

PAK-OMAN INVESTMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2010

Unaudited September 30, 2010 (US \$ in '000)	Audited December 31, 2009		Unaudited September 30, 2010 (Rupees in '000)	Audited December 31, 2009
ASSETS				
748	860	Cash and balances with treasury banks	64,318	73,968
230	6,865	Balances with other banks	19,777	590,362
30,105	33,104	Lendings to financial institutions	2,589,011	2,846,936
112,167	125,291	Investments	9,646,389	10,775,046
69,488	64,118	Advances	5,975,947	5,514,114
773	727	Operating fixed assets	66,482	62,538
3,990	3,642	Deferred taxation	343,107	313,222
4,896	4,519	Other assets	421,071	388,553
222,397	239,126		19,126,102	20,564,739
LIABILITIES				
-	-	Bills payable	-	-
77,318	103,431	Borrowings from financial institutions	6,649,317	8,895,096
59,677	53,048	Deposits and other accounts	5,132,203	4,562,089
-	-	Sub-ordinated loans	-	-
186	165	Liabilities against assets subject to finance lease	15,964	14,168
-	-	Deferred taxation	-	-
9,157	7,796	Other liabilities	787,547	670,485
146,338	164,440		12,585,031	14,141,838
76,059	74,686	NET ASSETS	6,541,071	6,422,901
REPRESENTED BY				
71,512	71,512	Share capital	6,150,000	6,150,000
5,548	4,825	Reserves	477,124	414,920
2,044	-	Unappropriated profit	175,818	-
79,104	76,337		6,802,942	6,564,920
(3,045)	(1,651)	Deficit on revaluation of securities - net of tax	(261,871)	(142,019)
76,059	74,686		6,541,071	6,422,901
		Contingencies and commitments		8

The annexed notes from 1 to 14 form an integral part of this condensed interim financial report.

Chief Financial Officer

Managing Director
and Chief Executive

Managing Director
and Chief Executive

Chairman

PAK-OMAN INVESTMENT COMPANY LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

Nine months ended			Quarter ended		Nine months ended	
September 30, 2010	September 30, 2009		September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
(US \$ in '000)			(Rupees in '000)			
19,623	20,040	Mark-up/return/interest earned	546,709	609,142	1,687,546	1,723,432
13,202	14,253	Mark-up/return/interest expensed	354,898	454,031	1,135,334	1,225,784
6,421	5,787	Net mark-up/ interest income	191,811	155,111	552,212	497,648
1,184	5,953	Provision against non -performing loans and advances	17,436	63,130	101,837	511,961
454	403	Provision for diminution in the value of investments	16,682	-	39,046	34,700
-	-	Bad debts written off directly	-	-	-	-
1,638	6,356		34,118	63,130	140,883	546,661
4,783	(569)	Net mark-up/ interest income after provisions	157,693	91,981	411,329	(49,013)
NON MARK-UP/INTEREST INCOME						
209	137	Fee, commission and brokerage income	7,973	2,698	17,961	11,816
752	814	Dividend income	50,322	44,620	64,669	70,042
(189)	656	(Loss) / income from trading in Government securities	(11,053)	13,582	(16,264)	56,425
-	-	Income from dealing in foreign currencies	-	-	-	-
724	(1,520)	Income / (loss) from trading in listed and other securities	3,263	19,520	62,270	(130,703)
-	(3,292)	Provision for impairment in the value of investments	-	(35,386)	-	(283,132)
(71)	(201)	Unrealised (deficit) / surplus on revaluation of investments classified as 'held-for-trading' securities	5,843	(42,335)	(6,141)	(17,322)
26	-	Other income	8	-	2,273	-
1,451	(3,406)	Total non -mark up/interest income	56,356	2,699	124,768	(292,874)
6,234	(3,975)		214,049	94,680	536,097	(341,887)
NON MARK-UP/INTEREST EXPENSES						
2,157	2,145	Administrative expenses	64,312	53,024	185,530	184,496
-	-	Other provisions/write offs	-	-	-	-
74	107	Other charges	1,734	2,524	6,352	9,162
2,231	2,252	Total non-mark up/interest expenses	66,046	55,548	191,882	193,658
4,003	(6,227)		148,003	39,132	344,215	(535,545)
-	-	Extra ordinary /unusual items	-	-	-	-
4,003	(6,227)	PROFIT / (LOSS) BEFORE TAXATION	148,003	39,132	344,215	(535,545)
1,597	1,839	Taxation - current	35,148	49,216	137,345	158,176
-	-	- prior	-	-	-	-
(362)	(2,302)	- deferred	8,442	(34,952)	(31,152)	(197,967)
1,235	(463)		43,590	14,264	106,193	(39,791)
2,768	(5,764)	PROFIT / (LOSS) AFTER TAXATION	104,413	24,868	238,022	(495,754)
<u>US \$ 0.0045</u>	<u>US \$ -0.0094</u>	Basic and diluted earning / (loss) per share (Rs per share)	<u>0.17</u>	<u>0.04</u>	<u>0.39</u>	<u>(0.81)</u>

The annexed notes from 1 to 14 form an integral part of this condensed interim financial report.

Chief Financial Officer

Managing Director
and Chief Executive

Managing Director
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Chairman

PAK-OMAN INVESTMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

Nine months ended			Quarter ended		Nine months ended	
September 30, 2010	September 30, 2009		September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
US \$ in '000			Rupees in '000			
2,768	(5,764)	PROFIT / (LOSS) AFTER TAXATION	104,413	24,868	238,022	(495,754)
(1,379)	7,435	Surplus / (deficit) net on revaluation of securities	(134,764)	182,645	(118,585)	639,434
(15)	(199)	Deferred tax assets / (liability) on Government Securities	771	(1,009)	(1,267)	(17,123)
(1,394)	7,236	Other comprehensive income for the period net of tax not transferred to equity	(133,993)	181,636	(119,852)	622,311
1,374	1,472	Total comprehensive income / (loss) for the period	(29,580)	206,504	118,170	126,557

Surplus / Deficit arising on revaluation of 'available-for-sale' securities is required to be shown separately below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirement specified by the State Bank of Pakistan. Accordingly, it has not been reflected in the statement of changes in equity.

The annexed notes from 1 to 14 form an integral part of this condensed interim financial report.

Chief Financial Officer

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PAK-OMAN INVESTMENT COMPANY LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

Nine months ended			Nine months ended	
September 30, 2010	September 30, 2009		September 30, 2010	September 30, 2009
(US \$ in '000)			(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES				
4,003	(6,227)	Profit / (loss) before taxation	344,215	(535,545)
752	814	Less: Dividend income	64,669	70,042
3,251	(7,041)		279,546	(605,587)
Adjustments for non-cash charges				
128	125	Depreciation	11,047	10,783
14	6	Amortisation of intangible assets	1,237	556
71	201	Unrealised deficit on revaluation of investments classified as 'held-for-trading'	6,141	17,322
(26)	18	(Gain) / loss on sale of fixed assets	(2,273)	1,538
1,184	5,953	Provision against non-performing loans and advances	101,837	511,961
454	403	Provision for diminution in the value of investments	39,046	34,700
-	3,292	Provision for impairment in the value of investments	-	283,132
(19,623)	(20,040)	Financial income	(1,687,546)	(1,723,432)
13,202	14,253	Financial charges	1,135,334	1,225,784
(4,596)	4,211		(395,177)	362,344
(1,345)	(2,830)		(115,631)	(243,243)
(Increase) / decrease in operating assets				
2,999	(6,067)	Lendings to financial institutions	257,925	(521,788)
-	-	Balances with other banks	-	-
17,384	(66,725)	Held-for-trading securities	1,495,002	(5,738,312)
(6,554)	(2,245)	Advances	(563,670)	(193,027)
188	3,429	Other assets	16,136	294,810
14,017	(71,608)		1,205,393	(6,158,317)
Increase / (decrease) in operating liabilities				
-	-	Bills payable	-	-
(26,114)	51,651	Borrowings from financial institutions	(2,245,779)	4,441,984
6,629	11,534	Deposits and other accounts	570,114	991,945
21	(8)	Liabilities against assets subject to finance lease	1,796	(726)
102	378	Other liabilities	8,785	32,366
(19,362)	63,555		(1,665,084)	5,465,569
(6,690)	(10,883)		(575,322)	(935,991)
19,406	19,339	Financial income received	1,668,950	1,663,156
(12,406)	(13,890)	Financial charges paid	(1,066,956)	(1,194,548)
(1,133)	(634)	Income tax paid	(97,446)	(54,512)
(823)	(6,068)	Net cash (outflow) from operating activities	(70,774)	(521,895)
CASH FLOW FROM INVESTING ACTIVITIES				
(6,164)	3,026	Net Investments	(530,117)	260,269
402	480	Dividend received	34,611	41,276
(215)	(138)	Investments in operating fixed assets	(18,499)	(11,825)
53	34	Sale proceeds of property and equipment disposed-off	4,544	2,922
(5,924)	3,402	Net cash (outflow) / inflow from investing activities	(509,461)	292,642
CASH FLOW FROM FINANCING ACTIVITIES				
-	-	Dividend paid	-	-
-	-	Net cash inflow / (outflow) from financing activities	-	-
(6,747)	(2,666)	(Decrease) in cash and cash equivalents	(580,235)	(229,253)
7,725	7,641	Cash and cash equivalents as at beginning of the period	664,330	657,108
978	4,975	Cash and cash equivalents at the end of the period	84,095	427,855

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Chief Financial Officer

Managing Director
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PAK-OMAN INVESTMENT COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	Issued, subscribed and paid up capital	Reserves			Unappropriated profit / (Loss)	Total
		Statutory reserve	General reserve	Contingencies reserve		
-----Rupees in '000-----						
Balance as at January 1, 2009	6,150,000	348,483	575,755	93,013	5,162	7,172,413
Net loss after tax for the nine months ended September 30, 2009	-	-	-	-	(495,754)	(495,754)
Transfer to general reserve	-	-	5,162	-	(5,162)	-
Transfer from general reserve	-	-	(27,419)	-	27,419	-
Transfer to contingencies reserve - relating to year ended December 31, 2008	-	-	-	27,419	(27,419)	-
Balance as at September 30, 2009	6,150,000	348,483	553,498	120,432	(495,754)	6,676,659
Net loss after tax for the quarter ended ended December 31, 2009	-	-	-	-	(111,739)	(111,739)
Transfer from general reserve	-	-	(487,061)	-	487,061	-
Transfer from contingencies reserve	-	-	-	(120,432)	120,432	-
Balance as at December 31, 2009	6,150,000	348,483	66,437	-	-	6,564,920
Net profit after tax for the nine months ended September 30, 2010	-	-	-	-	238,022	238,022
Transfer to statutory reserve	-	47,604	-	-	(47,604)	-
Transfer to contingencies reserve - relating to six months ended June 30, 2010	-	-	-	14,600	(14,600)	-
Balance as at September 30, 2010	6,150,000	396,087	66,437	14,600	175,818	6,802,942

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Chief Financial Officer

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Managing Director
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PAK-OMAN INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

1 LEGAL STATUS AND NATURE OF BUSINESS

Pak Oman Investment Company Limited was incorporated as a private limited company on July 23, 2001. Subsequently, on March 17, 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 interalia include promotion of the economic growth of Pakistan and Oman through industrial development and agro-based industries on commercial basis and to carry on the business of finance and / or investment bank. The registered office of the company is situated at 1st Floor, Tower A, Finance and Trade Centre, Shahrah-e-Faisal, Karachi. 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 October 28, 2003 issued by State Bank of Pakistan (SBP).

2 STATEMENT OF COMPLIANCE

This condensed interim financial report of the company for the nine months ended September 30, 2010 has been prepared in accordance with the requirements of the International Accounting Standard 34 – Interim Financial Reporting, requirements of the Companies Ordinance, 1984 (the Ordinance) and provisions of and directives issued by the State Bank of Pakistan (SBP). In case requirements differ, the requirements of the Ordinance or of SBP have been followed.

The financial report has been prepared on the format of the accounts and mode of disclosures prescribed by SBP through its BSD Circular letter No. 02 dated May 12, 2004.

The US dollar amounts shown in the condensed interim statement of financial position, condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement are stated solely for information purposes. For this purpose the amounts in Pakistan rupees have been converted at a rate of Rs. 86 = US dollar 1 for the nine months ended September 30, 2010 and the corresponding period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial report are the same as those applied in the preparation of the financial statements for the year ended December 31, 2009.

4 INVESTMENTS

	Held by the company	Given as collateral	Total
	----- Rupees in '000 -----		
Balance as at September 30, 2010 (un-audited)	6,984,947	2,661,442	9,646,389
Balance as at December 31, 2009 (audited)	7,091,055	3,683,991	10,775,046
Balance as at September 30, 2009 (un-audited)	7,346,452	5,432,349	12,778,801

PAK-OMAN INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

4.1 Investments by types	Held by the company	Given as collateral	Total
	----- Rupees in '000 -----		
Held-for-trading securities	675,650	1,382,590	2,058,240
Available for sale securities	5,649,628	1,293,106	6,942,734
Held-to-maturity securities	262,664	-	262,664
Associates	835,016	70,726	905,742
Subsidiary	168,300	-	168,300
	<u>7,591,258</u>	<u>2,746,422</u>	<u>10,337,680</u>
Less: Provision for diminution in value of investments	(255,143)	(46,759)	(301,902)
Provision for impairment in the value of investments	(108,558)	-	(108,558)
	<u>7,227,557</u>	<u>2,699,663</u>	<u>9,927,220</u>
 (Deficit) on revaluation of 'available for sale' securities	 (237,987)	 (34,751)	 (272,738)
 (Deficit) on revaluation of 'held for trading' securities	 (4,623)	 (3,470)	 (8,093)
Balance as at September 30, 2010 (un-audited)	<u>6,984,947</u>	<u>2,661,442</u>	<u>9,646,389</u>

5. ADVANCES	Un-audited September 30, 2010	Audited December 31, 2009
	----- Rupees in '000 -----	
Loans in Pakistan	5,733,900	5,139,791
Net investment in finance lease in Pakistan	1,269,899	1,300,338
	<u>7,003,799</u>	<u>6,440,129</u>
Less: Provision for non-performing advances	(1,027,852)	(926,015)
	<u>5,975,947</u>	<u>5,514,114</u>

5.1 Advances include amount aggregating Rs. 1,275.189 million (December 31, 2009: Rs. 1,142.507 million), which have been placed under the non-performing status as detailed below:

	Domestic	Overseas	Total	Provision required	Provision held
	----- Rupees in '000 -----				
Substandard	50,368	-	50,368	11,599	11,599
Doubtful	160,556	-	160,556	80,278	80,278
Loss	1,064,265	-	1,064,265	935,975	935,975
	<u>1,275,189</u>	<u>-</u>	<u>1,275,189</u>	<u>1,027,852</u>	<u>1,027,852</u>

5.2 Movements in provision is analysed as follows:

	Rs. in '000
Nine months ended September 30, 2009	
Opening balance	333,971
Charge for the period	520,738
(Reversal) for the period	(8,777)
Closing balance	<u>845,932</u>
Nine months ended September 30, 2010	
Opening balance	926,015
Charge for the period	122,939
(Reversal) for the period	(21,102)
Closing balance	<u>1,027,852</u>

PAK-OMAN INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

6 OPERATING FIXED ASSETS	Un-audited	Un-audited
	Nine months ended	
	September 30,2010	September 30,2009
	----- Rupees in '000 -----	
Additions – cost	18,499	11,825
Disposals – cost	8,952	11,471
- Net book value	2,271	4,460

7 SHARE CAPITAL

7.1 Authorized share capital

	Un-audited	Audited	Un-audited	Audited
	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
	No. of shares in '000		----- Rupees in '000 -----	
Ordinary shares of Rs. 10 each	1,000,000	1,000,000	10,000,000	10,000,000

7.2 Issued, subscribed and paid - up capital

	Un-audited	Audited	Un-audited	Audited
	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
	No. of shares in '000		----- Rupees in '000 -----	
	615,000	615,000	6,150,000	6,150,000

7.3 The Ministry of Finance on behalf of the Government of Pakistan and the Ministry of Finance on behalf of the Government of the Sultanate of Oman each held 307,495,900 (December 31, 2009: 307,495,900) ordinary shares of the company. 4,100 (December 31, 2009: 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.

8 CONTINGENCIES AND COMMITMENTS	Un-audited	Audited
	September 30, 2010	December 31, 2009
	----- Rupees in '000 -----	

Transaction related contingent liability:		
- guarantees	11,301	24,301
- import letter of credits	13,730	168,590
Pledge of shares on behalf of associated company - note 8.1	70,726	70,726
Commitments for:		
- purchase of government securities	141,131	477,710
- sale of government securities	232,063	477,710
- purchase of term finance certificates	-	30,627
- sale of term finance certificates	-	102,089
- repurchase agreement borrowing	756,652	67,000
Commitments for loans and advances and net investment in finance leases	394,490	193,910

8.1 Shares in Japan Power Generation Limited (an associate) aggregating 17,622,878 (December 31, 2009: 17,622,878) having a cost of Rs. 70.726 million (December 31, 2009: Rs. 70.726 million) have been pledged as security on behalf of that associated company against a syndicate finance facility obtained by it.

PAK-OMAN INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

9. BASIC AND DILUTED EARNING / (LOSS) PER SHARE

	Nine months ended September 30,	
	2010	2009
	----- Rupees in '000 -----	
Profit / (loss) after taxation	<u>238,022</u>	<u>(495,754)</u>
	Quarter ended September 30,	
	2010	2009
	----- Rupees in '000 -----	
Profit after taxation	<u>104,413</u>	<u>24,868</u>
	Numbers in thousand	
Weighted average number of ordinary shares	<u>615,000</u>	<u>615,000</u>
	Rupee	
Basic and diluted earning/(loss) per share for the nine months ended September 30, 2010/09	<u>0.39</u>	<u>(0.81)</u>
Basic and diluted earning per share for the quarter ended September 30, 2010/09	<u>0.17</u>	<u>0.04</u>

10. RELATED PARTY TRANSACTIONS

Subsidiary Company

-Pak Oman Asset Management Company Limited

Associates

-Pak Oman Microfinance Bank Limited
 -Japan Power Generation Limited
 -Pak Oman Advantage Fund
 -Pak Oman Advantage Islamic Income Fund
 -Pak Oman Advantage Islamic Fund
 -Pak Oman Advantage Stock Fund

Other related party

Orient Power Company (Pvt) Limited

Key management Personnel

-All heads of departments
 -Directors

PAK-OMAN INVESTMENT COMPANY LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

11. 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.

12. POST BALANCE SHEET EVENTS

The board of directors have proposed a transfer to contingency reserve of Rs. 7.453 million for the quarter ended September 30, 2010 at their meeting held on November 23, 2010. These financial statements do not recognise the appropriation to contingency reserve as a deduction from unappropriated profit as it has been proposed subsequent to statement of financial position date.

13. GENERAL

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

14. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial report were authorised on November 23, 2010 by the board of directors.

Chief Financial Officer

**Managing Director
and Chief Executive**

**Managing Director
and Chief Executive**

Chairman