



KPMG Taseer Hadi & Co.
Chartered Accountants

**Pak Oman Investment Company
Limited**

**Unconsolidated Interim
Financial Statements**
For the half year ended
30 June 2017



KPMG Taseer Hadi & Co.
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Independent Auditors' Report to the Members on Review of Unconsolidated Condensed Interim Financial Information

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of **Pak Oman Investment Company Limited** ("the Company") as at 30 June 2017, and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "unconsolidated condensed interim financial information"). Management is responsible for the preparation and presentation of the unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of unconsolidated condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other Matters

The figures for the quarter ended 30 June 2017 in the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Date: 25 AUG 2017

Karachi

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Pak Oman Investment Company Limited
 Unconsolidated Condensed Interim Statement of Financial Position
 As at 30 June 2017

30 June 2017	31 December 2016		Note	(Un-audited) 30 June 2017	(Audited) 31 December 2016
(US Dollars in '000)				(Rupees in '000)	
ASSETS					
916	848	Cash and balances with treasury banks		96,084	88,884
12,055	15,936	Balances with other banks		1,264,020	1,670,921
6,194	8,925	Lendings to financial institutions		649,486	935,826
480,652	198,668	Investments - net	7	50,398,283	20,831,182
189,196	141,481	Advances - net	8	19,837,979	14,834,851
911	813	Operating fixed assets	9	95,543	85,263
4,688	4,191	Deferred tax assets - net	10	491,578	439,434
10,584	8,774	Other assets		1,109,823	919,994
<u>705,196</u>	<u>379,636</u>			<u>73,942,796</u>	<u>39,806,355</u>
LIABILITIES					
-	-	Bills payable		-	-
535,590	239,866	Borrowings	11	56,158,771	25,150,898
79,366	50,956	Deposits and other accounts	12	8,321,833	5,342,975
-	-	Sub-ordinated loans		-	-
14	16	Liabilities against assets subject to finance lease		1,512	1,671
-	-	Deferred tax liabilities - net		-	-
12,685	8,103	Other liabilities		1,330,115	849,613
<u>627,655</u>	<u>298,941</u>			<u>65,812,231</u>	<u>31,345,157</u>
<u>77,541</u>	<u>80,695</u>	NET ASSETS		<u>8,130,565</u>	<u>8,461,198</u>
REPRESENTED BY					
58,653	58,653	Share capital	13	6,150,000	6,150,000
9,928	9,389	Reserves		1,041,034	984,427
6,754	9,273	Unappropriated profit		708,236	972,325
<u>75,335</u>	<u>77,315</u>			<u>7,899,270</u>	<u>8,106,752</u>
2,206	3,380	Surplus on revaluation of assets - net of deferred tax	14	231,295	354,446
<u>77,541</u>	<u>80,695</u>			<u>8,130,565</u>	<u>8,461,198</u>
CONTINGENCIES AND COMMITMENTS					
			15		

The annexed notes from 1 to 23 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 half year ended 30 June 2017

Half year ended			Quarter ended		Half year ended	
30 June	30 June		30 June	30 June	30 June	30 June
2017	2016		2017	2016	2017	2016
(US Dollars in '000)			(Rupees in '000)			
17,400	10,713	Mark-up/return/interest earned	1,078,242	535,408	1,824,506	1,123,269
13,329	6,468	Mark-up/return/interest expensed	854,447	332,651	1,397,585	678,160
4,071	4,245	Net mark-up/ interest income	223,795	202,757	426,921	445,109
(873)	(1,002)	(Reversal) of provision against non -performing advances	(78,078)	(23,655)	(91,495)	(105,074)
3	190	Provision for diminution in the value of investments	334	18,853	334	19,945
-	-	Bad debts written off directly	-	-	-	-
(870)	(812)		(77,744)	(4,802)	(91,161)	(85,129)
4,941	5,057	Net mark-up/ interest income after provisions	301,539	207,559	518,082	530,238
NON MARK-UP/INTEREST INCOME						
349	385	Fee, commission and brokerage income	24,563	24,569	36,613	40,390
402	498	Dividend income	34,562	38,190	42,132	52,213
-	-	Income from dealing in foreign currency	-	-	-	-
1,630	3,744	Gain on sale of securities	70,622	244,015	170,901	392,556
(104)	94	Unrealised (loss) / gain on revaluation of investments classified as 'held-for-trading' securities	(7,960)	(22,450)	(10,925)	9,811
3	19	Other income	288	1,956	288	1,956
2,280	4,740	Total non -mark up/interest income	122,075	286,280	239,009	496,926
7,221	9,797		423,614	493,839	757,091	1,027,164
NON MARK-UP/INTEREST EXPENSES						
2,547	2,597	Administrative expenses	132,163	147,623	267,083	272,318
-	-	Other write offs / provisions	-	-	-	-
252	102	Other charges	14,193	4,979	26,374	10,683
2,799	2,699	Total non-mark up/interest expenses	146,356	152,602	293,457	283,001
4,422	7,098		277,258	341,237	463,634	744,163
-	-	Extra ordinary /unusual items	-	-	-	-
4,422	7,098	PROFIT BEFORE TAXATION	277,258	341,237	463,634	744,163
1,519	1,959	Taxation - current	78,664	115,363	159,271	205,440
371	370	- prior	38,904	38,746	38,904	38,746
(168)	361	- deferred	12,151	(8,264)	(17,575)	37,820
1,722	2,690		129,719	145,845	180,600	282,006
2,700	4,408	PROFIT AFTER TAXATION	147,539	195,392	283,034	462,157
(US Dollar)			(Rupees)			
0.0044	0.0072	Basic and diluted earnings per share	0.24	0.32	0.46	0.75

The annexed notes from 1 to 23 form an integral part of this unconsolidated condensed interim financial information.


 Chief Financial Officer


 Managing Director
 and Chief Executive


 Managing Director
 and Chief Executive

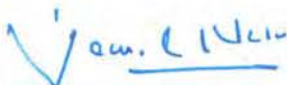

 Chairman

Pak Oman Investment Company Limited
 Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)
 For the half year ended 30 June 2017

Half year ended			Quarter ended		Half year ended	
30 June	30 June		30 June	30 June	30 June	30 June
2017	2016		2017	2016	2017	2016
(US Dollars in '000)			(Rupees in '000)			
2,700	4,408	PROFIT AFTER TAXATION	147,539	195,392	283,034	462,157
		Other comprehensive income				
		Items that may be reclassified subsequently to profit and loss account	-	-	-	-
<u>2,700</u>	<u>4,408</u>	Comprehensive income transferred to equity	<u>147,539</u>	<u>195,392</u>	<u>283,034</u>	<u>462,157</u>
		Component of comprehensive income not transferred to equity				
(1,490)	93	(Deficit) / surplus on revaluation of 'available for sale' investments	(76,004)	(83,032)	(156,237)	9,760
330	(7)	Related tax impact	17,771	30,238	34,569	(705)
(1,160)	86		(58,233)	(52,794)	(121,668)	9,055
<u>1,540</u>	<u>4,494</u>	Total comprehensive income	<u>89,306</u>	<u>142,598</u>	<u>161,366</u>	<u>471,212</u>

The annexed notes from 1 to 23 form an integral part of this unconsolidated condensed interim financial information.

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 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 half year ended 30 June 2017

30 June 2017 (US Dollars in '000)	30 June 2016		Note	30 June 2017 (Rupees in '000)	30 June 2016 (Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES					
4,422	7,098	Profit before taxation		463,634	744,163
402	498	Less: Dividend income		42,132	52,213
4,020	6,600			421,502	691,950
Adjustments for non-cash charges					
227	139	Depreciation		23,811	14,591
3	-	Amortisation of intangible assets		263	41
104	(94)	Unrealised loss / (gain) on revaluation of investments classified as 'held-for-trading' securities		10,925	(9,811)
(3)	(19)	Gain on sale of fixed assets		(288)	(1,956)
(873)	(1,002)	Reversal of provision against non-performing advances		(91,495)	(105,074)
3	190	Provision for diminution in the value of investments		334	19,945
(539)	(786)			(56,450)	(82,264)
3,481	5,814			365,052	609,686
(Increase) / decrease in operating assets					
2,731	(4,169)	Lendings to financial institutions		286,340	(437,176)
(205,392)	(34,170)	Net Investments in held-for-trading securities		(21,536,213)	(3,582,823)
(46,843)	(41,314)	Advances		(4,911,633)	(4,331,916)
(2,843)	1,190	Other assets		(298,154)	124,803
(252,347)	(78,463)			(26,459,660)	(8,227,112)
Increase / (decrease) in operating liabilities					
295,724	49,361	Borrowings		31,007,873	5,175,707
28,410	14,474	Deposits and other accounts		2,978,858	1,517,636
4,331	213	Other liabilities		454,022	22,322
328,465	64,048			34,440,753	6,715,665
79,599	(8,601)			8,346,145	(901,761)
(606)	(1,717)	Income tax paid		(63,509)	(180,079)
78,993	(10,318)	Net cash from / (used in) operating activities		8,282,636	(1,081,840)
CASH FLOW FROM INVESTING ACTIVITIES					
(78,189)	6,489	(Investments in) / proceeds from available-for-sale securities		(8,198,384)	680,400
-	(954)	Investment in Subsidiary		-	(100,000)
-	(954)	Investment in associates		-	(100,000)
303	205	Dividend income received		31,823	21,472
(233)	(247)	Investments in operating fixed assets		(24,442)	(25,947)
8	19	Sale proceeds on sale of fixed assets disposed off		825	2,031
(78,111)	4,558	Net cash (used in) / from investing activities		(8,190,178)	477,956
CASH FLOW FROM FINANCING ACTIVITIES					
(2)	(1)	Payment of lease obligation		(159)	(148)
(4,692)	(3,519)	Dividend paid		(492,000)	(369,000)
(4,694)	(3,520)			(492,159)	(369,148)
(3,812)	(9,280)	Decrease in cash and cash equivalents		(399,701)	(973,032)
16,783	16,029	Cash and cash equivalents at beginning of the period		1,759,805	1,680,681
12,971	6,749	Cash and cash equivalents at the end of the period	19	1,360,104	707,649

The annexed notes from 1 to 23 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 half year ended 30 June 2017

	Issued, subscribed and paid up capital	Reserves		Unappropriated profit	Total
		Statutory reserve	General reserve		
(Rupees in '000)					
Balance as at 01 January 2016	6,150,000	831,674	11,630	776,899	7,770,203
Total comprehensive income					
Net profit after tax for the half year ended 30 June 2016	-	-	-	462,157	462,157
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	462,157	462,157
Transfers					
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	149	149
Transfer to statutory reserve	-	92,431	-	(92,431)	-
Transaction with owners recognised directly in equity					
Dividend for the year ended 31 December 2015 (Re. 0.60 per share)	-	-	-	(369,000)	(369,000)
Balance as at 30 June 2016	6,150,000	924,105	11,630	777,774	7,863,509
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 half year ended 30 June 2017	-	-	-	283,034	283,034
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	283,034	283,034
Transfers					
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	1,484	1,484
Transfer to statutory reserve	-	56,607	-	(56,607)	-
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 June 2017	6,150,000	1,029,404	11,630	708,236	7,899,270

The annexed notes from 1 to 23 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 half year ended 30 June 2017

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 2016.

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. 104.8540 = 1 US dollar for the half year ended 30 June 2017 and the corresponding period.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP under Circular No.07 dated 20 July 2017, these unconsolidated condensed interim financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

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, provisions of the Companies Ordinance, 1984, directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case where requirements differ, the provisions of the Companies Ordinance, 1984 and the said directives shall prevail.

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 NBFCs. 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 issued by the SBP.

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 2016.

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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 2016 except for the following change in accounting estimate:

Property and Equipment

During the period, the Company has changed its depreciation rate for leasehold improvements from 20% to 10% to reflect the pattern in which the asset's future economic benefits are expected to be consumed. The management has incorporated the effect of change in accounting estimate in accordance with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" in the financial statements. The effect of these changes on actual and expected depreciation expense are recognised in profit and loss account as follows:

	2017	2018	2019	2020	2021	Later
	-----Rupees-----					
Increase / (decrease) in depreciation expense	(2,073,979)	(2,162,577)	(2,002,174)	(1,514,111)	(1,256,674)	9,009,515

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 2016.

7. INVESTMENTS - net

Note	30 June 2017 (Un-audited)			31 December 2016 (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	588,893	8,982,405	9,571,298	602,866	1,036,725	1,639,591
Market treasury bills (T-Bills)	2,076,129	13,192,311	15,268,440	430,275	1,370,506	1,800,781
Listed ordinary shares	177,953	-	177,953	41,106	-	41,106
	2,842,975	22,174,716	25,017,691	1,074,247	2,407,231	3,481,478
Available-for-sale securities						
Pakistan investment bonds	199,292	5,899,778	6,099,070	183,630	2,423,324	2,606,954
Market treasury bills (T-Bills)	248,140	14,331,085	14,579,225	194,832	9,733,012	9,927,844
Listed ordinary shares	728,571	-	728,571	653,703	-	653,703
Unlisted ordinary shares	121,333	226,000	347,333	121,333	226,000	347,333
Sukuk certificates	949,583	-	949,583	1,146,159	-	1,146,159
Term finance certificates (TFCs)	1,899,384	-	1,899,384	1,723,926	-	1,723,926
	4,146,303	20,456,863	24,603,166	4,023,583	12,382,336	16,405,919
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	8,462,803	42,702,305	51,165,108	6,571,355	14,860,293	21,431,648
Less: Provision for diminution in the value of investments	934,606	70,726	1,005,332	935,409	70,726	1,006,135
Investments - net of provisions	7,528,197	42,631,579	50,159,776	5,635,946	14,789,567	20,425,513
(Loss) / gain on revaluation of held-for-trading securities	(18,894)	4,007	(14,887)	(2,229)	(1,733)	(3,962)
Surplus on revaluation of available-for-sale securities	14 11,666	241,728	253,394	117,230	292,401	409,631
Total investments at carrying value	7,520,969	42,877,314	50,398,283	5,750,947	15,080,235	20,831,182

7.2 Investments include PIB and T-Bills having face value amounting to 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).

7.3 As per the terms of the Share Transfer and Debt Swap Agreement, Agritech Limited Shares shall be held by the respective trustees for the TFC issues in their names for and on behalf of TFC Holders who shall be the beneficial owners of the subject shares in proportion to their holdings. The Trustees for the TFC issue are authorised pursuant to shareholders investors agreement to hold the said ordinary shares for and on behalf of TFC holders for a period of five years from the date of transfer.

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8. ADVANCES - net	(Un-audited)	(Audited)
	30 June 2017	31 December 2016
	(Rupees in '000)	
Loans in Pakistan	17,439,212	13,169,367
Margin Trading	1,610,178	841,195
Net investment in finance lease in Pakistan	1,762,372	1,889,567
Advances - gross	20,811,762	15,900,129
Less: Provision for non-performing advances - Specific	(973,648)	(1,065,205)
Provision for non-performing advances - General	(135)	(73)
	(973,783)	(1,065,278)
Advances - net of provision	19,837,979	14,834,851

8.1 Advances include amount aggregating Rs. 1,074.097 million (31 December 2016: Rs. 1,218.843 million), which have been placed under the non-performing status as detailed below:

Category of classification	30 June 2017 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	(Rupees in '000)				
Substandard	-	-	-	-	-
Doubtful	219,605	-	219,605	130,938	130,938
Loss	854,492	-	854,492	842,710	842,710
	1,074,097	-	1,074,097	973,648	973,648

Category of classification	31 December 2016 (Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	(Rupees in '000)				
Substandard	11,877	-	11,877	2,969	2,969
Doubtful	252,878	-	252,878	125,000	125,000
Loss	954,088	-	954,088	937,236	937,236
	1,218,843	-	1,218,843	1,065,205	1,065,205

8.2 Particulars of provision against non-performing advances

	(Un-audited) 30 June 2017 Half year ended			(Audited) 31 December 2016 Year ended		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	1,065,205	73	1,065,278	914,462	-	914,462
Charge during the period / year	2,969	62	3,031	308,796	73	308,869
Reversal during the period / year	(94,526)	-	(94,526)	(140,690)	-	(140,690)
Net (reversal) / charge	(91,557)	62	(91,495)	168,106	73	168,179
Less: Amounts written off during the period / year	-	-	-	(17,363)	-	(17,363)
Closing balance	973,648	135	973,783	1,065,205	73	1,065,278

9. OPERATING FIXED ASSETS

	(Un-audited)	(Audited)
	30 June 2017	31 December 2016
	(Rupees in '000)	
Capital work-in-progress	4,498	-
Property and equipment	89,903	83,897
Intangible assets	1,142	1,366
	95,543	85,263

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During the period additions to operating fixed assets were as follows:

	(Un-audited) 30 June 2017 ———— (Rupees in '000) ————	(Un-Audited) 30 June 2016 ———— (Rupees in '000) ————
Owned		
Improvements	12,169	-
Office equipment	579	683
Computer equipment	677	257
Furniture and fixture	2,814	474
Vehicles	3,705	20,162
Capital work in progress	4,498	4,371
	<u>24,442</u>	<u>25,947</u>

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

	(Un-audited) 30 June 2017 ———— (Rupees in '000) ————	(Un-Audited) 30 June 2016 ———— (Rupees in '000) ————
Owned		
Furniture and fixture	116	75
Vehicles	421	-
	<u>537</u>	<u>75</u>

10. DEFERRED TAX ASSETS - net

(Un-audited) 30 June 2017 ———— (Rupees in '000) ————	(Audited) 31 December 2016 ———— (Rupees in '000) ————
---------------------------------------------------------------	----------------------------------------------------------------

Deferred tax assets arising in respect of:

Provision for diminution in the value of investments	242,145	248,833
Amortisation of premium on federal government securities	14,927	9,128
Assets subject to finance leases	49	38
Accelerated tax depreciation allowances	(713)	1,274
Revaluation on investments classified as held-for-trading	1,674	1,066
Provision against non-performing loans and advances	292,135	319,583
	<u>550,217</u>	<u>579,922</u>

Less: Deferred tax liabilities arising in respect of:

Revaluation on investments classified as available-for-sale	(78,962)	(113,531)
Revaluation of non-banking assets acquired in satisfaction of claims	(20,261)	(23,395)
Dividend receivable	(3,018)	(212)
Net investment in finance leases	43,602	(3,350)
	<u>(58,639)</u>	<u>(140,488)</u>
	<u>491,578</u>	<u>439,434</u>

10.1 Represents super tax at 3% on taxable income for tax year 2017 and 2016 for rehabilitation of temporarily displaced persons imposed through Finance Act.

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11. BORROWINGS	Note	(Un-audited) 30 June 2017	(Audited) 31 December 2016
———— (Rupees in '000) ————			
Secured			
Borrowings from the State Bank of Pakistan:			
- Long term financing facility (LTFF)	11.1	1,546,256	1,229,176
- Financing facility for storage of agricultural produce (FFSAP)	11.1	5,015	6,687
Repurchase agreement borrowings	11.2	23,839,779	5,351,991
Long term borrowings	11.3	6,580,347	4,546,640
Short term running finance	11.4	702,681	480,389
Bai Muajjal	11.5	18,114,693	9,851,015
		<u>50,788,771</u>	<u>21,465,898</u>
Unsecured			
Placements	11.6	920,000	685,000
Murabaha financing	11.7	4,450,000	3,000,000
		<u>56,158,771</u>	<u>25,150,898</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 8.20 percent per annum (2016: 2 to 10.10 percent per annum). These are repayable within 10 years (2016: 10 years).

11.2 The rate of return on these repurchase agreement borrowings, maturing in July 2017 (2016: January 2017), ranges between 5.81 to 6.25 (2016: 5.70 to 5.93) percent per annum. Securities having cost of Rs. 23,404.378 million (2016: Rs. 5,172.066 million) have been pledged against these borrowings.

11.3 The rate of return on these long-term borrowings ranges from 6.43 to 6.63 (2016: 6.32 to 6.56) 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 percent (2016: three month KIBOR + 0.25 percent). The above facilities are secured against loan and advances receivables.

11.5 These Bai Muajjal secured against government securities, maturing in July 2017 to February 2018 (2016: January 2017 to October 2017) and carrying rate of return ranges between 5.65 to 5.84 (2016: 5.65 to 5.87) percent per annum.

11.6 The rates of return on these placements, maturing in July 2017 to November 2017 (2016: January 2017 to February 2017) ranges between 6.05 to 6.25 (2016: 5.85 to 6.30) percent per annum.

11.7 The rates of return on these murabaha financing, maturing in July 2017 to December 2017 (2016: January 2017 to June 2017) ranges between 6.00 to 6.25 (2016: 6.15 to 6.25) percent per annum.

12. DEPOSITS AND OTHER ACCOUNTS	(Un-audited) 30 June 2017	(Audited) 31 December 2016
———— (Rupees in '000) ————		
Certificate of investments - remunerative (in local currency)		
Financial institutions	1,718,700	252,700
Others	6,603,133	5,090,275
	<u>8,321,833</u>	<u>5,342,975</u>

12.1 The rate of return on deposits maturing between July 2017 to June 2018 (2016: January 2017 to May 2018) is 6 to 6.5 (2016: 6 to 12) percent per annum.

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13. **SHARE CAPITAL**

13.1 **Authorized capital**

(Un-audited) 30 June 2017 ----- (Number of shares) -----	(Audited) 31 December 2016		(Un-audited) 30 June 2017 ----- (Rupees in '000) -----	(Audited) 31 December 2016
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>10,000,000</u>	<u>10,000,000</u>

13.2 **Issued, subscribed and paid - up capital**

<u>615,000,000</u>	<u>615,000,000</u>	Ordinary shares of Rs. 10 each	<u>6,150,000</u>	<u>6,150,000</u>
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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 (2016: 307,495,900) ordinary shares of the Company, while 4,100 (2016: 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**

	(Un-audited) 30 June 2017 ----- (Rupees in '000) -----	(Audited) 31 December 2016
Surplus / (deficit) on revaluation of available-for-sale securities - net of tax		
Federal Government Securities		
- Pakistan investment bonds	251,004	334,258
- Treasury bills (T-Bills)	(8,337)	(8,204)
	<u>242,667</u>	<u>326,054</u>
Shares-listed	(19,623)	62,390
Term Finance Certificates		
- Listed	15,893	12,134
- Unlisted	4,361	1,249
	<u>20,254</u>	<u>13,383</u>
Sukuk certificates	<u>10,096</u>	<u>7,804</u>
	<u>253,394</u>	<u>409,631</u>
Deferred tax asset recognized	(78,962)	(113,531)
	<u>174,432</u>	<u>296,100</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		
Revaluation of fixed assets / non-banking assets during the period / year	84,766	84,766
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year	(3,533)	(1,414)
	<u>81,233</u>	<u>83,352</u>
Less: Related deferred tax liability on:		
- Revaluation of fixed assets / non-banking assets during the period / year	(25,430)	(25,430)
- Incremental depreciation charged during the period / year	1,060	424
	<u>(24,370)</u>	<u>(25,006)</u>
	<u>56,863</u>	<u>58,346</u>
	<u>231,295</u>	<u>354,446</u>

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- 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 September 08, 2016 and property located in Karachi having a market value of Rs. 43.424 million on valuation report April 07, 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.

15. CONTINGENCIES AND COMMITMENTS	Note	(Un-audited)	(Audited)
		30 June 2017	31 December 2016
———— (Rupees in '000) ————			
Pledge of shares on behalf of Japan Power Generation Limited	15.1	70,726	70,726
Pledge of shares on behalf of Orient Power Company (Private) Limited	15.2	226,000	226,000
Commitments for Sale of government securities		253,605	219,782
Commitments for loans and advances and finance leases		4,608,470	3,393,784
Commitments for sale of non-banking assets		46,000	46,000

- 15.1 Shares in Japan Power Generation Limited (an associate) aggregating 17,622,878 (31 December 2016: 17,622,878) having a cost of Rs. 70.726 million (31 December 2016: 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 2015 : 22,600,000) having a cost of Rs. 226 million (31 December 2016: 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 The Income tax Department has amended the deemed assessment orders for the tax years 2004, 2009, 2010, 2011, 2012, 2013, 2014, 2015 and 2016, 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. BASIC AND DILUTED EARNINGS PER SHARE (Un-audited)

	Quarter ended		Half year ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Profit after taxation (Rupees in '000)	147,539	195,392	283,034	462,157
Weighted average number of ordinary shares (in '000)	615,000	615,000	615,000	615,000
Basic and diluted earnings per share (Rupee)	0.24	0.32	0.46	0.75

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17. 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 June 2017 (Un-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													
	Government Securities	24,843,466	20,920,962	-	-	-	45,764,428	-	45,764,428	-	45,764,428		
	Listed Term Finance Certificates	-	687,251	-	-	-	687,251	-	687,251	-	687,251		
	Unlisted Term Finance Certificates	-	815,012	-	-	-	815,012	-	815,012	-	815,012		
	Sukuk Certificates	-	798,634	-	-	-	798,634	-	798,634	-	798,634		
	Listed shares	159,338	631,470	-	-	-	790,808	790,808	-	-	790,808		
- Associates													
	Listed shares	-	-	-	-	-	-	76,131	-	-	76,131		
	Mutual funds	-	-	-	-	590,517	590,517	684,088	-	-	684,088		
Financial assets not measured at fair value													
	- Cash and bank balances with treasury banks	17.1	-	-	96,084	-	96,084	-	-	-	-		
	- Balances with other banks	17.1	-	-	1,264,020	-	1,264,020	-	-	-	-		
	- Lendings to financial institutions	17.1	-	-	649,486	-	649,486	-	-	-	-		
	- Unlisted shares	17.1	-	226,000	-	-	226,000	-	-	-	-		
	- Associates - unlisted shares	17.1	-	-	-	384,708	384,708	-	-	-	-		
	- Subsidiary - unlisted shares	17.1	-	-	-	340,925	340,925	-	-	-	-		
	- Advances	17.1	-	-	19,837,979	-	19,837,979	-	-	-	-		
	- Other assets	17.1	-	-	-	680,958	680,958	-	-	-	-		
			25,002,804	24,079,329	-	21,847,569	1,997,108	-	72,926,810	1,551,027	48,065,325	-	49,616,352
Financial liabilities not measured at fair value													
	- Borrowings from financial institutions	17.1	-	-	-	-	56,158,771	56,158,771	-	-	-	-	
	- Deposits and other accounts	17.1	-	-	-	-	8,321,833	8,321,833	-	-	-	-	
	- Liabilities against assets subject to finance lease	17.1	-	-	-	-	1,512	1,512	-	-	-	-	
	- Other liabilities	17.1	-	-	-	-	1,303,635	1,303,635	-	-	-	-	
			-	-	-	-	65,785,751	65,785,751	-	-	-	-	
			25,002,804	24,079,329	-	21,847,569	1,997,108	(65,785,751)	7,141,059	1,551,027	48,065,325	-	49,616,352

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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 2016 (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													
	Government Securities	3,437,225	12,860,852	-	-	-	16,298,077	-	16,298,077	-	16,298,077		
	Listed Term Finance Certificates	-	683,612	-	-	-	683,612	-	683,612	-	683,612		
	Unlisted Term Finance Certificates	-	636,322	-	-	-	636,322	-	636,322	-	636,322		
	Sukuk Certificates	-	970,626	-	-	-	970,626	-	970,626	-	970,626		
	Listed shares	40,291	660,104	-	-	-	700,395	700,395	-	-	700,395		
- Associates													
	Listed shares	-	-	-	-	-	-	98,511	-	-	98,511		
	Mutual funds	-	-	-	-	590,517	590,517	709,139	-	-	709,139		
Financial assets not measured at fair value													
	- Cash and bank balances with treasury banks	17.1	-	-	88,884	-	88,884	-	-	-	-		
	- Balances with other banks	17.1	-	-	1,670,921	-	1,670,921	-	-	-	-		
	- Lendings to financial institutions	17.1	-	-	935,826	-	935,826	-	-	-	-		
	- Unlisted shares	17.1	-	226,000	-	-	226,000	-	-	-	-		
	- Associates - unlisted shares	17.1	-	-	-	384,708	384,708	-	-	-	-		
	- Subsidiary - unlisted shares	17.1	-	-	-	340,925	340,925	-	-	-	-		
	- Advances	17.1	-	-	14,834,851	-	14,834,851	-	-	-	-		
	- Other assets	17.1	-	-	-	389,058	389,058	-	-	-	-		
			3,477,516	16,037,516	-	17,530,482	1,705,208	-	38,750,722	1,508,045	18,588,637	-	20,096,682
Financial liabilities not measured at fair value													
	- Borrowings from financial institutions	17.1	-	-	-	-	25,150,898	25,150,898	-	-	-	-	
	- Deposits and other accounts	17.1	-	-	-	-	5,342,975	5,342,975	-	-	-	-	
	- Liabilities against assets subject to finance lease	17.1	-	-	-	-	1,671	1,671	-	-	-	-	
	- Other liabilities	17.1	-	-	-	-	849,613	849,613	-	-	-	-	
			-	-	-	-	31,345,157	31,345,157	-	-	-	-	
			3,477,516	16,037,516	-	17,530,482	1,705,208	(31,345,157)	7,405,565	1,508,045	18,588,637	-	20,096,682

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).

17.1 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.

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

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

	Corporate Finance	Trading & Sales	Commercial Banking	Total
	(Rupees in '000)			
Half year ended 30 June 2017 (Un-Audited)				
Total income	7,625	1,346,808	709,082	2,063,515
Total expense	48,664	1,050,689	500,528	1,599,881
Net income	<u>(41,039)</u>	<u>296,119</u>	<u>208,554</u>	<u>463,634</u>

Half year ended 30 June 2017 (Un-Audited)

Segment assets	-	53,467,873	20,474,923	73,942,796
Segment liabilities	-	46,473,196	19,339,035	65,812,231
Segment non-performing loans	-	-	1,074,097	1,074,097
Investment provided for	-	1,497,939	-	1,497,939
Segment provisions required	-	1,005,332	973,648	1,978,980
Segment return on net assets %	-	8.47%	36.72%	-
Segment return on assets (ROA) %	-	1.11%	2.04%	-
Segment cost of funds %	-	5.24%	5.00%	-

Half year ended 30 June 2016 (Un-Audited)

Total income	9,057	1,074,801	536,337	1,620,195
Total expense	45,828	520,828	309,376	876,032
Net income	<u>(36,771)</u>	<u>553,973</u>	<u>226,961</u>	<u>744,163</u>

Half year ended 30 June 2016 (Un-Audited)

Segment assets	-	19,804,723	14,261,071	34,065,794
Segment liabilities	-	14,781,501	11,008,355	25,789,856
Segment non-performing loans	-	-	1,075,839	1,075,839
Investment provided for	-	1,789,755	-	1,789,755
Segment provisions required	-	1,262,624	809,388	2,072,012
Segment return on net assets %	-	22.06%	13.96%	-
Segment return on assets (ROA) %	-	5.59%	3.18%	-
Segment cost of funds %	-	4.79%	4.84%	-

(Un-audited)

Half year ended

30 June 2017	30 June 2016
---------------------	---------------------

(Rupees in '000)

19. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	96,084	62,550
Balances with other banks	<u>1,264,020</u>	<u>645,099</u>
	<u><u>1,360,104</u></u>	<u><u>707,649</u></u>

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20. RELATED PARTY TRANSACTIONS

20.1 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

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

Nature of related party transaction	(Unaudited) 30 June 2017			(Audited) 31 December 2016				
	As at 1-Jan-17	Given during the year	Repaid during the year	As at 30-Jun-17	As at 1-Jan-16	Given during the year	Repaid during the year	As at 31-Dec-16
(Rupees in '000)								
Investments								
Subsidiary	498,300	-	-	498,300	398,300	100,000	-	498,300
Associates	1,045,951	-	-	1,045,951	997,872	100,000	(51,921)	1,045,951
Other related parties	226,000	-	-	226,000	226,000	-	-	226,000
	<u>1,770,251</u>	<u>-</u>	<u>-</u>	<u>1,770,251</u>	<u>1,622,172</u>	<u>200,000</u>	<u>(51,921)</u>	<u>1,770,251</u>
Advances								
Associates	68,200	-	-	68,200	68,200	-	-	68,200
Key Management personnel	36,040	8,573	(9,944)	34,669	49,225	4,497	(17,682)	36,040
Other related parties	150,533	-	(17,563)	132,970	182,429	-	(31,896)	150,533
	<u>254,773</u>	<u>8,573</u>	<u>(27,507)</u>	<u>235,839</u>	<u>299,854</u>	<u>4,497</u>	<u>(49,578)</u>	<u>254,773</u>
Deposits								
Associates	174,700	600,000	-	774,700	535,926	896,437	(1,257,663)	174,700
Key Management personnel	1,610	6,658	(7,127)	1,141	2,149	12,906	(13,445)	1,610
Retirement benefit funds	28,540	118,553	(84,414)	62,679	5,358	159,879	(136,697)	28,540
	<u>204,850</u>	<u>725,211</u>	<u>(91,541)</u>	<u>838,520</u>	<u>543,433</u>	<u>1,069,222</u>	<u>(1,407,805)</u>	<u>204,850</u>
							(Un-audited) 30 June 2017	(Audited) 31 December 2016
							(Rupees in '000)	
Other receivable								
Gratuity fund							-	54
Associates							11,807	-
							(Un-audited) Half year ended	
							30 June 2017	30 June 2016
							(Rupees in '000)	
Mark-up income								
Key Management personnel							768	1,061
Other related parties							6,301	8,239
Dividend income								
Associates							24,282	29,574
Mark-up expense on Deposits								
Associates							5,647	14,417
Key Management personnel							34	61
Retirement benefit funds							1,661	496
Expenses for the period								
Remuneration to key management personnel							157,484	110,892
Non-executive director's fee / remuneration							11,595	8,252
Charge for defined contribution plan							8,335	8,756
Charge for defined benefit plan							7,970	9,420
Outright purchase of Government Securities								
Retirement benefit funds							1,971	275,794
Outright sale of Government Securities								
Subsidiary							-	108,960
Retirement benefit funds							1,971	274,176
Associates							575,544	-
Capital gain on Government Securities								
Subsidiary							-	(73)
Retirement benefit funds							-	7
Associates							3	-

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21. 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.

22. GENERAL

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

23. DATE OF AUTHORISATION FOR ISSUE

This unconsolidated condensed interim financial information was authorised on August 25, 2017 by the board of directors.

kmh


Chief Financial Officer


**Managing Director
and Chief Executive**


**Managing Director
and Chief Executive**


Chairman