

**PAK OMAN INVESTMENT
COMPANY LIMITED**

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

**FOR THE PERIOD
ENDED 30 SEPTEMBER 2018**

Pak Oman Investment Company Limited
Unconsolidated Condensed Interim Statement of Financial Position
As at 30 September 2018


30 September 2018	31 December 2017		(Un-audited) 30 September 2018	(Audited) 31 December 2017
------(US Dollars in '000)-----		Note	------(Rupees in '000)-----	
ASSETS				
936	1,367		116,268	169,886
9,341	16,196		1,160,646	2,012,314
63,451	16,405		7,883,776	2,038,288
204,105	323,870	7	25,359,940	40,240,634
176,926	151,216	8	21,982,931	18,788,493
519	659	9	64,519	81,901
3,676	4,492	10	456,763	558,070
7,333	6,276		910,949	779,804
466,287	520,481		57,935,792	64,669,390
LIABILITIES				
-	-		-	-
319,202	359,018	11	39,660,642	44,607,690
75,655	84,517	12	9,400,051	10,501,149
-	-		-	-
9	11		1,106	1,346
-	-		-	-
7,422	11,556		922,172	1,435,848
402,288	455,102		49,983,971	56,546,033
63,999	65,379		7,951,821	8,123,357
NET ASSETS				
REPRESENTED BY				
49,497	49,497	13	6,150,000	6,150,000
9,099	8,626		1,130,508	1,071,761
5,189	6,745		644,685	838,056
63,785	64,868		7,925,193	8,059,817
214	511	14	26,628	63,540
63,999	65,379		7,951,821	8,123,357
CONTINGENCIES AND COMMITMENTS				
15				

The annexed notes from 1 to 25 form an integral part of this unconsolidated condensed interim financial information.


Chief Financial Officer


**Managing Director
and Chief Executive**


**Managing Director
and Chief Executive**


Chairman

Pak Oman Investment Company Limited
 Unconsolidated Condensed Interim Profit and Loss Account (Un-Audited)
 For the nine months ended 30 September 2018

Nine months ended		Quarter ended		Nine months ended	
30 September 2018	30 September 2017	30 September 2018	30 September 2017	30 September 2018	30 September 2017
----- (US Dollars in '000) -----		----- (Rupees in '000) -----			
20,487	23,033	1,003,337	1,037,347	2,545,497	2,861,853
15,577	17,863	792,306	821,860	1,935,369	2,219,445
4,910	5,170	211,031	215,487	610,128	642,408
(1,697)	(878)	(3,654)	(17,584)	(210,870)	(109,079)
(245)	444	(21,214)	54,788	(30,456)	55,122
-	-	-	-	-	-
(1,942)	(434)	(24,868)	37,204	(241,326)	(53,957)
6,852	5,604	235,899	178,283	851,454	696,365
Net mark-up/ interest income after provisions					
NON MARK-UP/INTEREST INCOME					
418	391	5,916	11,999	51,984	48,612
160	387	-	5,946	19,845	48,078
-	-	-	-	-	-
214	2,451	5,012	133,687	26,558	304,588
(5)	36	(3,508)	15,427	(648)	4,502
153	8	-	744	19,043	1,032
940	3,273	7,420	167,803	116,782	406,812
7,792	8,877	243,319	346,086	968,236	1,103,177
Total non-mark up/interest income					
NON MARK-UP/INTEREST EXPENSES					
3,505	3,189	142,995	129,115	435,432	396,198
-	-	-	-	-	-
193	310	5,803	12,089	24,022	36,463
3,698	3,499	148,798	141,204	459,454	434,661
4,094	5,378	94,521	204,882	508,782	668,516
-	-	-	-	-	-
4,094	5,378	94,521	204,882	508,782	668,516
PROFIT BEFORE TAXATION					
561	1,990	(14,332)	87,938	69,687	247,209
224	313	-	-	27,884	38,904
945	(174)	38,202	(4,020)	117,476	(21,595)
1,730	2,129	23,870	83,918	215,047	264,518
2,364	3,249	70,651	120,964	293,735	403,998
PROFIT AFTER TAXATION					
----- US Dollar -----		----- Rupees -----			
0.0038	0.0053	0.11	0.20	0.48	0.66
Basic and diluted earnings per share					

The annexed notes from 1 to 25 form an integral part of this unconsolidated condensed interim financial information.



Chief Financial Officer



Managing Director
and Chief Executive



Managing Director
and Chief Executive



Chairman

Pak Oman Investment Company Limited
 Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)
 For the nine months ended 30 September 2018

Nine months ended			Quarter ended		Nine months ended	
30 September 2018	30 September 2017		30 September 2018	30 September 2017	30 September 2018	30 September 2017
----- (US Dollars in '000) -----			----- (Rupees in '000) -----			
2,364	3,249	PROFIT AFTER TAXATION	70,651	120,964	293,735	403,998
		Other comprehensive income				
		Items that may be reclassified subsequently to profit and loss account	-	-	-	-
<u>2,364</u>	<u>3,249</u>	Comprehensive income transferred to equity	<u>70,651</u>	<u>120,964</u>	<u>293,735</u>	<u>403,998</u>
		Component of comprehensive income not transferred to equity				
(328)	(3,521)	(Deficit) on revaluation of 'available for sale' investments	(40,708)	(281,297)	(40,768)	(437,534)
94	926	Related tax impact	11,399	80,513	11,648	115,082
(234)	(2,595)		(29,309)	(200,784)	(29,120)	(322,452)
<u>2,130</u>	<u>654</u>	Total comprehensive income	<u>41,342</u>	<u>(79,820)</u>	<u>264,615</u>	<u>81,546</u>

The annexed notes from 1 to 25 form an integral part of this unconsolidated condensed interim financial information.



Chief Financial Officer



Managing Director and Chief Executive



Managing Director and Chief Executive



Chairman

Pak Oman Investment Company Limited
 Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)
 For the nine months ended 30 September 2018

30 September 2018 ------(US Dollars in '000)-----	30 September 2017		Note	30 September 2018 ------(Rupees in '000)-----	30 September 2017
CASH FLOW FROM OPERATING ACTIVITIES					
4,094	5,378	Profit before taxation		508,782	668,516
160	387	Less: Dividend income		19,845	48,078
<u>3,934</u>	<u>4,991</u>			<u>488,937</u>	<u>620,438</u>
Adjustments for non-cash charges					
273	290	Depreciation		33,921	35,983
3	3	Amortisation of intangible assets		353	331
5	(36)	Unrealised loss / (gain) on revaluation of investments classified as 'held-for-trading' securities		648	(4,502)
(13)	(8)	(Gain) on sale of fixed assets		(1,662)	(1,032)
(1,697)	(878)	(Reversal) of provision against non -performing advances		(210,870)	(109,079)
(245)	444	(Reversal) / provision for diminution in the value of investments		(30,456)	55,122
<u>(1,674)</u>	<u>(185)</u>			<u>(208,066)</u>	<u>(23,177)</u>
<u>2,260</u>	<u>4,806</u>			<u>280,871</u>	<u>597,261</u>
(Increase) / decrease in operating assets					
(45,034)	(11,617)	Lendings to financial institutions		(5,595,488)	(1,443,404)
33,193	(166,376)	Net Investments in held-for-trading securities		4,124,194	(20,672,047)
(24,013)	(37,305)	Advances		(2,983,568)	(4,635,124)
(1,253)	158	Other assets		(155,725)	19,536
<u>(37,107)</u>	<u>(215,140)</u>			<u>(4,610,587)</u>	<u>(26,731,039)</u>
(Decrease) / increase in operating liabilities					
(39,816)	210,783	Borrowings		(4,947,048)	26,189,674
(8,862)	32,207	Deposits and other accounts		(1,101,098)	4,001,742
(3,856)	4,037	Other liabilities		(479,055)	501,485
<u>(52,534)</u>	<u>247,027</u>			<u>(6,527,201)</u>	<u>30,692,901</u>
<u>(87,381)</u>	<u>36,693</u>			<u>(10,856,917)</u>	<u>4,559,123</u>
(1,064)	(737)	Income tax paid		(132,192)	(91,596)
<u>(88,445)</u>	<u>35,956</u>	Net cash (used in) / from operating activities		<u>(10,989,109)</u>	<u>4,467,527</u>
CASH FLOW FROM INVESTING ACTIVITIES					
86,484	(35,290)	Net proceeds from / (investments in) available-for-sale securities		10,745,540	(4,384,729)
160	375	Dividend income received		19,845	46,569
(43)	(208)	Investments in operating fixed assets		(5,392)	(25,810)
37	13	Sale proceeds on sale of fixed assets disposed off		4,570	1,610
<u>86,638</u>	<u>(35,110)</u>	Net cash from / (used in) investing activities		<u>10,764,563</u>	<u>(4,362,360)</u>
CASH FLOW FROM FINANCING ACTIVITIES					
(2)	(2)	Payment of lease obligation		(240)	(216)
(3,465)	(3,960)	Dividend paid		(430,500)	(492,000)
<u>(3,467)</u>	<u>(3,962)</u>			<u>(430,740)</u>	<u>(492,216)</u>
(5,274)	(3,116)	(Decrease) in cash and cash equivalents		(655,286)	(387,049)
17,563	14,164	Cash and cash equivalents at beginning of the period		2,182,200	1,759,805
<u>12,289</u>	<u>11,048</u>	Cash and cash equivalents at the end of the period	21	<u>1,526,914</u>	<u>1,372,756</u>

The annexed notes from 1 to 25 form an integral part of this unconsolidated condensed interim financial information.


 Chief Financial Officer


 Managing Director
 and Chief Executive


 Managing Director
 and Chief Executive


 Chairman

Pak Oman Investment Company Limited
 Unconsolidated Condensed Interim Statement of Changes in Equity (Un-Audited)
 For the nine months ended 30 September 2018

	Issued, subscribed and paid up capital	Reserves		Unappropriated profit	Total
		Statutory reserve	General reserve		
------(Rupees in '000)-----					
Balance as at 01 January 2017	6,150,000	972,797	11,630	972,325	8,106,752
Total comprehensive income					
Net profit after tax for the nine month ended 30 September 2017	-	-	-	403,998	403,998
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	403,998	403,998
Transfers					
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	2,226	2,226
Transfer to statutory reserve	-	80,800	-	(80,800)	-
Transaction with owners recognised directly in equity					
Dividend for the year ended 31 December 2016 (Re. 0.80 per share)	-	-	-	(492,000)	(492,000)
Balance as at 30 September 2017	6,150,000	1,053,597	11,630	805,749	8,020,976
Balance as at 01 January 2018	6,150,000	1,060,131	11,630	838,056	8,059,817
Total comprehensive income					
Net profit after tax for the nine months ended 30 September 2018	-	-	-	293,735	293,735
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	293,735	293,735
Transfers					
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	2,141	2,141
Transfer to statutory reserve	-	58,747	-	(58,747)	-
Transaction with owners recognised directly in equity					
Dividend for the year ended 31 December 2017 (Re. 0.70 per share)	-	-	-	(430,500)	(430,500)
Balance as at 30 September 2018	6,150,000	1,118,878	11,630	644,685	7,925,193

The annexed notes from 1 to 25 form an integral part of this unconsolidated condensed interim financial information.


 Chief Financial Officer


 Managing Director
 and Chief Executive


 Managing Director
 and Chief Executive


 Chairman

Pak Oman Investment Company Limited
Notes to the Unconsolidated Condensed Interim Financial Information (Un-Audited)
For the nine months ended 30 September 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

Pak Oman Investment Company Limited (the Company) was incorporated as a private limited company on 23 July 2001. Subsequently, on 17 March 2004 the Company was converted into a public limited company. It 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 bank. The registered office of the company is situated at 1st Floor, Tower A, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company operates a branch at Lahore and other representative offices at Islamabad, Gwadar and Muscat. The Company is designated as a development financial institution (DFI) under BPD Circular No. 35 dated 28 October 2003 issued by the State Bank of Pakistan (SBP).

2. BASIS OF PREPARATION

The disclosures made in this unconsolidated condensed interim financial information have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated 12 May 2004 and IAS 34, 'Interim Financial Reporting' and do not include all the information required in the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2017.

The US dollar amounts shown in the unconsolidated condensed interim statement of financial position, unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income and unconsolidated 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.124.2492 = 1 US dollar for the nine months ended 30 September 2018 and the corresponding period.

3. STATEMENT OF COMPLIANCE

This unconsolidated condensed interim financial information of the Company have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – 'Interim Financial Reporting' as applicable in Pakistan, the requirement of the Companies Act, 2017, directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case where requirements differ, the provisions of the Companies Act, 2017 and the directives issued by the SECP and SBP have been followed. Moreover, SBP has notified a new format of financial statements vide BPRD circular No. 2 of 2018 which would be effective from accounting year ended 31 December 2018.

The SBP has deferred the applicability of IAS 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Non Banking Financial Institutions in Pakistan vide BSD Circular Letter number 11 dated September 11, 2002, till further instructions. Further, according to the notification of SECP dated April 28, 2008, the International Financial Reporting Standard (IFRS) 7 'Financial Instruments: Disclosures' has not been made applicable for banks and NBFIs. Therefore, it is also not applicable on the Company as it follows the same format of reporting as made applicable on Banks by the SBP and accordingly, the requirements of this standard have not been considered in the preparation of this unconsolidated condensed interim financial information. However, investments have been classified and valued in accordance with the requirements of various circulars

3.1 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 15 'Revenue from contracts with customers'

IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- 'IFRS 16 'Leases'

IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including 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'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of the condensed interim financial information are consistent with those applied in preparation of financial statements for the year ended 31 December 2017.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates / judgments and associated assumptions used in the preparation of this unconsolidated condensed interim financial information are consistent with those applied in the preparation of the annual financial statements of the Company for the year ended 31 December 2017.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company for the year ended 31 December 2017.

7. INVESTMENTS - net

Note	30 September 2018 (Un-audited)			31 December 2017 (Audited)		
	Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
	------(Rupees in '000)-----					
7.1 Investments by types						
Held-for-trading securities						
Pakistan investment bonds	98,905	3,141,636	3,240,541	1,266,154	149,771	1,415,925
Market treasury bills (T-Bills)	1,932,265	14,561,107	16,493,372	2,530,885	19,906,888	22,437,773
Listed ordinary shares	-	-	-	4,409	-	4,409
	2,031,170	17,702,743	19,733,913	3,801,448	20,056,659	23,858,107
Available-for-sale securities						
Pakistan investment bonds	-	1,309,679	1,309,679	59	1,081,861	1,081,920
Market treasury bills (T-Bills)	-	-	-	242,727	10,347,683	10,590,410
Listed ordinary shares	-	-	-	145,807	-	145,807
Unlisted ordinary shares	121,333	226,000	347,333	121,333	226,000	347,333
Sukuk certificates	730,173	-	730,173	866,086	-	866,086
Commercial papers	-	-	-	47,479	-	47,479
Term finance certificates (TFCs)	2,551,034	-	2,551,034	2,675,835	-	2,675,835
	3,402,540	1,535,679	4,938,219	4,099,326	11,655,544	15,754,870
Associates						
Japan Power Generation Limited	-	70,726	70,726	-	70,726	70,726
Pak Oman Microfinance Bank Limited	384,708	-	384,708	384,708	-	384,708
Pak Oman Advantage Islamic Income Fund	165,025	-	165,025	165,025	-	165,025
Pak Oman Islamic Asset Allocation Fund	92,414	-	92,414	92,414	-	92,414
Pak Oman Advantage Asset Allocation Fund	84,078	-	84,078	84,078	-	84,078
Pak Oman Government Securities Fund	249,000	-	249,000	249,000	-	249,000
	975,225	70,726	1,045,951	975,225	70,726	1,045,951
Subsidiary						
Pak Oman Asset Management Company Limited	498,300	-	498,300	498,300	-	498,300
Investments at cost	6,907,235	19,309,148	26,216,383	9,374,299	31,782,929	41,157,228
Less: Provision for diminution in the value of investments	753,508	70,726	824,234	855,075	70,726	925,801
Investments - net of provisions	6,153,727	19,238,422	25,392,149	8,519,224	31,712,203	40,231,427
(Loss) on revaluation of held-for-trading securities	(1,243)	(1,855)	(3,098)	(883)	(1,567)	(2,450)
(Deficit) / Surplus on revaluation of available-for-sale securities	14 (5,621)	(23,490)	(29,111)	13,532	(1,875)	11,657
Total investments at carrying value	6,146,863	19,213,077	25,359,940	8,531,873	31,708,761	40,240,634

	(Un-audited) 30 September 2018	(Audited) 31 December 2017
	----- (Rupees in '000) -----	
8. ADVANCES - net		
Loans in Pakistan	20,256,723	17,735,039
Margin Trading	450,472	309,281
Net investment in finance lease in Pakistan	1,940,126	1,619,433
Advances - gross	<u>22,647,321</u>	<u>19,663,753</u>
Less: Provision for non-performing advances - Specific	(664,138)	(875,047)
Provision for non-performing advances - General	(252)	(213)
	<u>(664,390)</u>	<u>(875,260)</u>
Advances - net of provision	<u><u>21,982,931</u></u>	<u><u>18,788,493</u></u>

8.1 Advances include amount aggregating Rs. 775.440 million (31 December 2017: Rs. 964.378 million), which have been placed under the non-performing status as detailed below:

Category of classification	30 September 2018 (Un-audited)			Provision required	Provision held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
OAEM	2,281	-	2,281	-	-
Substandard	-	-	-	-	-
Doubtful	193,937	-	193,937	95,938	95,938
Loss	579,222	-	579,222	568,200	568,200
	<u>775,440</u>	<u>-</u>	<u>775,440</u>	<u>664,138</u>	<u>664,138</u>
	31 December 2017 (Audited)				
Category of classification	Domestic	Overseas	Total	Provision required	Provision held
	----- (Rupees in '000) -----				
OAEM	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	209,246	-	209,246	130,938	130,938
Loss	755,132	-	755,132	744,109	744,109
	<u>964,378</u>	<u>-</u>	<u>964,378</u>	<u>875,047</u>	<u>875,047</u>

8.2 Particulars of provision against non-performing advances

	Nine months ended 30 September 2018 (Un-audited)			Year ended 31 December 2017 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	875,047	213	875,260	1,065,205	73	1,065,278
Charge during the period / year	-	39	39	2,969	140	3,109
Reversal during the period / year	(210,909)	-	(210,909)	(189,452)	-	(189,452)
Net (Reversal) / charge	(210,909)	39	(210,870)	(186,483)	140	(186,343)
Less: Amounts written off during the period / year	-	-	-	(3,675)	-	(3,675)
Closing balance	<u>664,138</u>	<u>252</u>	<u>664,390</u>	<u>875,047</u>	<u>213</u>	<u>875,260</u>

	(Un-audited) 30 September 2018	(Audited) 31 December 2017
	----- (Rupees in '000) -----	
9. OPERATING FIXED ASSETS		
Capital work-in-progress	3,705	-
Property and equipment	60,259	80,994
Intangible assets	555	907
	<u>64,519</u>	<u>81,901</u>

	(Un-Audited)	
	Nine months ended	
	30 September 2018	30 September 2017
	------(Rupees in '000)-----	
During the period additions to operating fixed assets were as follows:		
Owned		
Improvements	-	16,826
Office equipment	545	700
Computer equipment	596	791
Furniture and fixture	405	3,788
Vehicles	141	3,705
Capital work in progress	3,705	-
	<u>5,392</u>	<u>25,810</u>

During the period WDV of disposals from operating fixed assets were as follows:

Owned		
Office equipment	21	41
Furniture and fixture	124	116
Vehicles	2,763	421
	<u>2,908</u>	<u>578</u>
	(Un-Audited)	(Audited)
	30 September	31 December
	2018	2017
	------(Rupees in '000)-----	

10. DEFERRED TAX ASSETS - net

Deferred tax assets arising in respect of:

Provision for diminution in the value of investments	210,982	235,190
Amortisation of premium on federal government securities	1,640	3,722
Assets subject to finance leases	70	59
Provision against non-performing loans and advances	186,029	262,578
	<u>398,721</u>	<u>501,549</u>

Less: Deferred tax liabilities arising in respect of:

Accelerated tax depreciation allowances	3,194	(12)
Revaluation on investments classified as available-for-sale	8,151	(3,497)
Revaluation on investments classified as held-for-trading	867	737
Revaluation of non-banking assets acquired in satisfaction of claims	(10,076)	(17,126)
Net investment in finance leases	55,906	76,419
	<u>58,042</u>	<u>56,521</u>
	<u>456,763</u>	<u>558,070</u>

10.1 Represents super tax at 3% on taxable income for tax year 2018 and 2017 for rehabilitation of temporarily displaced persons imposed through Finance Act.

	(Un-Audited) 30 September 2018	(Audited) 31 December 2017
Note	----- (Rupees in '000) -----	

11. BORROWINGS

Secured

Borrowings from the State Bank of Pakistan:

- Long term financing facility (LTFF)	11.1	2,043,916	1,644,315
- Financing facility for storage of agricultural produce (FFSAP)	11.1	835	3,343

Repurchase agreement borrowings	11.2	24,389,547	22,837,748
Long term borrowings	11.3	4,839,427	5,972,387
Short term running finance	11.4	328,632	563,390
Bai Muajjal	11.5	1,296,869	9,696,507
		<u>32,899,226</u>	<u>40,717,690</u>

Unsecured

Placements	11.6	3,561,622	1,540,000
Murabaha financing	11.7	3,199,794	2,350,000
		<u>39,660,642</u>	<u>44,607,690</u>

- 11.1 The Company has entered into agreements for financing with the SBP of long term finance for export oriented projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the date of maturity of the finances by directly debiting the current account maintained by the Company with the SBP. The rate of return ranges from 2 to 6.25 percent per annum (2017: 2 to 6.25 percent per annum). These are repayable within 10 years (2017: 10 years).
- 11.2 The rate of return on these repurchase agreement borrowings, maturing in October 2018 (2017: January 2018), ranges between 7.60 to 7.80 (2017: 5.83 to 5.90) percent per annum. Securities having cost of Rs 24,399 million (2017: Rs 23,205 million) have been pledged against these borrowings.
- 11.3 The rate of return on these long-term borrowings ranges from 6.81 to 8.89 (2017: 6.44 to 6.65) percent per annum. The above facilities are secured against loan and advances receivables.
- 11.4 The rate of return on these short-term running finance facilities is three month KIBOR + 0.25% (2017: three month KIBOR + 0.25%). The above facilities are secured against loan and advances receivables.
- 11.5 These Bai Muajjal secured against government securities, maturing in April 2019 (2017: January 2018 to February 2018) and carrying rate of return 6.56 (2017: 5.75 to 5.84) percent per annum.
- 11.6 The rates of return on these placements, maturing in October 2018 (2017: January 2018 to June 2018) ranges between 7.8 to 8.4 (2017: 6.15 to 6.25) percent per annum.
- 11.7 The rates of return on these murabaha financing, maturing in October 2018 (2017: January 2018) ranges between 7.9 to 8 (2017: 6.15 to 6.50) percent per annum.

	(Un-Audited) 30 September 2018	(Audited) 31 December 2017
	----- (Rupees in '000) -----	

12. DEPOSITS AND OTHER ACCOUNTS

Certificate of investments - remunerative (in local currency)

Financial institutions	560,000	3,129,000
Others	8,840,051	7,372,149
	<u>9,400,051</u>	<u>10,501,149</u>

- 12.1 The rate of return on these deposits maturing between October 2018 to September 2019 (2017: January 2018 to November 2018) is 3.90 to 8.15 (2017: 6 to 6.40) percent per annum.

13. SHARE CAPITAL

13.1 Authorized capital

(Un-Audited) 30 September 2018 ------(Number of shares)-----	(Audited) 31 December 2017	(Un-Audited) 30 September 2018 ----- (Rupees in '000) -----	(Audited) 31 December 2017
<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
	Ordinary shares of Rs. 10 each		

13.2 Issued, subscribed and paid - up capital

<u>615,000,000</u>	<u>615,000,000</u>	<u>6,150,000</u>	<u>6,150,000</u>
	Ordinary shares of Rs. 10 each		

13.3 The Ministry of Finance on behalf of the Government of Pakistan and the Sultanate of Oman through its Ministry of Finance each holds 307,495,900 (2017: 307,495,900) ordinary shares of the Company, while 4,100 (2017: 4,100) ordinary shares each are held by the Secretary - Economic Affairs Division, Government of Pakistan and Ministry of Commerce and Industry, Sultanate of Oman.

14. SURPLUS ON REVALUATION OF ASSETS - net of deferred tax

Surplus / (deficit) on revaluation of available-for-sale securities - net of tax

Federal Government Securities		
- Pakistan investment bonds	(23,490)	852
- Treasury bills (T-Bills)	-	(2,806)
	<u>(23,490)</u>	<u>(1,954)</u>
Term Finance Certificates		
- Listed	(1,134)	7,085
- Unlisted	(11,090)	(1,032)
	<u>(12,224)</u>	<u>6,053</u>
Sukuk certificates	<u>6,603</u>	<u>7,558</u>
	<u>(29,111)</u>	<u>11,657</u>
Deferred tax asset recognized	<u>8,151</u>	<u>(3,497)</u>
	<u>(20,960)</u>	<u>8,160</u>

Surplus on revaluation of non-banking assets acquired in satisfaction of claims

Revaluation of fixed assets / non-banking assets January 01,	79,114	83,352
Disposal during the period	(10,172)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year	(2,848)	(4,238)
	<u>66,094</u>	<u>79,114</u>
Less: Related deferred tax liability on:		
- Revaluation of fixed assets / non-banking assets during the period / year	(22,152)	(25,006)
- Disposal during the period	2,849	-
- Incremental depreciation charged during the period / year	797	1,272
	<u>(18,506)</u>	<u>(23,734)</u>
	<u>47,588</u>	<u>55,380</u>
	<u>26,628</u>	<u>63,540</u>

14.1 Surplus on revaluation of non-banking assets arising on the property located in Lahore having a market value of Rs 374.538 million on valuation report Sep 08, 2016. The factors taken include the nature, physical condition of building & civil structure, location, market feedback, the property buying and selling activity, buyers' purchasing power, prevailing market conditions, return on investment, adverse factors, threats and opportunities of real estate industry, etc.

(Un-Audited) (Audited)
30 September 2018 31 December 2017
 -----(Rupees in '000)-----

15. CONTINGENCIES AND COMMITMENTS

Transaction related contingent liability:

Standby letter of credit	189,190	178,690
Pledge of shares on behalf of Japan Power Generation Limited - note 15.1	70,726	70,726
Pledge of shares on behalf of Orient Power Company (Private) Limited - note 15.2	226,000	226,000
Commitments for:		
Purchase of government securities	13,551,466	121,256
Sale of government securities	6,547,229	1,798,281
Purchase of Term finance certificates (TFCs)	-	76,548
Commitments for loans and advances and net investment in finance leases	1,491,400	3,740,991
Securities given as collateral against loan taken by Pak Oman Asset Management Company Limited - note 15.3	334,000	626,000

- 15.1 Shares in Japan Power Generation Limited (an associate) aggregating 17,622,878 (31 December 2017: 17,622,878) having a cost of Rs. 70.726 million (31 December 2017: Rs. 70.726 million) have been pledged as security on behalf of that associated company against a syndicate finance facility obtained by it.
- 15.2 Shares in Orient Power Company (Private) Limited (related party) aggregating 22,600,000 (31 December 2017 : 22,600,000) having a cost of Rs.226 million (31 December 2017: Rs. 226 million) are pledged as security on behalf of Orient Power Company (Private) Limited (related party) against a syndicate finance facility obtained by Orient Power Company (Private) Limited (related party).
- 15.3 PIBs having face value amounting to Rs. 334 million (2017: PIBs and T-Bill Rs 626 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).
- 15.4 The Income tax Department has amended the deemed assessment orders for the tax years 2004, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017, 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.

16. OTHER INCOME

	Nine months ended	
	30 September 2018	30 September 2017
	----- (Rupees in '000) -----	
Gain on sale of non-banking assets	17,381	-
Gain on sale of property and equipment	1,662	1,032
	<u>19,043</u>	<u>1,032</u>

17. OTHER CHARGES

Fees, commission and others - note 17.1	21,046	38,463
SBP Penalties	2,976	-
	<u>24,022</u>	<u>38,463</u>

- 17.1 This includes provision of Sind Worker's Welfare Fund amounting to Rs 4.280 million (2017: 16.732 million).

18. BASIC AND DILUTED EARNINGS PER SHARE (Un-Audited)

	Quarter ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	----- (Rupees in '000) -----			
Profit after taxation (Rupees in '000)	<u>70,651</u>	<u>120,964</u>	<u>293,735</u>	<u>403,998</u>
Weighted average number of ordinary shares (in '000)	<u>615,000</u>	<u>615,000</u>	<u>615,000</u>	<u>615,000</u>
Basic and diluted earnings per share (Rupee)	<u>0.11</u>	<u>0.20</u>	<u>0.48</u>	<u>0.66</u>

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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:

On balance sheet financial instruments

		30 September 2018 (Un-audited)									
Note	HFT	Available for sale	HTM	Loans and receivables	Other financial assets	Other financial liabilities	Total	Fair value			Total
								Level 1	Level 2	Level 3	
(Rupees in '000)											
Financial assets measured at fair value											
- Investments											
		19,730,815	1,286,189	-	-	-	21,017,004	-	21,017,004	-	21,017,004
		-	815,807	-	-	-	815,807	-	815,807	-	815,807
		-	1,409,248	-	-	-	1,409,248	-	1,409,248	-	1,409,248
		-	575,731	-	-	-	575,731	-	575,731	-	575,731
- Associates											
		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	590,517	590,517	629,840	-	-	629,840
Financial assets not measured at fair value											
	19.1	-	-	-	116,268	-	116,268	-	-	-	-
	19.1	-	-	-	1,160,646	-	1,160,646	-	-	-	-
	19.1	-	-	-	7,883,776	-	7,883,776	-	-	-	-
	19.1	-	226,000	-	-	-	226,000	-	-	-	-
	19.1	-	-	-	-	384,708	384,708	-	-	-	-
	19.1	-	-	-	-	340,925	340,925	-	-	-	-
	19.1	-	-	-	21,982,931	-	21,982,931	-	-	-	-
	19.1	-	-	-	-	552,315	552,315	-	-	-	-
		19,730,815	4,312,975	-	31,143,621	1,868,465	57,055,876	-	-	-	-
Financial liabilities not measured at fair value											
	19.1	-	-	-	-	39,660,642	39,660,642	-	-	-	-
	19.1	-	-	-	-	9,400,051	9,400,051	-	-	-	-
	19.1	-	-	-	-	1,106	1,106	-	-	-	-
	19.1	-	-	-	-	901,066	901,066	-	-	-	-
		-	-	-	-	49,962,865	49,962,865	-	-	-	-

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:

On balance sheet financial instruments

		31 December 2017 (Audited)						Fair value			
Note	HFT	Available for sale	HTM	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
							(Rupees in '000)				
Financial assets measured at fair value											
- Investments											
	23,851,239	11,670,376	-	-	-	-	35,521,615	-	35,521,615	-	35,521,615
- Government Securities	-	1,037,695	-	-	-	-	1,037,695	-	1,037,695	-	1,037,695
- Listed Term Finance Certificates	-	1,299,882	-	-	-	-	1,299,982	-	1,299,982	-	1,299,982
- Unlisted Term Finance Certificates	-	712,599	-	-	-	-	712,599	-	712,599	-	712,599
- Sukuk Certificates	-	47,479	-	-	-	-	47,479	-	47,479	-	47,479
- Commercial papers	4,418	74,696	-	-	-	-	79,114	79,114	-	-	79,114
- Listed shares											
- Associates											
- Listed shares	-	-	-	-	-	-	-	23,438	-	-	23,438
- Mutual funds	-	-	-	-	590,517	-	590,517	641,389	-	-	641,389
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	19.1	-	-	169,886	-	-	169,886	-	-	-	169,886
- Balances with other banks	19.1	-	-	2,012,314	-	-	2,012,314	-	-	-	2,012,314
- Lendings to financial institutions	19.1	-	-	2,038,288	-	-	2,038,288	-	-	-	2,038,288
- Unlisted shares	19.1	228,000	-	-	-	-	228,000	-	-	-	228,000
- Associates - unlisted shares	19.1	-	-	-	384,708	-	384,708	-	-	-	384,708
- Subsidiary - unlisted shares	19.1	-	-	-	340,925	-	340,925	-	-	-	340,925
- Advances	19.1	-	-	18,788,493	-	-	18,788,493	-	-	-	18,788,493
- Other assets	19.1	-	-	-	370,165	-	370,165	-	-	-	370,165
	23,855,657	15,088,827	-	23,008,981	1,686,315	-	63,619,780	-	-	-	63,619,780
Financial liabilities not measured at fair value											
- Borrowings from financial institutions	19.1	-	-	-	-	44,607,690	44,607,690	-	-	-	44,607,690
- Deposits and other accounts	19.1	-	-	-	-	10,501,149	10,501,149	-	-	-	10,501,149
- Liabilities against assets subject to finance lease	19.1	-	-	-	-	1,346	1,346	-	-	-	1,346
- Other liabilities	19.1	-	-	-	-	1,380,121	1,380,121	-	-	-	1,380,121
	-	-	-	-	-	56,490,306	56,490,306	-	-	-	56,490,306

The Company 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).

19.1 The Company has not disclosed the fair values for these financial assets and liabilities, as these are for short term or reprice over short term. Therefore their carrying amounts are reasonable approximation of fair value.

20. **SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES (Un-Audited)**

20.1 The segment analysis with respect to business activities are as follows:

	Corporate Finance	Trading & Sales	Commercial Banking	Total
-----Rupees in '000-----				
Nine months ended 30 September 2018 (Un-Audited)				
Total income	103,524	1,237,481	1,321,274	2,662,279
Total expense	100,971	1,168,433	884,093	2,153,497
Net income	<u>2,553</u>	<u>69,048</u>	<u>437,181</u>	<u>508,782</u>

**Nine months ended 30 September
2018 (Un-Audited)**

Segment assets	1,691,708	33,732,605	22,511,479	57,935,792
Segment liabilities	1,381,437	27,804,096	20,798,438	49,983,971
Segment non-performing loans	-	-	775,440	775,440
Investment provided for	521,218	664,391	-	1,185,609
Segment provisions required	521,218	303,016	664,138	1,488,372
Segment return on net assets %	1.10%	1.55%	34.03%	-
Segment return on assets (ROA) %	0.20%	0.27%	2.59%	-
Segment cost of funds %	5.60%	5.60%	5.29%	-

**Nine months ended 30 September
2017 (Un-Audited)**

Total income	101,559	2,073,495	1,093,611	3,268,665
Total expense	62,835	1,757,698	779,616	2,600,149
Net income	<u>38,724</u>	<u>315,797</u>	<u>313,995</u>	<u>668,516</u>

**Nine months ended 30 September
2017 (Un-Audited)**

Segment assets	1,570,762	48,357,282	20,246,875	70,174,919
Segment liabilities	1,330,817	41,738,499	19,054,857	62,124,173
Segment non-performing loans	-	-	1,041,919	1,041,919
Investment provided for	624,837	971,899	-	1,596,736
Segment provisions required	624,837	424,293	952,389	2,001,519
Segment return on net assets %	21.52%	6.36%	35.12%	-
Segment return on assets (ROA) %	3.29%	0.87%	2.07%	-
Segment cost of funds %	5.26%	5.26%	5.01%	-

21. **CASH AND CASH EQUIVALENTS**

Cash and balances with treasury banks
Balances with other banks

(Un-Audited)	
Nine months ended	
30 September 2018	30 September 2017
-----Rupees in '000-----	
116,268	108,155
1,160,646	1,264,601
<u>1,526,914</u>	<u>1,372,756</u>

22. RELATED PARTY TRANSACTIONS

22.1 The Company has related party relationship with its associates, subsidiary, employee benefit plans and its key management personnel (including their associates). The details of investments in subsidiary and associates are stated in note 7 to this unconsolidated condensed interim financial information.

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 Company's Policy. Transactions with other related parties are carried out on commercial terms and as per market rates.

Related parties of the Company comprises of:

Subsidiary

-Pak Oman Asset Management Company Limited

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

Key management Personnel

-All heads of departments
-Directors

Retirement benefit fund

-Defined benefit plan
-Defined contribution plan

Other related party

-Orient Power Company (Private) Limited

22.2 Transactions between related parties during the period are as under:

Nature of related party transaction	(Unaudited)				(Audited)			
	30 September 2018				31 December 2017			
	As at 01-Jan-18	Given during the period	Repaid during the period	As at 30-Sep-18	As at 01-Jan-17	Given during the year	Repaid during the year	As at 31-Dec-17
	(Rupees in '000)							
Investments								
Subsidiary	498,300	-	-	498,300	498,300	-	-	498,300
Associates	1,045,951	-	-	1,045,951	1,045,951	-	-	1,045,951
Other related parties	226,000	-	-	226,000	226,000	-	-	226,000
	1,770,251	-	-	1,770,251	1,770,251	-	-	1,770,251
Advances								
Associates	68,200	-	-	68,200	68,200	-	-	68,200
Key Management personnel	32,399	20,695	(7,759)	45,335	36,040	9,221	(12,862)	32,399
Other related parties	114,232	-	(30,480)	83,752	150,533	-	(36,301)	114,232
	214,831	20,695	(38,239)	197,287	254,773	9,221	(49,163)	214,831
Deposits								
Associates	450,000	1,000,000	(1,450,000)	-	174,700	1,300,000	(1,024,700)	450,000
Key Management personnel	1,168	16,256	(16,531)	893	1,610	12,549	(12,991)	1,168
Retirement benefit funds	36,626	193,419	(205,230)	24,815	28,540	271,027	(262,941)	36,626
	487,794	1,209,675	(1,671,761)	25,708	204,850	1,583,576	(1,300,632)	487,794

	(Un-Audited)	(Audited)
	September 30, 2018	31 December 2017
	(Rupees in '000)	
Other receivable		
Provident Fund		2,239
Gratuity fund		6,357
		7,309

	(Un-Audited)	
	30 September 2018	30 September 2017
	(Rupees in '000)	
Mark-up income		
Key Management personnel	1,531	1,137
Other related parties	6,534	9,194
Dividend income		
Associates	18,305	24,282
Mark-up expense on Deposits		
Associates	5,361	17,833
Key Management personnel	104	52
Retirement benefit funds	1,490	2,791
Expenses for the period		
Remuneration to key management personnel	216,618	199,755
Non-executive director's fee / remuneration	14,837	12,404
Charge for defined contribution plan	13,245	12,765
Charge for defined benefit plan	13,410	13,664
Outright purchase of Government Securities		
Subsidiary	115,646	-
Retirement benefit funds	92,578	1,971
Associates	4,978	-
Outright sale of Government Securities		
Subsidiary	231,070	-
Retirement benefit funds	248,097	1,971
Associates	412,628	753,104
Capital gain on Government Securities		
Subsidiary	-	-
Retirement benefit funds	(9)	-
Associates	4	-
Capital gain on sale of shares		
Associates	-	3

23. CREDIT RATING

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

24. GENERAL

Amounts in this financial information have been rounded off to the nearest rupee in thousand except stated otherwise.

25. DATE OF AUTHORISATION FOR ISSUE

This unconsolidated condensed interim financial information was authorised on 27 October 2018 by the board of directors.


Chief Financial Officer


Managing Director
and Chief Executive


Managing Director
and Chief Executive


Chairman