned	-	-	-	-
Substandard	2,104	-	26,912	-
Doubtful	207,406	90,000	182,820	90,000
Loss	477,316	466,294	501,501	490,479
	686,826	556,294	711,233	580,479

10.3 Particulars of provision against advances	Half year ended 30 June 2019 (Unaudited)			Year ended 31 December 2018 (Audited)		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	580,479	213	580,692	875,047	213	875,260
Charge for the year	-	-	-	-	-	-
Reversals	(24,185)	-	(24,185)	(294,568)	-	(294,568)
	(24,185)	-	(24,185)	(294,568)	-	(294,568)
Amounts written off	-	-	-	-	-	-
Closing balance	556,294	213	556,507	580,479	213	580,692

10.4 In accordance with BPRD Circular No. 6 dated 26 June 2014 issued by the SBP, the Company has availed the benefit of FSV against the non-performing advances. As of 30 June 2019, the holding Company has availed total accumulated FSV benefit amounting to Rs 7.9 million (2018 Rs. 4.3 million) [net of tax Rs 5.6 million (2018: net of tax Rs. 3.1 million)]. Accordingly, accumulated profit of Rs 5.6 million (2018: Rs.3.1 million) [net of transfer to statutory reserves Rs 4.5 million (2018:Rs. 2.5 million)] will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the holding Company as required by the aforementioned SBP directives.

	(Un-audited) 30 June 2019 ----- (Rupees in '000) -----	(Audited) 31 December 2018
11 FIXED ASSETS		
Right of use assets	156,131	-
Property and equipments	73,158	103,626
	<u>229,289</u>	<u>103,626</u>
12 INTANGIBLE ASSETS		
Computer Software	203	437
Goodwill	263,632	263,632
	<u>263,835</u>	<u>264,069</u>
13 DEFERRED TAX ASSETS		
Deductible Temporary Differences on		
Provision for diminution in the value of investments	169,594	164,935
Assets subject to finance leases	71	66
Amortisation of premium on Federal Government Securities	4,619	2,555
Provision against non-performing advances	161,387	162,594
Revaluation on investments classified as available-for-sale	6,963	2,917
Alternative Corporate tax	45,913	-
Taxable loss	15,321	-
Revaluation on investments classified as held-for-trading	(734)	667
Net investment in finance leases	(20,359)	71,793
Accumulated tax losses - POAMCL	7,499	7,499
	<u>390,274</u>	<u>413,026</u>
Taxable Temporary Differences on		
Accelerated tax depreciation allowances	2,476	(1,388)
Revaluation on Non-banking assets	(6,363)	(8,765)
Dividend receivable	(4,097)	-
	<u>(7,984)</u>	<u>(10,153)</u>
	<u>382,290</u>	<u>402,873</u>
14 OTHER ASSETS		
Income/ Mark-up accrued in local currency - net of provision	762,946	454,508
Dividend income receivable	27,314	-
Mark-up / profit receivable on purchase of securities	98,724	13,373
Security deposits	4,288	8,262
Prepayments	37,479	18,963
Taxation	95,451	-
Non-banking assets acquired in satisfaction of claims	259,700	267,226
Receivable from funds under management and investment advisory clients	107,566	106,719
Staff Gratuity	-	9,928
Others	2,529	6,936
	<u>1,395,997</u>	<u>885,915</u>
Less: Provision held against other assets	-	-
Other assets (net of provisions)	<u>1,395,997</u>	<u>885,915</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	63,340	65,176
	<u>1,459,337</u>	<u>951,091</u>

	(Un-Audited)	(Audited)
	30 June 2019	31 December 2018
15 BORROWINGS	(Rupees in '000)	
Secured		
Borrowings from the State Bank of Pakistan:		
- Long term financing facility (LTFF)	2,316,637	2,128,804
Repurchase agreement borrowings	45,836,588	25,823,942
Long term borrowings	6,816,840	6,415,633
Short term running finance	482,557	581,897
Bai Muajjal	-	1,296,869
Total secured	55,452,622	36,247,145
Unsecured		
Placements	4,155,000	3,007,000
Murabaha financing	4,517,125	1,000,000
Total unsecured	8,672,125	4,007,000
	64,124,747	40,254,145

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	In local currency	Total	In local currency	Total
	(Rupees in '000)			
Certificates of investment				
Financial institutions	549,000	549,000	2,961,000	2,961,000
Others	6,321,301	6,321,301	6,049,490	6,049,490
	6,870,301	6,870,301	9,010,490	9,010,490

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	30 June 2019 (Unaudited)			31 December 2018 (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	431	33	398	431	49	382
Later than one year and upto five years	412	5	407	628	18	610
	843	38	805	1,059	67	992

- 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% (2018: 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 2019	(Audited) 31 December 2018
		(Rupees in '000)	
18	OTHER LIABILITIES		
	Mark-up/ Return/ Interest payable in local currency	366,486	340,718
	Accrued expenses	190,640	224,954
	Security deposits against investment in finance leases	294,842	356,216
	Taxation	-	970
	Advance rent	1,600	4,600
	Sales tax and federal excise duty payable	90,668	91,012
	Lease liability against right-of-use assets	129,413	-
	Others	65,124	59,563
		1,138,773	1,078,033
19	SURPLUS ON REVALUATION OF ASSETS		
	Surplus / (deficit) on revaluation of		
	- Available for sale securities	(24,012)	(10,419)
	- Non-banking assets acquired in satisfaction of claims	63,340	65,176
		39,328	54,757
	Deferred tax on surplus / (deficit) on revaluation of:		
	- Available for sale securities	6,963	2,917
	- Non-banking assets acquired in satisfaction of claims	(18,369)	(18,249)
		(11,406)	(15,332)
		27,922	39,425
20	CONTINGENCIES AND COMMITMENTS		
		(Un-Audited) 30 June 2019	(Audited) 31 December 2018
		(Rupees in '000)	
	Transaction related contingent liability:		
	Standby letter of credit	439,287	208,513
	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	-	13,944,874
	Sale of Government securities	6,105,635	2,869,539
	Commitments for advances and net investment in finance leases	1,238,851	2,042,040
	Securities given as collateral against loan taken by Pak Oman Asset Management Company Limited	334,000	334,000

Note

- 20.1 Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2018: 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. 334 million (2018: PIBs and T-Bill Rs 334 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 one 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 2019.

		(Un-Audited)	
		Half year ended	
		30 June 2019	30 June 2018
		(Rupees in '000)	
21	MARK-UP / RETURN / INTEREST EARNED		
	On:		
	a) On loans and advances	1,134,571	816,544
	b) On investments	1,289,667	553,009
	c) On lendings to financial institutions	209,681	127,003
	d) On balances with banks	88,138	56,238
		<u>2,722,057</u>	<u>1,552,794</u>
22	MARK-UP / RETURN / INTEREST EXPENSED		
	On:		
	a) Deposits	371,848	313,497
	b) Borrowings	1,855,705	842,954
	c) Lease liability against right-of-use assets	8,119	-
		<u>2,235,672</u>	<u>1,156,451</u>
23	FEE FEE AND COMMISSION INCOME		
	Credit related fees	25,249	30,214
	Investment banking fees	2,528	12,939
	Commission on guarantees	1,560	3,069
	Underwriting commission of Government securities auction	3,832	1,367
	Remuneration from funds under management	27,152	45,271
	Fee from investments advisory services	1,178	1,737
		<u>61,499</u>	<u>94,597</u>
24	GAIN ON SECURITIES		
	Realised	13,444	21,780
	Unrealised - held for trading	7,517	4,333
		<u>20,961</u>	<u>26,113</u>
24.1	Realised gain on:		
	Federal Government Securities	14,067	2,101
	Non Government debt securities	(623)	(5,582)
	Shares	-	25,261
		<u>13,444</u>	<u>21,780</u>
25	OTHER INCOME		
	Gain on sale of fixed assets - net	684	1,662
	Rental income	4,050	3,000
	Gain on sale of non-banking assets - net	-	17,381
	Scarp sale	-	1,670
	Others	44	30
		<u>4,778</u>	<u>23,743</u>

		(Un-Audited)	
		Half year ended	
		30 June	30 June 2018
		2019	
		(Rupees in '000)	
26	OPERATING EXPENSES		
	Total compensation expense	233,213	230,878
	Property expense		
	Rent & taxes	7,346	18,349
	Utilities cost	1,640	1,687
	Security (including guards)	456	452
	Repair & maintenance (including janitorial charges)	3,671	3,758
	Depreciation on right-of-use assets	12,184	-
	Depreciation	1,053	1,053
		26,350	25,299
	Information technology expenses		
	Software maintenance	550	619
	Hardware maintenance	-	17
	Depreciation	638	1,057
	Amortisation	235	235
	Network charges	1,318	1,150
	Others	551	422
		3,292	3,500
	Other operating expenses		
	Directors' fees and allowances	11,850	9,574
	Directors' fees and allowances - Subsidiary	2,917	2,820
	Legal & professional charges	8,840	3,944
	Travelling & conveyance	4,753	6,817
	Depreciation	19,951	21,453
	Training & development	250	194
	Postage & courier charges	400	365
	Communication	4,309	3,798
	Stationery & printing	898	864
	Marketing, advertisement & publicity	532	303
	Donations	500	520
	Auditors' remuneration	1,016	1,980
	Membership and subscriptions	2,451	4,267
	Transportation	4,136	4,823
	Insurance	2,577	1,562
	Finance charges on leased assets	109	50
	Entertainment and canteen expenses	1,573	1,654
	Shahriah advisor fee	150	217
	Distribution commission	4,893	4,105
	Others	1,520	5,899
		73,625	75,209
	Total operating expenses	336,480	334,886

		(Un-Audited)	
		Half year ended	
		30 June 2019	30 June 2018
		(Rupees in '000)	
27	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan	600	-
	Fees, commission and others	11,374	12,719
		<u>11,974</u>	<u>12,719</u>
28	REVERSALS & WRITE OFFS - NET		
	Reversals of provisions for diminution in value of investments	(4,246)	(9,242)
	Reversals of provisions against loans & advances	(24,185)	(207,216)
		<u>(28,431)</u>	<u>(216,458)</u>
29	TAXATION		
	Current	45,913	87,780
	Prior years	-	27,884
	Deferred	23,895	79,274
		<u>69,808</u>	<u>194,938</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 tax years 2015 to 2017 ACIR has passed orders under section 221 of the income tax ordinance 2001 and raised demand of Super tax of Rs 158 million. The company has filed appeal against the said orders, the said appeal is pending at adjudication. The Company's tax advisor is confident to obtain favourable decision from appellate forum and accordingly no provision has been made. Moreover, 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

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 2019.

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 Company has been selected for audit under section 214-C of the Ordinance for the tax year 2012. Tax authorities have passed orders under section 122(1) of the ordinance making certain additional amount to Rs. 17.3 million to the loss declared in the return filed by the Company. Further Taxation Officer has charged capital gain tax amounting to Rs. 1.514 million at 10%. As a result total tax payable for tax year 2012 increased by Rs. 1.05 million. Tax officer has also disallowed the total tax credit in respect of advance tax paid / collected during the tax year 2012 except for the tax collected under section 153 of the Ordinance amounting to Rs. 2.092 million. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) against the orders passed by the tax officer and the hearing on the case has been done. However, based on the opinion of the tax advisor, management is confident that the matter would be decided in favor of the Company.

As at 30 June 2019, deferred tax asset amounting to Rs. 42.49 million (31 December 2018: Rs. 42.49 million) has not been recognized as the management considers that there is uncertainty with regards to availability of future profits against which such assets can be adjusted. The unrecognized deferred tax asset has been arising on account of accumulated tax losses and deductible temporary differences.

		(Un-Audited)	
		Half year ended	
		30 June 2019	30 June 2018
30	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit attributable to shareholders of the holding company	197,669	222,398
	Weighted average number of ordinary shares in issue	615,000	615,000
	Basic and diluted earnings per share attributable to shareholders of holding company	0.32	0.36

30.1 There were no convertible dilutive potential ordinary shares outstanding on 30 June 2018 and 2019.

		(Un-Audited)	
		Half year ended	
		30 June 2019	30 June 2018
		(Rupees in '000)	
31	CASH AND CASH EQUIVALENTS		
	Cash and balances with treasury banks	319,453	169,257
	Balances with other banks	1,519,493	1,479,409
		<u>1,838,946</u>	<u>1,648,666</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.

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 measurements:

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.

32.2 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 2019			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	42,748,952	-	42,748,952
Non-Government Debt Securities	-	3,226,417	-	3,226,417
Mutual funds	608,264	-	-	608,264
Financial assets - disclosed but not measured at fair value				
Investments	-	-	-	604,150
On balance sheet financial instruments				
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	624,637	-	-	624,637
Financial assets - disclosed but not measured at fair value				
Investments	-	-	-	598,261

33 SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

	Half year ended 30 June 2019 (Unaudited)				
	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	51,533	352,019
Reversals	(24,185)	(4,246)	-	-	(28,431)
Profit before tax	158,962	(52,513)	180,460	(20,044)	266,865
Balance Sheet					
Cash & Bank balances	-	-	1,832,427	6,519	1,838,946
Investments	-	2,913,397	44,069,084	205,302	47,187,783
Lendings to financial institutions			7,714,640		7,714,640
Advances - performing	20,697,624	-	38,554	1,065	20,737,243
non- performing	130,532	-	-	-	130,532
Others	735,093	489,432	649,448	460,778	2,334,751
Total Assets	21,563,249	3,402,829	54,304,153	673,664	79,943,895
Borrowings	17,703,981	2,720,505	43,415,261	285,000	64,124,747
Subordinated debt	-	-	-	-	-
Deposits & other accounts	1,868,873	294,921	4,706,507		6,870,301
Others	487,814	30,453	485,975	135,336	1,139,578
Total liabilities	20,060,668	3,045,879	48,607,743	420,336	72,134,626
Equity	1,502,581	356,950	5,696,410	253,328	7,809,269
Total Equity & liabilities	21,563,249	3,402,829	54,304,153	673,664	79,943,895
Contingencies & Commitments	1,678,138	630,726	6,105,635	-	8,414,499
	Half year ended 30 June 2018 (Unaudited)				
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	291,696	(20,509)	127,910	(2,754)	396,343
Non mark-up / return / interest income	33,286	50,528	7,495	66,571	157,880
Total Income	324,982	30,019	135,405	63,817	554,223
Segment direct expenses	152,795	44,738	113,123	42,449	353,105
(Reversals) / Provisions	(207,216)	(9,242)	-	-	(216,458)
Profit before tax	379,403	(5,477)	22,282	21,368	417,576
Balance Sheet					
Cash & Bank balances	-	-	2,398,193	18,614	2,416,807
Investments	-	2,764,394	25,349,242	228,199	28,341,835
Lendings to financial institutions			5,434,296		5,434,296
Advances - performing	20,120,488	-	229,460	1,354	20,351,302
- non-performing	130,754	-	-	-	130,754
Others	609,138	487,315	214,123	411,084	1,721,659
Total Assets	20,860,380	3,251,709	33,625,314	659,251	58,396,653
Borrowings	14,872,674	2,212,272	22,876,699	292,500	40,254,145
Subordinated debt	-	-	-	-	-
Deposits & other accounts	3,255,468	507,461	5,247,561	-	9,010,490
Others	585,930	35,808	370,282	87,005	1,079,025
Total liabilities	18,714,072	2,755,541	28,494,542	379,505	50,343,660
Equity	2,146,308	496,168	5,130,772	279,746	8,052,993
Total Equity & liabilities	20,860,380	3,251,709	33,625,314	659,251	58,396,653
Contingencies & Commitments	2,250,553	630,726	16,814,413	-	19,695,692
	Year ended 31 December 2018				
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
	(Rupees in '000)				
Balance Sheet					
Cash & Bank balances	-	-	2,398,193	18,614	2,416,807
Investments	-	2,764,394	25,349,242	228,199	28,341,835
Lendings to financial institutions			5,434,296		5,434,296
Advances - performing	20,120,488	-	229,460	1,354	20,351,302
- non-performing	130,754	-	-	-	130,754
Others	609,138	487,315	214,123	411,084	1,721,659
Total Assets	20,860,380	3,251,709	33,625,314	659,251	58,396,653
Borrowings	14,872,674	2,212,272	22,876,699	292,500	40,254,145
Subordinated debt	-	-	-	-	-
Deposits & other accounts	3,255,468	507,461	5,247,561	-	9,010,490
Others	585,930	35,808	370,282	87,005	1,079,025
Total liabilities	18,714,072	2,755,541	28,494,542	379,505	50,343,660
Equity	2,146,308	496,168	5,130,772	279,746	8,052,993
Total Equity & liabilities	20,860,380	3,251,709	33,625,314	659,251	58,396,653
Contingencies & Commitments	2,250,553	630,726	16,814,413	-	19,695,692

34 RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associates, subsidiary company, employee benefit plans, company having common directors and its key management personnel (including their associates). 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 Equity Fund
Askari Asset Allocation Fund
Askari Sovereign Yield Enhancer
Askari Sovereign Cash Fund
Askari Islamic Asset Allocation Fund
Askari Islamic Income Fund

34.2 Key management personnel

All heads of departments
Directors

34.3 Retirement benefit fund

Defined benefit plan
Defined contribution plan

34.4 Other related party

Orient Power Company (Private) Limited

34.5 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 2019 (Unaudited)					Year ended 31 December 2018 (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	-	-	996,898	-	226,000	-	-	1,189,118	-	226,000
Investment made during the year	-	-	(10,484)	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	(192,220)	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	986,414	-	226,000	-	-	996,898	-	226,000
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	-
Advances										
Opening balance	-	43,626	68,200	-	72,916	-	32,399	68,200	-	114,232
Addition during the year	-	14,475	-	-	-	-	11,744	-	-	-
Repaid during the year	-	(6,954)	-	-	(22,751)	-	(9,468)	-	-	(41,316)
Transfer in / (out) - net	-	-	-	-	-	-	8,951	-	-	-
Closing balance	-	51,147	68,200	-	50,165	-	43,626	68,200	-	72,916
Provision held against advances	-	-	68,200	-	-	-	-	68,200	-	-
	Half year ended 30 June 2019 (Unaudited)					Year ended 31 December 2018 (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)									
Other Assets										
Interest / mark-up accrued	-	-	-	-	1,991	-	-	-	-	2,045
Receivable from staff retirement fund	-	-	-	-	-	-	-	-	9,928	-
Other receivable	-	-	27,314	-	-	-	-	-	-	-
Provision against other assets	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	-	909	-	5,492	-	-	1,168	450,000	36,626	-
Received during the year	-	40,323	-	95,823	-	-	30,281	1,000,000	241,156	-
Withdrawn during the year	-	(39,784)	-	(67,537)	-	-	(30,540)	(1,450,000)	(272,290)	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	1,448	-	33,778	-	-	909	-	5,492	-
Other Liabilities										
Interest / mark-up payable	-	4	-	213	-	-	3	-	2	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
Outright sale of Government Securities	-	-	868,826	567,524	-	-	-	965,241	250,474	-
Outright purchase of Government Securities	-	-	127,730	567,607	-	-	-	4,978	94,955	-
Contingencies and Commitments										
Other contingencies	-	-	70,726	-	226,000	-	-	70,726	-	226,000

34.6 Related party transactions

	Half year ended 30 June 2019 (Unaudited)					Half year ended 30 June 2018 (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	-	1,123	-	-	4,288	-	1,034	-	-	4,574
Fee and commission income	-	-	-	-	-	-	-	-	-	-
Dividend income	-	-	27,314	-	-	-	-	18,305	-	-
Net gain on sale of securities	-	-	(2)	(1)	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Expense										
Mark-up / return / interest paid	-	363	-	829	-	-	45	4,950	1,389	-
Operating expenses	-	-	-	-	-	-	-	-	-	-
Directors' fees and allowances	11,850	-	-	-	-	9,574	-	-	-	-
Compensation expenses	81,147	74,047	-	-	-	98,069	76,912	-	-	-
Contribution to defined contribution plan	-	-	-	9,469	-	-	-	-	9,858	-
Charge for defined benefit plan	-	-	-	7,196	-	-	-	-	8,940	-

35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	(Un-Audited) 30 June 2019 (Rupees in '000)	(Audited) 31 December 2018
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>5,043,070</u>	5,438,603
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	<u>5,043,070</u>	5,438,603
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	<u>5,043,070</u>	5,438,603
Risk Weighted Assets (RWAs):		
Credit Risk	<u>25,483,394</u>	30,183,104
Market Risk	<u>5,489,229</u>	1,003,458
Operational Risk	<u>2,240,602</u>	2,240,602
Total	<u>33,213,225</u>	33,427,164
Common Equity Tier 1 Capital Adequacy ratio	<u>15.18%</u>	16.27%
Tier 1 Capital Adequacy Ratio	<u>15.18%</u>	16.27%
Total Capital Adequacy Ratio	<u>15.18%</u>	16.27%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	<u>5,043,070</u>	5,438,603
Total Exposures	<u>87,727,668</u>	78,092,345
Leverage Ratio	<u>5.75%</u>	6.96%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	<u>6,278,851</u>	6,503,094
Total Net Cash Outflow	<u>10,047,860</u>	16,808,490
Liquidity Coverage Ratio	<u>62.49%</u>	38.69%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	<u>20,186,953</u>	20,705,300
Total Required Stable Funding	<u>19,423,199</u>	18,970,216
Net Stable Funding Ratio	<u>103.93%</u>	109.15%

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 2018.

37. GENERAL

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

37.2 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated condensed interim financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by State Bank of Pakistan vide BPRD circular letter no. 5 of 2019.

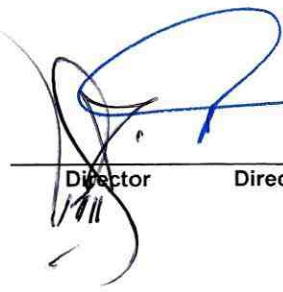
38. DATE OF AUTHORISATION FOR ISSUE


30 AUG 2019

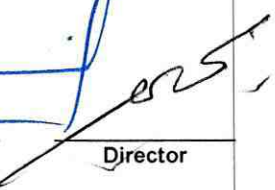
These consolidated financial statements were authorised for issue on -----by the Board of Directors of the holding company.


Managing Director
Chief Executive Officer


Chief Financial Officer


Director


Director


Director