



KPMG Taseer Hadi & Co.  
Chartered Accountants

**Pak Oman Investment Company  
Limited**

**Unconsolidated Interim  
Financial Statements**  
For the period ended  
30 June 2015



KPMG Taseer Hadi & Co.  
Chartered Accountants  
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## Independent Auditors' Review Report to the Members of Pak Oman Investment Company Limited

### *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 2015, 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 six-month period then ended (here-in-after referred to as the "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 2015 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: 1 September 2015**

**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 2015

30 June 2015	31 December 2014		(Unaudited) 30 June 2015	(Audited) 31 December 2014
----- (US Dollars in '000) -----			----- (Rupees in '000) -----	
<b>ASSETS</b>				
1,135	982	Cash and balances with treasury banks	115,493	99,912
1,632	2,645	Balances with other banks	166,089	269,173
21,038	6,034	Lendings to financial institutions	2,141,249	614,177
124,030	119,667	Investments - net	12,623,599	12,179,521
108,585	89,118	Advances - net	11,051,658	9,070,314
732	675	Operating fixed assets	74,496	68,669
3,330	3,734	Deferred tax assets - net	338,937	380,028
5,488	6,719	Other assets	558,539	683,829
265,970	229,574		27,070,060	23,365,623
<b>LIABILITIES</b>				
-	-	Bills payable	-	-
122,627	87,137	Borrowings	12,480,843	8,868,730
59,200	61,860	Deposits and other accounts	6,025,270	6,295,986
-	-	Sub-ordinated loans	-	-
3	5	Liabilities against assets subject to finance lease	302	488
-	-	Deferred tax liabilities	-	-
5,382	4,798	Other liabilities	547,744	488,248
187,212	153,800		19,054,159	15,653,452
78,758	75,774		8,015,901	7,712,171
<b>NET ASSETS</b>				
<b>REPRESENTED BY</b>				
60,425	60,425	Share capital	6,150,000	6,150,000
7,987	7,102	Reserves	812,910	722,810
6,488	5,364	Unappropriated profit	660,313	545,915
74,900	72,891		7,623,223	7,418,725
3,858	2,883	Surplus on revaluation of assets - net of deferred tax	392,678	293,446
78,758	75,774		8,015,901	7,712,171
<b>CONTINGENCIES AND COMMITMENTS</b>				

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 Profit and Loss Account (Un-Audited)  
 For the half year ended 30 June 2015

Half year ended			Quarter ended		Half year ended	
30 June	30 June		30 June	30 June	30 June	30 June
2015	2014		2015	2014	2015	2014
---- (US Dollars in '000) ----			----- (Rupees in '000) -----			
11,432	9,520	Mark-up / return / interest earned	577,607	510,863	1,163,514	968,980
7,145	5,865	Mark-up / return / interest expensed	353,106	319,730	727,214	596,977
4,287	3,655	Net mark-up / interest income	224,501	191,133	436,300	372,003
(542)	(182)	Reversal against non - performing advances - net	(26,152)	(23,528)	(55,141)	(18,546)
(198)	955	(Reversal) / provision for diminution in the	(28,175)	89,347	(20,155)	97,179
-	-	value of investments - net	-	-	-	-
(740)	773	Bad debts written off directly	(54,327)	65,819	(75,296)	78,633
5,027	2,882	Net mark-up / interest income after provisions	278,828	125,314	511,596	293,370
<b>NON MARK-UP / INTEREST INCOME</b>						
243	171	Fee, commission and brokerage income	19,416	10,526	24,767	17,364
498	435	Dividend income	35,457	39,019	50,691	44,253
-	-	Income from dealing in foreign currency	-	-	-	-
4,150	570	Gain on sale of securities	100,897	23,830	422,415	58,016
(224)	7	Unrealised (loss) / gain on revaluation of	-	-	-	-
19	4	investments classified as 'held-for-trading' securities	(5,466)	(6,320)	(22,818)	682
4,686	1,187	Other income	1,514	213	1,889	447
9,713	4,069	Total non - mark up / interest income	151,818	67,268	476,944	120,762
			430,646	192,582	988,540	414,132
<b>NON MARK-UP / INTEREST EXPENSES</b>						
1,909	1,659	Administrative expenses	95,480	82,906	194,296	168,847
-	38	Other write offs / provisions	-	(1,810)	-	3,854
177	85	Other charges	8,843	3,124	17,930	8,664
2,086	1,782	Total non-mark up / interest expenses	104,323	84,220	212,226	181,365
7,627	2,287		326,323	108,362	776,314	232,767
-	-	Extra ordinary / unusual items	-	-	-	-
7,627	2,287	<b>PROFIT BEFORE TAXATION</b>	326,323	108,362	776,314	232,767
2,402	779	Taxation - current	87,099	46,944	244,467	79,273
233	-	- prior	23,718	-	23,718	-
566	186	- deferred	60,189	14,504	57,631	18,924
3,201	965		171,006	61,448	325,816	98,197
4,426	1,322	<b>PROFIT AFTER TAXATION</b>	155,317	46,914	450,498	134,570
----- (US Dollar) -----			----- (Rupees) -----			
0.0072	0.0021	Basic and diluted earnings per share	0.25	0.08	0.73	0.22

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

*Am. El-Har*  
 Chief Financial Officer

*Ahmed Shah*  
 Managing Director  
 and Chief Executive

*Ahmed Shah*  
 Managing Director  
 and Chief Executive

*[Signature]*  
 Chairman

Pak Oman Investment Company Limited  
 Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-Audited)  
 For the half year ended 30 June 2015

Half year ended			Quarter ended		Half year ended	
30 June	30 June		30 June	30 June	30 June	30 June
2015	2014		2015	2014	2015	2014
---- (US Dollars in '000) ----			----- (Rupees in '000) -----			
4,426	1,322	<b>PROFIT AFTER TAXATION</b>	155,317	46,914	450,498	134,570
		<b>Other comprehensive income</b>				
		Items that will not be reclassified subsequently to profit and loss account	-	-	-	-
4,426	1,322	<b>Comprehensive income transferred to equity</b>	155,317	46,914	450,498	134,570
		<b>Component of comprehensive income not transferred to equity</b>				
812	(551)	Surplus / (deficit) on revaluation of 'available for sale' investments	(16,558)	(93,673)	82,692	(56,062)
163	61	Related tax impact	31,405	27,971	16,540	6,221
975	(490)		14,847	(65,702)	99,232	(49,841)
5,401	832	<b>Total comprehensive income</b>	170,164	(18,788)	549,730	84,729

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

*Handwritten initials*

*Signature of Chief Financial Officer*  
 Chief Financial Officer

*Signature of Managing Director and Chief Executive*  
 Managing Director  
 and Chief Executive

*Signature of Managing Director and Chief Executive*  
 Managing Director  
 and Chief Executive

*Signature of Chairman*  
 Chairman

Pak Oman Investment Company Limited  
 Unconsolidated Condensed Interim Cash Flow Statement (Un-Audited)  
 For the half year ended 30 June 2015

30 June 2015	30 June 2014		Note	30 June 2015	30 June 2014
----- (US Dollars in '000) -----				----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
7,627	2,287	Profit before taxation		776,314	232,767
498	435	Less: Dividend income		50,691	44,253
7,129	1,852			725,623	188,514
<b>Adjustments for non-cash charges</b>					
91	78	Depreciation		9,297	7,977
1	4	Amortisation of intangible assets		100	378
224	(7)	Unrealised loss / (gain) on revaluation of investments classified as 'held-for-trading' securities		22,818	(682)
(19)	(4)	Gain on sale of fixed assets		(1,889)	(447)
(542)	(182)	Reversal against non - performing advances		(55,141)	(18,546)
(198)	955	(Reversal) / provision for diminution in the value of investments		(20,155)	97,179
(443)	844			(44,970)	85,859
6,686	2,696			680,653	274,373
<b>(Increase) / decrease in operating assets</b>					
(15,249)	942	Lendings to financial institutions		(1,552,072)	95,842
(19,482)	(25,802)	Net Investments in Held-for-Trading securities		(1,982,879)	(2,626,111)
(18,925)	(425)	Advances		(1,926,203)	(43,210)
510	(2,805)	Other assets		51,900	(285,409)
(53,146)	(28,090)			(5,409,254)	(2,858,888)
<b>Increase / (decrease) in operating liabilities</b>					
-	-	Bills payable		-	-
35,490	55,723	Borrowings		3,612,113	5,671,449
(2,660)	1,606	Deposits and other accounts		(270,716)	163,410
(266)	351	Other liabilities		(27,196)	35,710
32,564	57,680			3,314,201	5,870,569
(13,896)	32,286			(1,414,400)	3,286,054
(1,287)	(1,319)	Income tax paid		(130,966)	(134,228)
(15,183)	30,967	Net cash (used in) / from operating activities		(1,545,366)	3,151,826
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
18,213	(29,949)	Net proceeds from / (investments in) available-for-sale securities		1,853,688	(3,048,216)
(2,308)	-	Investment in subsidiaries		(234,858)	-
723	128	Dividend income received		73,554	13,007
(152)	(227)	Investments in operating fixed assets		(15,496)	(23,117)
21	4	Sale proceeds on sale of fixed assets disposed off		2,161	447
16,497	(30,044)	Net cash from / (used in) investing activities		1,679,049	(3,057,879)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
(2)	(48)	Payment of lease obligation		(186)	(4,919)
(2,417)	(2,417)	Dividend paid		(246,000)	(246,000)
(2,419)	(2,465)	Net cash used in financing activities		(246,186)	(250,919)
(1,105)	(1,542)	Decrease in cash and cash equivalents		(112,503)	(156,972)
3,872	5,508	Cash and cash equivalents at beginning of the period		394,085	560,645
2,767	3,966	Cash and cash equivalents at the end of the period	19	281,582	403,673

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 2015

	Issued, subscribed and paid up capital	Reserves		Unappropriated profit	Total
		Statutory reserve	General reserve		
(Rupees in '000)					
Balance as at 01 January 2014	6,150,000	634,461	11,630	488,112	7,284,203
<i>Total comprehensive income</i>					
Net profit after tax for the half year ended 30 June 2014	-	-	-	134,570	134,570
Other comprehensive income:	-	-	-	-	-
Total comprehensive income	-	-	-	134,570	134,570
<i>Transfers</i>					
Transfer to statutory reserve	-	26,914	-	(26,914)	-
<i>Transaction with owners recognised directly in equity</i>					
Dividend for the year ended 31 December 2013 (Re. 0.40 per share)	-	-	-	(246,000)	(246,000)
<b>Balance as at 30 June 2014</b>	<b>6,150,000</b>	<b>661,375</b>	<b>11,630</b>	<b>349,768</b>	<b>7,172,773</b>
Balance as at 01 January 2015	6,150,000	711,180	11,630	545,915	7,418,725
<i>Total comprehensive income</i>					
Net profit after tax for the half year ended 30 June 2015	-	-	-	450,498	450,498
Other comprehensive income:	-	-	-	-	-
Total comprehensive income	-	-	-	450,498	450,498
<i>Transfers</i>					
Transfer to statutory reserve	-	90,100	-	(90,100)	-
<i>Transaction with owners recognised directly in equity</i>					
Dividend for the year ended 31 December 2014 (Re. 0.40 per share)	-	-	-	(246,000)	(246,000)
<b>Balance as at 30 June 2015</b>	<b>6,150,000</b>	<b>801,280</b>	<b>11,630</b>	<b>660,313</b>	<b>7,623,223</b>

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

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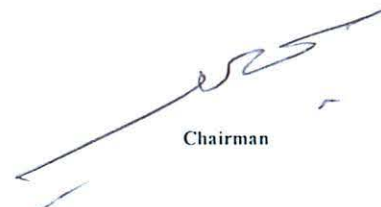
Chief Financial Officer



Managing Director  
and Chief Executive



Managing Director  
and Chief Executive



Chairman

# Pak Oman Investment Company Limited

## Notes to the Unconsolidated Condensed Interim Financial Information (Un-Audited)

For the half year ended 30 June 2015

### 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 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 2014.

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 Dollar at a rate of Rs. 101.7787 = US dollar 1 for the half year ended 30 June 2015 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, 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 2014. Standards which became effective during the period and related to financial statements of the Company are summarized as below:

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- IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IFRS 13 'Fair Value Measurements' became applicable from 1 January 2015, as notified by SECP.

IFRS 10 replaces the current guidance on consolidation in IAS 27 'Consolidated and Separate Financial Statements'. It introduces a single model of assessing control whereby an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. IFRS 10 also includes specific guidance on de facto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which influence the assessment of control. In accordance with the application of provisions of IFRS 10, the Company reassessed the control conclusion for its investees at 1 January 2015. As a consequence, the Company has changed its control conclusion in respect of its investment in the following subsidiaries which were previously accounted for as associates:

Pak Oman Microfinance Bank Limited  
 Pak Oman Advantage Fund  
 Pak Oman Advantage Islamic Income Fund  
 Pak Oman Islamic Asset Allocation fund  
 Pak Oman Advantage Asset Allocation Fund  
 Pak Oman Government Securities Fund

In accordance with the requirements of IAS 8 the above change has been accounted for as the change in accounting policy and comparatives have also been reclassified accordingly. As the subsidiaries and associates both are stated at cost less impairment, there is no impact on these financial statements.

- IFRS 11 replaces IAS 31 'Interests in Joint Ventures'. It requires all joint ventures to be equity accounted thereby removing the option in IAS 31 for proportionate consolidation. It also removes the IAS 31 concept of jointly controlled assets. The Company does not have any interest in Joint venture.
- IFRS 12 prescribes additional disclosures around significant judgments and assumptions made in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interests in unconsolidated structured entities. The Company will present the disclosures required by IFRS 12 in its financial statements for the year ending 31 December 2015.
- IFRS 13 'Fair Value Measurement', which consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 does not have a material impact on the financial statements of the Company.

## 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 2014.

## 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 2014.

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7. INVESTMENTS - net

Note	30 June 2015 (Un-Audited)			31 December 2014 (Audited)		
	Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
----- (Rupees in '000) -----						
<b>7.1 Investments by types</b>						
<b>Held-for-trading securities</b>						
	960,786	684,696	1,645,482	132,289	7,815	140,104
Pakistan investment bonds	846,797	-	846,797	514,762	-	514,762
Market treasury bills (T-Bills)	200,395	-	200,395	54,929	-	54,929
Listed ordinary shares	2,007,978	684,696	2,692,674	701,980	7,815	709,795
<b>Available-for-sale securities</b>						
	242,888	4,461,192	4,704,080	760,494	5,861,428	6,621,922
Pakistan investment bonds	528,005	-	528,005	608,691	-	608,691
Listed ordinary shares	121,333	226,000	347,333	131,333	226,000	357,333
Unlisted ordinary shares	1,023,940	-	1,023,940	1,158,039	-	1,158,039
Sukuk certificates	2,370,791	-	2,370,791	2,119,506	-	2,119,506
Term finance certificates (TFCs)	4,286,957	4,687,192	8,974,149	4,778,063	6,087,428	10,865,491
<b>Associates</b>						
Japan Power Generation Limited	51,921	70,726	122,647	51,921	70,726	122,647
<b>Subsidiaries</b>						
	398,300	-	398,300	168,300	-	168,300
Pak Oman Asset Management Company Limited	384,708	-	384,708	384,708	-	384,708
Pak Oman Microfinance Bank Limited	262,828	-	262,828	262,828	-	262,828
Pak Oman Advantage Fund	60,525	-	60,525	92,667	-	92,667
Pak Oman Advantage Islamic Income Fund	92,414	-	92,414	92,414	-	92,414
Pak Oman Islamic Asset Allocation Fund	84,078	-	84,078	84,078	-	84,078
Pak Oman Advantage Asset Allocation Fund	97,000	-	97,000	60,000	-	60,000
Pak Oman Government Securities Fund	1,379,853	-	1,379,853	1,144,995	-	1,144,995
<b>Investments at cost</b>	<b>7,726,709</b>	<b>5,442,614</b>	<b>13,169,323</b>	<b>6,676,959</b>	<b>6,165,969</b>	<b>12,842,928</b>
Less: Provision for diminution in the value of investments	1,008,910	59,271	1,068,181	1,066,719	59,271	1,125,990
<b>Investments - net of provisions</b>	<b>6,717,799</b>	<b>5,383,343</b>	<b>12,101,142</b>	<b>5,610,240</b>	<b>6,106,698</b>	<b>11,716,938</b>
(Loss) / gain on revaluation of held-for-trading securities	(1,957)	(16,753)	(18,710)	3,948	160	4,108
Surplus on revaluation of available-for-sale securities	91,948	449,219	541,167	16,384	442,091	458,475
<b>Total investments at carrying value</b>	<b>6,807,790</b>	<b>5,815,809</b>	<b>12,623,599</b>	<b>5,630,572</b>	<b>6,548,949</b>	<b>12,179,521</b>

7.2 In respect of term finance certificates and shares of Agritech Limited, the State Bank of Pakistan (SBP) vide their letter number BPRD/BRD-(Policy)/2014-11546 dated 27 June 2014 has provided further relaxation and advised to record provision and impairment on existing credit exposure and mark-to-market loss on shares in a phased manner upto 65%, 70%, 75%, 80%, 85%, 90% and 100% by 30 June 2014, 30 September 2014, 31 December 2014, 31 March 2015, 30 June 2015, 30 September 2015 and 31 December 2015 respectively calculated under Prudential Regulations. The Company has maintained 85% (31 December 2014: 75%) provision on credit exposure and 86.74% (31 December 2014: 86.90%) impairment on mark-to-market loss on shares in this unconsolidated condensed interim financial information.

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 name 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.

The Company has participated in the Pre-IPO of Term Finance Certificate of Soneri Bank Limited and Pak-Libya Holding Company (Private) Limited amounting to Rs. 300 million each. Subsequent to period end the said TFCs were transferred in the CDC account of the Company.

7.3 Subsequent to period end investment in Pak Oman Advantage Fund was realized due to completion of the life of the Fund.

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	(Un-Audited) 30 June 2015	(Audited) 31 December 2014
	----- (Rupees in '000) -----	
<b>8. ADVANCES - net</b>		
Loans in Pakistan	10,203,500	8,689,030
Net investment in finance lease in Pakistan	1,686,931	1,275,198
<b>Advances - gross</b>	<u>11,890,431</u>	<u>9,964,228</u>
Less: Provision for non-performing advances	(838,773)	(893,914)
<b>Advances - net of provision</b>	<u><u>11,051,658</u></u>	<u><u>9,070,314</u></u>

8.1 Advances include amount aggregating to Rs. 930.806 million (31 December 2014: Rs. 1,037.908 million), which have been placed under the non-performing status as detailed below:

Category of classification	30 June 2015 (Un-Audited)			Provision required	Provision held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Substandard	50,583	-	50,583	8,090	8,090
Doubtful	-	-	-	-	-
Loss	880,223	-	880,223	830,683	830,683
	<u>930,806</u>	<u>-</u>	<u>930,806</u>	<u>838,773</u>	<u>838,773</u>

Category of classification	31 December 2014 (Audited)			Provision required	Provision held
	Domestic	Overseas	Total		
	----- (Rupees in '000) -----				
Substandard	57,950	-	57,950	8,090	8,090
Doubtful	-	-	-	-	-
Loss	979,958	-	979,958	885,824	885,824
	<u>1,037,908</u>	<u>-</u>	<u>1,037,908</u>	<u>893,914</u>	<u>893,914</u>

8.2 In accordance with BSD Circular No. 2 dated 27 January 2009 issued by the SBP, the Company has availed the benefit of FSV against the non-performing advances and term finance certificates. As of 30 June 2015, the Company has availed total accumulated FSV benefit amounting to Rs. 186.131 million (net of tax Rs. 128.431 million). Accordingly, accumulated profit of Rs. 128.431 million (net of transfer to statutory reserves Rs. 102.744 million) will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the Company as required by the aforementioned SBP directives.

(amw)

9. OPERATING FIXED ASSETS

(Un-Audited)  
 Half year ended  
 30 June 2015      30 June 2014  
 ----- (Rupees in '000) -----

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

**Owned**

Office equipment	66	681
Computer equipment	1,156	1,064
Furniture and fixture	300	100
Vehicles	7,947	19,764
Intangibles	-	244
Capital work in progress	6,027	1,264
	<u>15,496</u>	<u>23,117</u>

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

**Owned**

Office equipment	138	-
Vehicles	134	-
	<u>272</u>	<u>-</u>

10. DEFERRED TAX ASSETS - net

(Un-Audited)      (Audited)  
 30 June 2015      31 December 2014  
 ----- (Rupees in '000) -----

**Deferred tax assets arising in respect of:**

Provision for diminution in the value of investments	269,802	311,670
Amortisation of premium on federal government securities	2,478	573
Assets subject to finance leases	58	70
Accelerated tax depreciation allowances	1,026	(21)
Revaluation on investments classified as held-for-trading	5,505	(1,394)
Provision against non-performing loans and advances	260,020	312,870
	538,889	623,768

**Less: Deferred tax liabilities arising in respect of:**

Revaluation on investments classified as available-for-sale	(148,489)	(165,029)
Dividend receivable	(31)	(2,312)
Net investment in finance leases	(51,432)	(76,399)
	(199,952)	(243,740)
	<u>338,937</u>	<u>380,028</u>

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		(Un-Audited) 30 June 2015	(Audited) 31 December 2014
----- (Rupees in '000) -----			
<b>11</b>	<b>BORROWINGS</b>		
	<b>Secured</b>		
	Borrowings from the State Bank of Pakistan:		
	- Long term financing for export oriented projects (LTF - EOP)	11.1 3,093	14,904
	- Long term financing facility (LTFF)	11.1 403,946	777,096
	- Financing facility for storage of agricultural produce (FFSAP)	11.1 11,703	13,375
	Repurchase agreement borrowings	11.2 8,524,061	5,979,208
	Long term borrowings	11.3 1,366,667	516,667
	Short-term borrowings		-
	Short term running finance	11.4 108,373	112,980
		<b>10,417,843</b>	<b>7,414,230</b>
	<b>Unsecured</b>		
	Placements	11.5 1,363,000	1,454,500
	Murabaha financing	11.6 700,000	-
		<b>12,480,843</b>	<b>8,868,730</b>

- 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 5 to 10.10 percent per annum (2014: 5 to 10.10 percent per annum). These are repayable within 7 years (2014: 6 years).
- 11.2** The rate of return on these repurchase agreement borrowings, maturing in July 2015 (2014: January 2015), ranges between 6.61 to 7 (2014: 9.5 to 10.30) percent per annum. Securities having cost of Rs 7,988.575 million (2014: Rs 5,969.243 million) have been pledged against these borrowings.
- 11.3** The rate of return on these long-term borrowings ranges from 7.09 to 8.44 (2014: 9.98 to 10.44) percent per annum. The above facilities are secured against advances receivable.
- 11.4** The rate of return on these short-term running finance facilities is three month KIBOR + 0.25% (2015: three month KIBOR + 0.25%). The above facility are secured against loan and advances receivable.
- 11.5** The rates of return on these placements, maturing in July 2015 to August 2015 (2014: January to April 2015) ranges between 6.50 to 8.30 (2014: 9.50 to 10.15) percent per annum.
- 11.6** The rates of return on these murabaha financing, maturing in July 2015 to October 2015 ranges between 6.90 to 8 percent per annum.

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	(Un-Audited) 30 June 2015	(Audited) 31 December 2014
	----- (Rupees in '000) -----	
<b>12. DEPOSITS AND OTHER ACCOUNTS</b>		
Certificate of investments - remunerative (in local currency)		
Financial institutions	1,627,926	2,888,748
Others	4,397,344	3,407,238
	<u>6,025,270</u>	<u>6,295,986</u>

12.1 The rate of return on deposits maturing between July 2015 to May 2017 (2014: January 2015 to July 2014) is 6.5 to 12 (2014: 9 to 12) percent per annum.

### 13. SHARE CAPITAL

#### 13.1 Authorized capital

	(Un-Audited) 30 June 2015	(Audited) 31 December 2014		(Un-Audited) 30 June 2015	(Audited) 31 December 2014
	----- (Number of shares) -----			----- (Rupees in '000) -----	
	<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 (2014: 307,495,900) ordinary shares of the Company, while 4,100 (2014: 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	465,504	491,538
Shares - listed	83,015	(13,036)
Term Finance Certificates		
- Listed	(3,488)	(30,734)
- Unlisted	11,644	10,669
	8,156	(20,065)
Sukuk certificates	(15,508)	38
	541,167	458,475
Deferred tax recognized	(148,489)	(165,029)
	<u>392,678</u>	<u>293,446</u>

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	(Un-audited) 30 June 2015	(Audited) 31 December 2014
15. CONTINGENCIES AND COMMITMENTS	----- (Rupees in '000) -----	
Transaction related contingent liability:		
- Guarantees	-	10,000
Underwriting commitments	99,750	-
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	-	823,733
Sale of Government Securities	-	379,203
Commitments for loans and advances and net investment in finance leases	1,565,615	1,684,585

15.1 Shares in Japan Power Generation Limited (an associate) aggregating 17,622,878 (31 December 2014: 17,622,878) having a cost of Rs. 70.726 million (31 December 2014: 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 2014 : 22,600,000) having a cost of Rs.226 million (31 December 2014: 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, 2005, 2008, 2009, 2010, 2011, 2012 and 2013, 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. Management estimates that sufficient provisions have been made and no further provision is required.

## 16. TAXATION - PRIOR

Finance Act, 2015 imposed super tax at 3% on the taxable income for the tax year 2015 for rehabilitation of temporarily displaced persons.

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

	Quarter ended		Half year ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Profit after taxation (Rupees in '000)	<u>155,317</u>	<u>46,914</u>	<u>450,498</u>	<u>134,570</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>0.25</u>	<u>0.08</u>	<u>0.73</u>	<u>0.22</u>

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**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 2015 (Un-Audited)				
Total income	10,261	1,084,508	545,689	1,640,458
Total expense	33,206	483,987	346,951	864,144
Net income	<u>(22,945)</u>	<u>600,521</u>	<u>198,738</u>	<u>776,314</u>

Half year ended 30 June  
2015 (Un-Audited)

Segment assets	-	15,623,787	11,446,273	27,070,060
Segment liabilities	-	10,704,453	8,349,706	19,054,159
Segment non performing loans	-	-	930,806	930,806
Investments provided for	-	1,648,509	-	1,648,509
Segment provision required	-	1,068,181	838,773	1,906,954
Segment return on net assets (%)	-	24.41%	12.84%	-
Segment return on assets (ROA) %	-	7.69%	3.47%	-
Segment cost of funds (%)	-	6.13%	6.28%	-

Half year ended 30 June  
2014 (Un-Audited)

Total income	1,150	664,614	423,978	1,089,742
Total expense	27,550	525,751	303,674	856,975
Net income	<u>(26,400)</u>	<u>138,863</u>	<u>120,304</u>	<u>232,767</u>

Half year ended 30 June  
2014 (Un-Audited)

Segment assets	-	15,447,050	7,985,039	23,432,089
Segment liabilities	-	10,129,446	6,263,069	16,392,515
Segment non performing loans	-	-	1,031,347	1,031,347
Investments provided for	-	1,329,422	-	1,329,422
Segment provision required	-	973,019	920,321	1,893,340
Segment return on net assets (%)	-	5.22%	13.97%	-
Segment return on assets (ROA) %	-	1.80%	3.01%	-
Segment cost of funds (%)	-	6.43%	6.71%	-

(Un-Audited)

Half year ended

30 June                  30 June  
2015                                  2014

----- (Rupees in '000) -----

**19. CASH AND CASH EQUIVALENTS**

Cash and balances with treasury banks	115,493	99,064
Balances with other banks	166,089	104,609
Placements	-	200,000
	<u>281,582</u>	<u>403,673</u>

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## **20. RELATED PARTY TRANSACTIONS**

20.1 The Company has related party relationship with its associates, subsidiaries, employee benefit plans and its key management personnel (including their associates). The details of investments in subsidiaries 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:

### **Subsidiaries**

- Pak Oman Asset Management Company Limited
- Pak Oman Microfinance Bank Limited
- Pak Oman Advantage Fund
- Pak Oman Advantage Islamic Income Fund
- Pak Oman Islamic Asset Allocation Fund
- Pak Oman Advantage Asset Allocation Fund
- Pak Oman Government Securities Fund

### **Associates**

- Japan Power Generation Limited

### **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	(Un-Audited) 30 June 2015			(Audited) 31 December 2014				
	As at 1 January 2015	Given during the period	Repaid during the period	As at 30 June 2015	As at 1 January 2014	Given during the year	Repaid during the year	As at 31 December 2014
	----- (Rupees in '000) -----							
<b>Investments</b>								
Subsidiaries	1,144,995	267,000	(32,142)	1,379,853	1,001,495	143,500	-	1,144,995
Associates	122,647	-	-	122,647	122,647	-	-	122,647
Other related parties	226,000	-	-	226,000	226,000	-	-	226,000
	<u>1,493,642</u>	<u>267,000</u>	<u>(32,142)</u>	<u>1,728,500</u>	<u>1,350,142</u>	<u>143,500</u>	<u>-</u>	<u>1,493,642</u>
<b>Advances</b>								
Associates	68,200	-	-	68,200	68,200	-	-	68,200
Key management personnel	49,859	16,972	(7,800)	59,031	63,303	5,246	(18,690)	49,859
Other related parties	210,454	-	(13,559)	196,895	235,078	-	(24,624)	210,454
	<u>328,513</u>	<u>16,972</u>	<u>(21,359)</u>	<u>324,126</u>	<u>366,581</u>	<u>5,246</u>	<u>(43,314)</u>	<u>328,513</u>
<b>Deposits</b>								
Subsidiaries	732,747	47,000	(211,822)	567,925	575,747	1,530,568	(1,373,568)	732,747
Key management personnel	4,988	11,441	(11,998)	4,431	11,311	39,469	(45,792)	4,988
Retirement benefit funds	-	31,197	(13,807)	17,390	10,018	5,898	(15,916)	-
	<u>737,735</u>	<u>89,638</u>	<u>(237,627)</u>	<u>589,746</u>	<u>597,076</u>	<u>1,575,935</u>	<u>(1,435,276)</u>	<u>737,735</u>
							(Un-Audited) 30 June 2015	(Audited) 31 December 2014
							----- (Rupees in '000) -----	
<b>Dividend receivable from</b>								
Other related party							-	22,600
<b>Other payable</b>								
Gratuity fund							1,053	4,817
							(Un-Audited)	(Audited)
							Half year ended	Half year ended
							30 June	30 June
							2015	2014
							----- (Rupees in '000) -----	
<b>Mark-up income</b>								
Key Management personnel							1,278	1,377
Other related parties							12,917	14,757
<b>Dividend income</b>								
Subsidiary							27,109	30,844
Other related party							-	-
<b>Mark-up expense on Deposits</b>								
Subsidiaries							31,187	26,758
Key management personnel							299	556
Retirement benefit funds							402	335
<b>Expenses for the period</b>								
Remuneration to key management personnel							77,239	63,450
Non-executive director's fee / remuneration							7,273	6,848
Charge for defined contribution plan							7,130	6,122
Charge for defined benefit plan							6,316	5,546
<b>Outright purchase of Government Securities</b>								
Retirement benefit funds							147,724	-
<b>Outright sale of Government Securities</b>								
Retirement benefit funds							170,789	102,889
<b>Capital gain on Government Securities</b>								
Retirement benefit funds							66	13
<b>Capital gain on Mutual funds</b>								
Subsidiaries							4,858	-

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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**

Figures have been rounded off to the nearest rupee in thousand unless otherwise stated.

23. **DATE OF AUTHORISATION FOR ISSUE**

This unconsolidated condensed interim financial information was authorised on September 01, 2015 by the Board of Directors.

*Wmsh*

  
Chief Financial Officer

  
Managing Director  
and Chief Executive

  
Managing Director  
and Chief Executive

  
Chairman