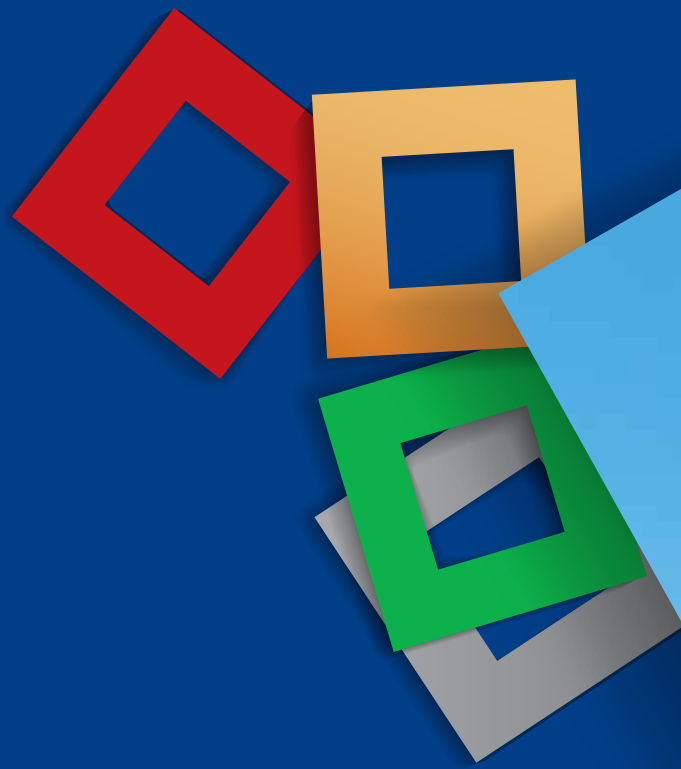


annual report 2014



PAK OMAN INVESTMENT
COMPANY LIMITED



broad perspective

*Always keeping the big picture
in view*

Pak Oman Investment Company Limited

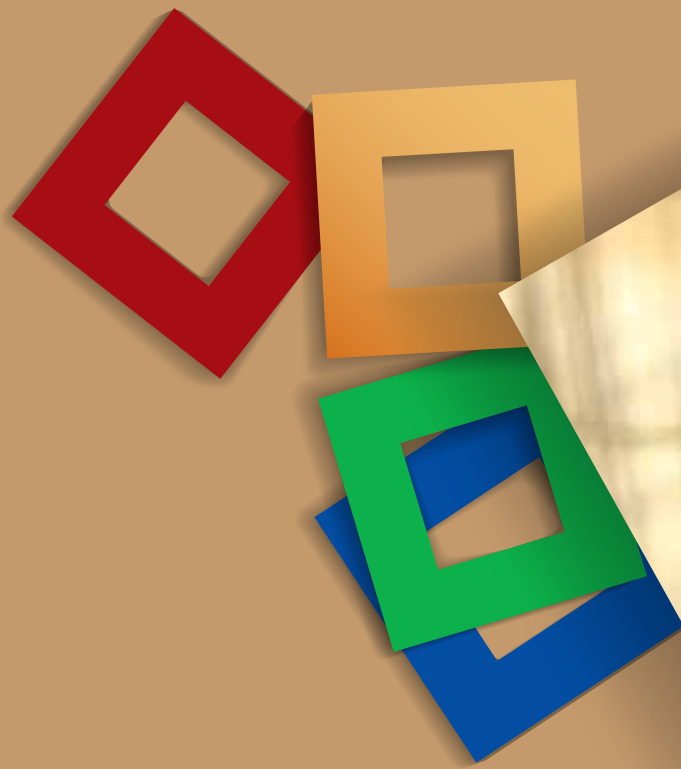




exploring enhances knowledge

*Knowledge enhancement through
continuous exploration*





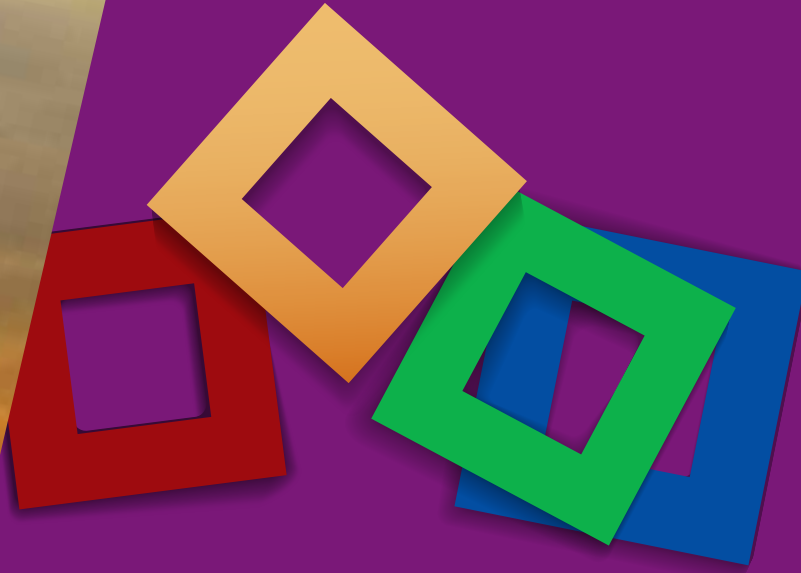
stewardship at the stern

*A Competent Board and a
Professional Management Team*

Pak Oman Investment Company Limited







company profile

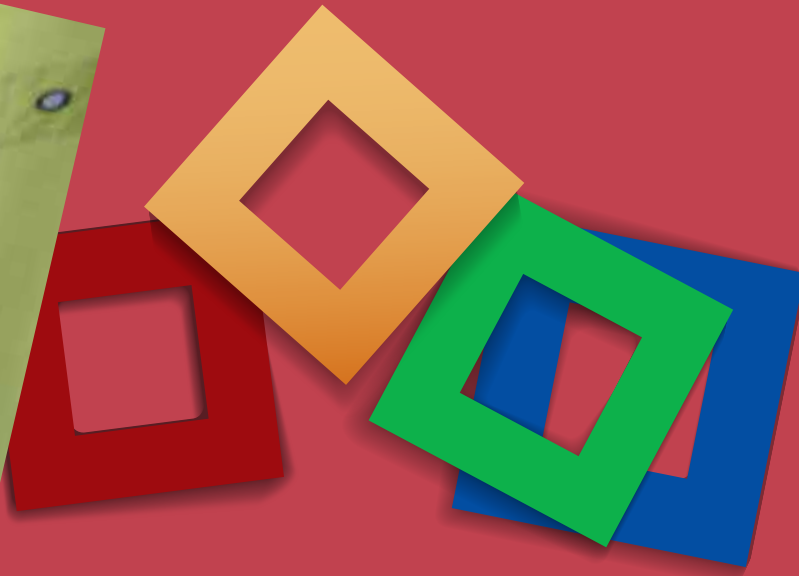
Pak Oman Investment Company Limited is a specialized financial institution formed as a joint venture between the Governments of Pakistan and the Sultanate of Oman.

There is equal participation by each sovereign sponsor of Rs. 3.075 billion making together a total equity of Rs. 6.15 billion.

A professional and independent Board is formed having equal representation of both sponsors.

Pak Oman's corporate culture has been cultivated to accommodate the best practices, the best people and a focused vision.





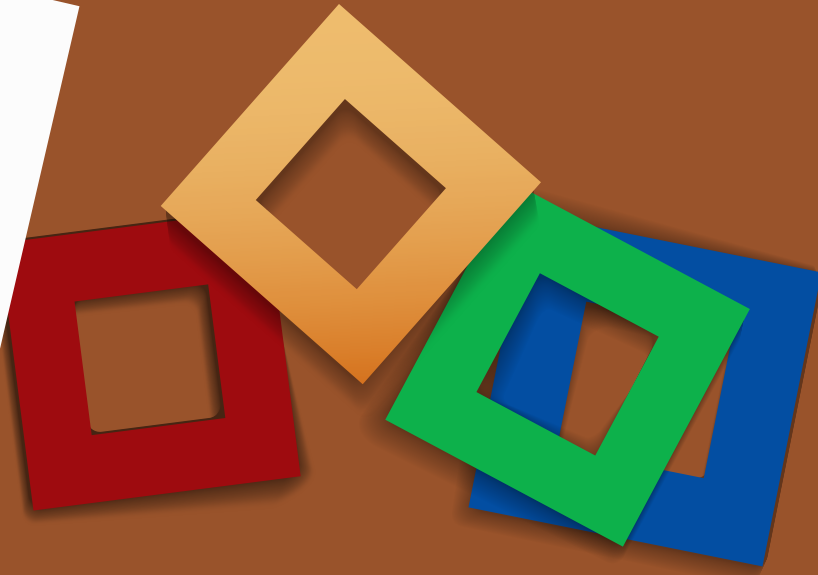
vision

To make a tangible contribution to economic development in both sponsoring countries by supporting the Industrial, Agricultural and Service Sectors.

mission

Pak Oman will endeavour to provide cutting edge financial solutions to meet the requirements of its target customer base, with emphasis on customer satisfaction. Our focus will remain on supporting economic development in both sponsoring countries and on maximizing returns to all stakeholders. We will aim to be the employer of choice.





strategic objectives

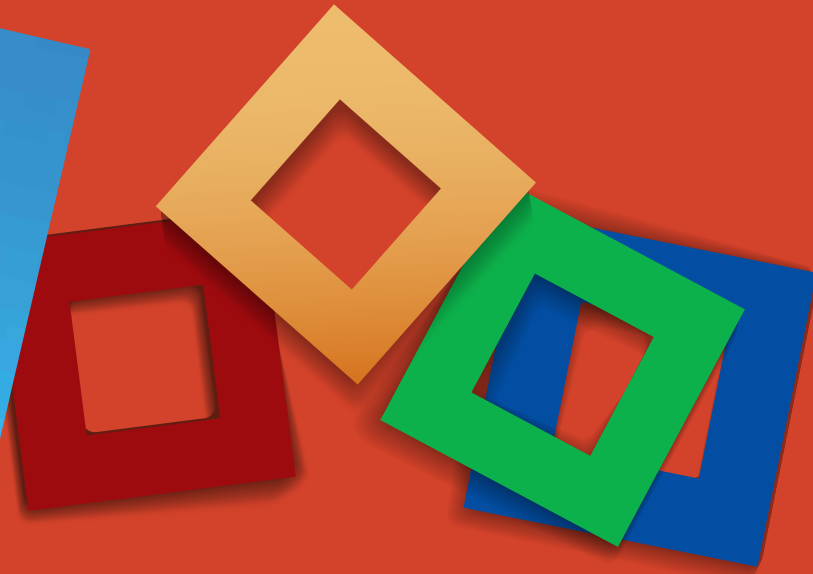
Pak Oman Investment Company Limited's core objectives include:

Promoting and Developing a two way business flow between Pakistan and the Middle East with special emphasis on the Sultanate of Oman

Facilitating Omani investment into Pakistan and Pakistani investment into Oman

Undertaking financially viable projects that meet socio- economic development goals





core values

All activities and decisions, at Pak Oman Investment Company Limited are based on, and guided by, the following values:

Placing the interests of clients and customers first

Continuous quest for quality in all aspects of operations

Respectful and dignified intra-personal relations

High ethical and moral standards

Teamwork - from the smallest unit to the enterprise as a whole

Strong civic sense and responsibility to the community





code of ethics / business practices

Pak Oman Investment Company Limited operates on the basis of honesty, integrity and fair play. All employees are strictly directed to adhere to the Company's Code of Business Practices and ensure that at all dealings be open and transparent. Management and employees are pledged to:

- ▶ Be an ethical role model
- ▶ Treat colleagues with respect and dignity
- ▶ Protect and enhance the Company's assets and reputation
- ▶ Make only factual and truthful statements about the Company's product
- ▶ Understand and comply with Company laws, regulations and policies wherever applicable
- ▶ Comply with health, safety and environmental laws and policies
- ▶ Provide a work environment free from intimidation and harassment
- ▶ Comply with the Company's employee service rules
- ▶ Safeguard the privacy and confidentiality of customer data
- ▶ Protect confidential information and trade secrets



contents

18 Board & Management

20 Board of Directors

32 Chairman's Review

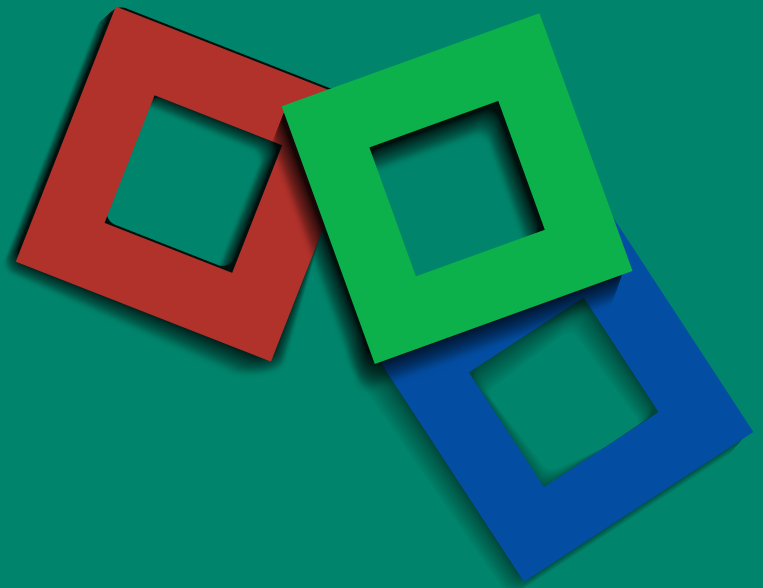
36 Directors' Report

40 Six Years Financial Summary

41 Review Report to the Members on the Statement of Compliance with the Applicable Clauses of Public Sector Companies (Corporate Governance) Rules, 2013 (The Rules) and Code of Corporate Governance for the year ended December 31, 2014

42 Statement of Compliance with the Applicable Clauses of Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance for the year ended December 31, 2014

46 Statement of Internal Controls



unconsolidated financial statements

- 47** Auditors' Report to the Members
- 48** Unconsolidated Statement of Financial Position
- 49** Unconsolidated Profit & Loss Account
- 50** Unconsolidated Statement of Comprehensive Income
- 51** Unconsolidated Cash Flow Statement
- 52** Unconsolidated Statement of Changes in Equity
- 53** Notes to the Unconsolidated Financial Statements



board & management

Board of Directors

H.E. Yahya Bin Said Bin
Abdullah Al-Jabri
Chairman

Mr. Agha Ahmed Shah
Managing Director & Chief Executive Officer

Mr. Hamed Sloom Mubarak
Al Athobi
Director

Mr. Muhammad
Zubair Motiwala
Director

Mr. Mustafa Bin Ali Sulaiman
Director

Mr. Yusuf Khan
Director

Audit Committee

Mr. Hamed Sloom Mubarak
Al Athobi
Chairman

Mr. Muhammad
Zubair Motiwala
Member

Mr. Mustafa Bin Ali Sulaiman
Member

Mr. Yusuf Khan
Member

Executive Committee

H.E. Yahya Bin Said Bin
Abdullah Al-Jabri
Chairman

Mr. Agha Ahmed Shah
Member

Mr. Muhammad
Zubair Motiwala
Member

Mr. Yusuf Khan
Member

Mr. Mustafa Bin Ali Sulaiman
Member

Remuneration & Compensation Committee

Mr. Muhammad
Zubair Motiwala
Chairman

Mr. Hamed Sloom Mubarak
Al Athobi
Member

Mr. Agha Ahmed Shah
Member

Mr. Mustafa Bin Ali Sulaiman
Member

Management Team

Mr. Agha Ahmed Shah
Managing Director & Chief Executive Officer

Mr. Jehangir Shah
Deputy Managing Director &
Head of Investment Banking

Mr. Mohammad Jamal Nasir
Chief Financial Officer

Mr. Khurram Faizyab
Head of Corporate Banking

Mr. Zalmi R. Khan
Head of Risk Management

Mr. S. M. Shoaib Omair
Head of Human Resources & Administration

Mr. Mohammad Shoaib
Head of Treasury

Syed Abdullah Jamal Ahmed
Head of Internal Audit

Mr. Rizwan ul Haque
Head of Compliance

Mr. Mohammad Naeem Saeed
Head of Information Technology

Syed Khaled Raza
Head of Credit Administration

Ms. Hina Mir
Company Secretary

Ms. Nazia Enam
Vice President - Capital Markets

Mr. Kashif M. Khan
Regional Head, North

Mr. Nafees Ahmad
Regional Head, Central

Mr. Noaman Abdul Majid
Country Manager, Oman



From left to right

Mr. Muhammad Zubair Motiwala
Director

Mr. Mustafa Bin Ali Sulaiman
Director

Mr. Agha Ahmed Shah
Managing Director & Chief Executive Officer

H.E. Yahya Bin Said Bin Abdullah Al-Jabri
Chairman

Mr. Yusuf Khan
Director

Mr. Hamed Sloom Mubarak Al Athobi
Director

*board of
directors*



management team

Front row, left to right:

- Mr. Khurram Faizyab - Head of Corporate Banking
- Mr. Mohammad Jamal Nasir - Chief Financial Officer
- Mr. S. M. Shoaib Omair - Head of Human Resources & Administration
- Ms. Nazia Enam - Vice President - Capital Markets
- Ms. Hina Mir - Company Secretary
- Mr. Agha Ahmed Shah - Managing Director & Chief Executive Officer
- Mr. Jehangir Shah - Deputy Managing Director & Head of Investment Banking

Back row, left to right:

- Syed Abdullah Jamal Ahmed - Head of Internal Audit
- Mr. Zalmat R. Khan - Head of Risk Management
- Syed Khaled Raza - Head of Credit Administration
- Mr. Mohammad Shoaib - Head of Treasury
- Mr. Mohammad Naeem Saeed - Head of Information Technology
- Mr. Rizwan ul Haque - Head of Compliance



Treasury



Capital Markets



Human Resource and Administration



Investment Banking



Compliance



Finance



Corporate Banking



Information Technology



Risk Management



Internal Audit



Credit Administration



Muscat Office



Labore Office



Islamabad Office





H.E. Yahya Bin Said Bin Abdullah Al-Jabri

*Chairman of Duqm Special Economic Zone Authority, Sultanate of Oman
Chairman - Pak Oman Board of Directors*

His Excellency Yahya Bin Said Bin Abdullah Al-Jabri has vast experience of global corporate & investment banking with academic qualifications from prestigious American schools including the Kellogg School of Management, Harvard Business School and Darden University wherein, he attained degrees in advanced Management programs.

He holds senior positions in Oman's leading business & financial sectors such as being a member of the Board of Governance at the Central Bank of Oman, a Board member of the Oman Investment Fund, Chairman of Pak Oman Investment Company Limited and Chairman of the Capital Market Authority.

Earlier in his career, Excellency also represented Oman International Bank (Former) in the capacity of General Manager, where he was responsible for the complete operational aspect of the Bank which comprised of 81 local and 4 overseas branches in India & Pakistan.

On June 1999, he was appointed as the Executive President of the Capital Market Authority which is a regulatory entity entrusted with the function of upgrading the efficiency of the capital market, regulating its operations and establishing the rules of professional conduct among the participants of the securities market which would help protect investors from unsound and unfair practices in the interest of the national economy.

He is also currently a member of the Hawkamah Institute for Corporate Governance.

On the 30th of October 2011 H.E. has been appointed as the Chairman of Duqm Special Economic Zone Authority which is taking shape in a strategic location at the northern Al Wusta Governorate. This is a giant project which is part of the government's efforts to accelerate the growth rate and maintain sustainable economic and social development aimed at diversification of resources particularly on areas like foreign trade, investment, tourism and fisheries and creation of new job opportunities for Omanis.



Mr. Mustafa Bin Ali Sulaiman

Director General - Ministry of Finance, Sultanate of Oman

Director - Pak Oman Investment Company Limited

Mustafa Bin Ali Sulaiman is a Fellow of the Association of Accounting Technicians, UK from 1983. He qualified as ACPA from the Arab Society of Certified Accountants in 2001. Mr. Mustafa Bin Ali Sulaiman is currently the Director General of Collection in the Office of the Secretariat General for Taxation, Ministry of Finance.

He has extensive experience in the fields of taxation, investigation of financial statements, Funds Management, Foreign exchange trading and cash flow management. In addition he is also a member of the Board of Directors of Muscat Electricity Distribution Company SAOC and has previously served as a Director of Gulf International Bank, Bahrain and Al – Batnah Hotels Company (SAOG), Sultanate of Oman.



Mr. Hamed Sloom Mubarak Al Athobi

Sultanate of Oman

Director - Pak Oman Investment Company Limited

Mr. Hamed Sloom Mubarak Al Athobi has 19 years of proficient experience in the oil and gas associated industry.

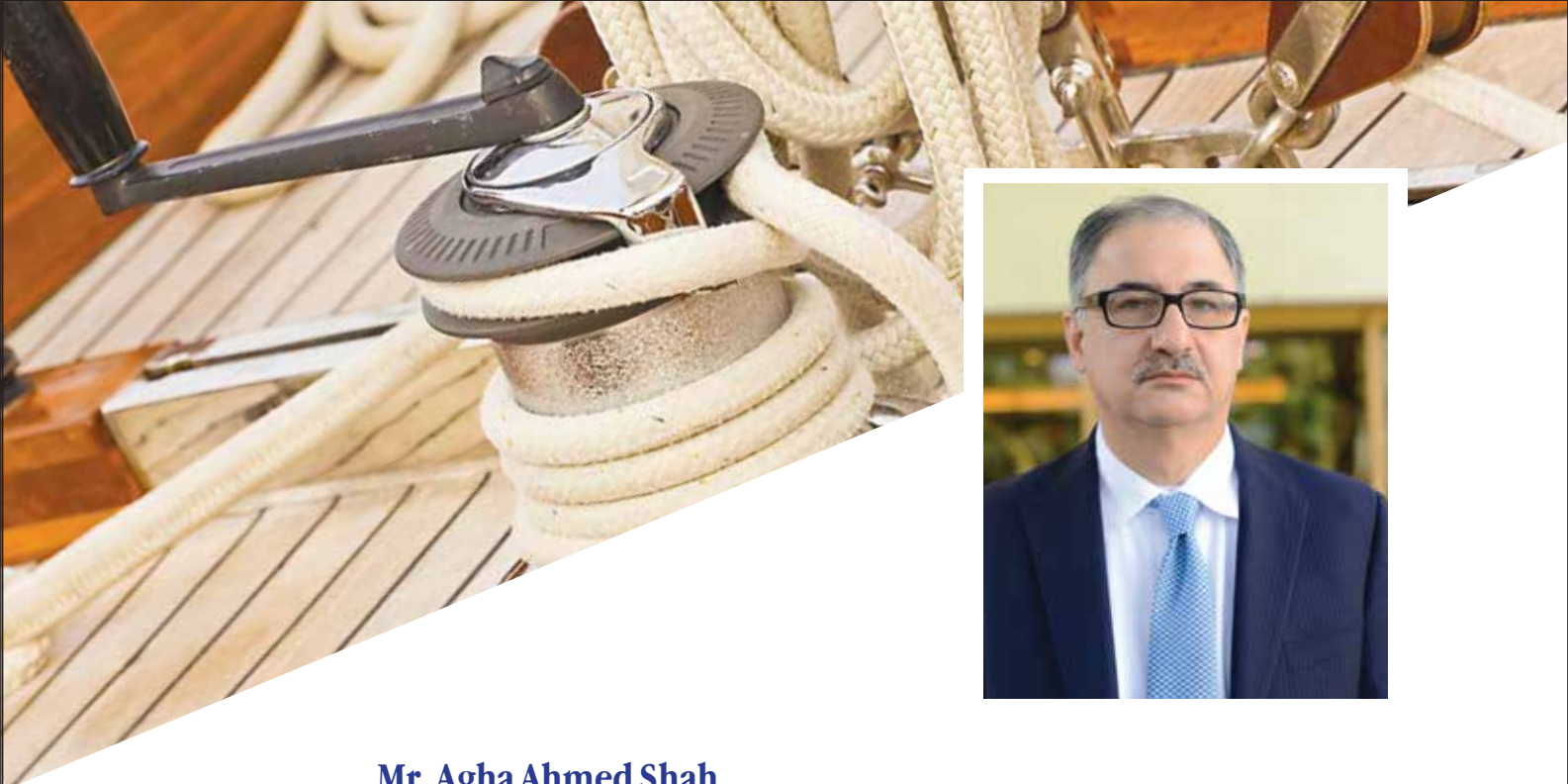
His official function is that of Deputy Chief Financial Officer for Oman Oil Company (OOC), a commercial business wholly owned by the Government of the Sultanate of Oman and represented by the Ministry of Finance.

The objectives of OOC are focused on strategic diversification of the national economy for the benefit of the Sultanate's citizens, facilitating foreign and private sector investment in Oman. The Company is involved in various energy and energy related projects inside and outside Oman with existing assets in Asia and Europe.

Prior to his position of Deputy Chief Financial Officer, Mr. Athobi worked as a Head of Economic and Business Research in OOC and different positions in the Ministry of Housing, Electricity and Water, Government of Oman.

In addition to Pak Oman, he is also a Board member in several companies in Oman and International: Oman India Fertilizer Company, Salalah Methanol Company, Dhofar Generating Company, Oman International Petrochemical Industries Company, GS EPS (South Korea), Compania Logistica de Hidrocarburos (Spain).

Mr. Athobi holds a Master's Degree in Business Administration (MBA) from the University of Strathclyde, UK and a Professional Diploma in Accountancy from the Association of Accounting Technicians.



Mr. Agha Ahmed Shah

Managing Director & Chief Executive Officer

Mr. Agha Ahmed Shah is a career banker with over 25 years of banking experience in the field of Corporate & Investment Banking and Risk Management. He started his career with American Express Bank Limited where he also attended a one year intensive program at the bank's head office in New York.

In MCB Bank Limited, Mr. Shah worked as Head of Corporate South and Head of Investment Banking Group. He prepared the Credit and Risk Manual of MCB Bank Limited and was responsible for restructuring of the Corporate and Investment Bank to bring it in line with the emerging challenges faced by the bank. His last job was as Chief Executive Officer of MCB Financial Services Ltd, a wholly owned subsidiary of MCB Bank Ltd.

Mr. Shah is currently a director in the following group companies:

- a) Pak Oman Microfinance Bank
- b) Pak Oman Asset Management Company Limited

He is also a member of the Executive Committee of the Pakistan Banks Association and is a certified Director from the Pakistan Institute of Corporate Governance



Mr. Yusuf Khan

*Finance Secretary, Government of the Punjab,
Director Pak Oman Investment Company Limited*

In his career spanning twenty-six years, Mr. Khan has worked with the public sector, international development agencies and civil society organizations. He is primarily a Public financial management and policy planning and implementation specialist with experience at the community, municipality, district, provincial and federal government levels. Mr. Khan has managed programs and projects relating to institutional development, capacity building, vocational training and technical education, infrastructure development, local government, agricultural development, community development, public-health and environmental protection.

Mr. Khan is currently posted as Finance Secretary, Government of the Punjab and in the past has served on key positions such as Finance Secretary, Government of Azad Jammu and Kashmir; Joint Secretary (External Finance) and Joint Secretary (Development) Ministry of Finance; Director General (Tobacco Control), Ministry of Health; Director General, National Vocational & Technical Education Commission (NAVTEC), Prime Minister's Secretariat; Chief Executive Officer, Devolution Trust for Community Empowerment; Director General, NWFP Community Infrastructure Project; Deputy Commissioner, Kohat District and Political Agent, Orakzai Agency, along with other key portfolios. He has also worked with the Asian Development Bank, USAID and UNDP. Mr. Khan holds a Master of Philosophy (MPhil) in Development Studies from the University of Cambridge, UK. He knows eight languages.



Mr. Muhammad Zubair Motiwala

Director - Pak Oman Investment Company Limited

Mr. Muhammad Zubair Motiwala is a prominent industrialist and has played an outstanding role in strengthening the national economy by promoting industrialization. He has served the business community in various capacities as one of the leading representatives from the industrial sector.

He remained Advisor to Chief Minister Sindh on Investment from January 2009 to July 2011 and Chairman Sindh Board of Investment from July 2011 till October 2013.

He carries the honor to be elected as the Chairman of All Pakistan Textile Processing Mills Association (Central). In 1996 Zubair was taken as the member of Prime Minister's Committee on Textile and Exports.

In 1996-97, he was elected as the Chairman of SITE Association of Industry. He also served the industrial sector as the Chairman of the Council of Karachi Industrial Associations during 1997-98 and was elected as President Karachi Chamber of Commerce & Industry in 2000.

He has been the Director on the boards of various public and private organizations which include Workers Welfare Funds Islamabad, Karachi Electric Supply Corporation, Karachi Water and Sewerage Board, Sindh Industrial Trading Estate (SITE), Export Processing Zone Authority, IBA Karachi, Ziauddin Medical University, National Bank of Pakistan, College of Business Management, Hamdard University, Sir Syed University of Engineering, Benazir Bhutto Shaheed Youths Development Programme & Technology and Baqai Medical College Hospital. Mr. Motiwala is on the advisory board of IT and Telecom Division, Ministry of Science & Technology, Government of Pakistan, and Federal Tax Ombudsman.

In November 2009, Mr. Zubair Motiwala was nominated as the Board of Directors of Sindh Public Procurement Regulatory Authority, (SPPRA).

In February 2010 he was chosen as a Chairman of Steering Committee for Investment Promotion in Sindh.

He led several Pakistan trade delegations abroad; in recognition of his leadership skills and business acumen he has been appointed as the Honorary Consul General of the Republic of Burundi.



chairman's review

I am pleased to report that 2014 was another year of good performance for Pak Oman Investment Company Limited and is a tribute to Pak Oman's management and its continued execution of a proven and sustainable business strategy.

- o Alhamdulillah, your Company has recorded a profit after tax of Rs 384 million (US\$ 3.8 million) in a challenging environment, whereas, Company's total assets stood at Rs 23 billion (US\$ 232.5 million).
- o It continued to focused on its core business of lending.
- o The Company maintained its Credit Rating of AA+ and Corporate Governance Rating of CGR 9 by JCR-VIS Credit Rating Company.

OVERVIEW OF OPERATIONS

Corporate Banking

In 2014, reforms initiated and undertaken by the Government helped improve economic conditions during the year. Growth in the gross domestic product (GDP) of Pakistan reached an estimated 4.1% in Fiscal Year 2014 (ended 30 June 2014), accelerating from 3.7% in FY2013.

Major successes of the last fiscal year include; increase in economic growth, inflation contained at single digit, improvement in tax collection, reduction in fiscal deficit, award of GSP plus status by EU, record level of worker remittances, successful launch of the Euro Bond, auction of long pending 3G and 4G licenses, strengthening of the rupee and new highs of the stock market.

The continuation of economic reforms, alongwith efforts to improve the security environment helped improve business confidence and revive private investment in Pakistan. The Asian Development Bank (ADB) estimates growth projection for FY2015 at 4.2%. However, even concerted reforms will need several years to eliminate electricity and gas shortfalls and to effect the change needed to lift structural constraints on growth.

In 2014, Corporate Banking of the Company continued its approach of booking select quality customers in key growth areas. This was successfully achieved, with advances of Rs 6.51 billion made during 2014, which was 36.4% higher than last year. In addition, a fee income of Rs 23.3 million was also earned.

Higher lending to Food & Beverages, Finance and Sugar sectors contributed to this growth. While Textile continued to remain the dominant sector of the portfolio, comprising 16.14% of the total loan portfolio; Food & Beverages and Power sectors followed with exposures of 15.89%, and 14.51% of the overall portfolio respectively.

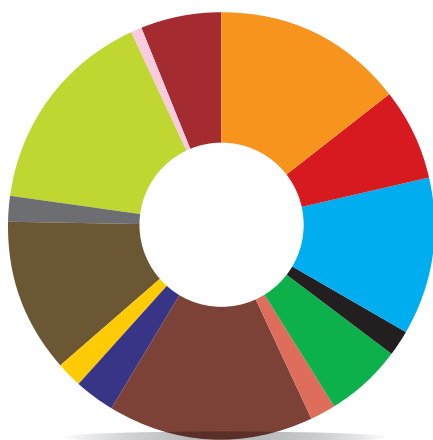
In 2014, long term finance constituted the largest share of the portfolio with medium term finance in close pursuit. State Bank of Pakistan's concessionary schemes continued to be used for targeting top quality customers as well as existing customers with a proven repayment record.

A renewed focus on recoveries continued to pay dividends as the Company was able to recover about Rs 138 million of provisioned accounts during the year. In the process, seven flagged (watch list) accounts were



also fully settled as the company continued to closely monitor such accounts. Two litigation accounts were also in final stage of settlement / negotiations.

A brief snapshot of Pak Oman's Corporate Banking portfolio mix is as follows:



IPPs/Power	15%
Sugar	7%
Others	12%
Auto & Allied	2%
Communications / Media	6%
Transportation	2%
Textile	16%
Paper, Board & Packaging	3%
Engineering	2%
Finance	12%
Healthcare	2%
Food, Beverages & Allied	16%
Electronics	1%
Oil & Gas	6%

Investment Banking

In 2014, Pak Oman acted as Advisors to the Rs 1,000 million Privately Placed TFC issue of Pak Libya Holding Company (Pvt.) Ltd. It is also acting as Restructuring Advisors to Worlcall Telecom Ltd. and Al Razi Healthcare (Pvt.) Ltd. for restructuring the outstanding amounts of their TFC and Sukuk issues respectively. In addition, Pak Oman is also acting as Trustee to various TFC/ sukuk issues.

Treasury

In the last quarter of 2014, the State Bank of Pakistan decreased its discount rate by 50 basis points to 9.50%, which was further reduced to 8.50% in January 2015.

Pak Oman was well positioned to take advantage of the reduction in discount rate as investment in Government bonds, which was at Rs 3,880 million at the beginning of year increased to Rs 7,772 million on December 31, 2014. Further, the Company also booked a capital gain of Rs 146 million on government and corporate debt instruments during the year. Besides, unrealised gain on Government securities carried forward to 2015 was Rs 492 million.

The company was reappointed as Primary Dealer by State Bank of Pakistan; acknowledging the contribution of Pak Oman, in the development of secondary market of Government securities.

Risk Management

The Company's stringent and robust risk management policies and procedures have enabled it to ensure a low NPL to assets ratio. It is compliant with State Bank of Pakistan requirements for implementation of Basel Accords and its Capital Adequacy Ratio is well above the stipulated requirement, hence giving it ample

cushion to cover any unforeseen events. Operational Risk framework has been implemented and is running smoothly.

Support Operations

Finance, Information Technology, Human Resources and Administration played their role in supporting core operations of the Company. Information Technology Department placed special emphasis on the re-development of existing application systems in order to bring necessary improvements. The company's IT infrastructure was upgraded in order to improve system availability and performance. Human Resources on the other hand worked on managing turnover rate and facilitated training and development of all employees.

Management Committees

To implement prudent practices, foster joint decision making and bring into play participation from all areas, the following Management Committees functioned actively during the year:

- (i) Credit Committee
- (ii) Assets & Liabilities Committee (ALCO)
- (iii) Risk Management Committee
- (iv) Coordination Committee
- (v) Purchase & Works Committee
- (vi) Friends of Life Committee
- (vii) Information Technology Committee
- (viii) Capital Market Review Committee (CMRC)
- (ix) Performance Evaluation Committee

Contribution to Social Responsibility

As a responsible corporate citizen, it has been the vision of your Company to empower the community through socio-economic development of underprivileged and weaker sections. Pak Oman acknowledges its responsibility in a manner that its activities influence its customers, employees and stake holders. Your Company strives to proactively encourage community growth and development, thereby contributing in building a sustainable future. To help the weaker section of the society in their efforts of poverty alleviation, your Company has established a country wide Microfinance bank in association with

the Government of the Sultanate of Oman.

Pak Oman Investment Company Limited has also an affiliated concern called Friends of Life (FOL), which aims to promote social welfare, through active participation in forums pertaining to health and education of underprivileged.

Some of Pak Oman's CSR initiatives are as follows:

Education for Underprivileged

The Company financially supported The Citizens Foundation. The Citizens Foundation is currently running 730 schools nationwide for the education of less privileged. Reached over 102,000 children across Pakistan the Citizens Foundation provides quality education.

Healthcare

POICL partners with various institutions involved in health sector to improve the health status of the society we operate in.

Darul Sukun

We provide monthly financial assistance to Darul Sukun, a home for mentally challenged children. Located in Karachi, it is run almost exclusively on donations and charity.

Burns Centre, Civil Hospital Karachi

To support Civil Hospital Karachi's role in provision of free of cost surgical and medical health relief to the underprivileged, POICL supports its Burns Centre, the first of its kind in Pakistan, operating according to International medical standards. It is run by a Committee "Friends of Burns Centre". The Centre manages to cater to approximately 20,000 patients per year, with an average of 500-600 in-patients from all over Pakistan with severe burns, completely free of cost.

POICL sponsors the monthly salary of a professionally trained, highly qualified burns doctor for the Centre.

The company is also associated with Al-Mehrab Tibbi Imdad (AMTI), an organization that treats terminal under privileged patients absolutely free of cost. POICL provides medicinal aid to AMTI on a quarterly basis.

In addition, Pak Oman extended financial support to the following institutions:

The Kidney Centre

The Kidney Centre is one of the largest up-to-date medical facility in Pakistan providing comprehensive and quality renal care to needy patients – either entirely free or largely subsidized.

Patients' Aid Foundation of Jinnah Postgraduate Medical Centre

Patients' Aid Foundation of Jinnah Postgraduate Medical Centre, to date, has completed nine large-scale projects at Jinnah Hospital, Karachi including the installation of CyberKnife- robotic radio surgery for the treatment of cancerous tumours and offers free of cost treatment to the poor and needy patients.

The Cardiovascular Foundation

The Cardiovascular Foundation supports the National Institute of Cardiovascular Diseases (NICVD). The Foundation has undertaken several projects to renovate and upgrade the facilities of the NICVD, as well as provide financial help for cardiac treatment.

2015 and Beyond

In 2015, we remain cautious on the economic outlook in view of the energy shortage and the law and order situation in Pakistan. However, a decline in the oil prices and SBP's easing stance on monetary policy resulted in a decreasing interest rate environment, which will create opportunities in the future for the company. In addition, an unrealised gain of Rs 492 million on Government securities in 2014 has been carried forward and will now be available in 2015. Also a large divestment transaction is expected to materialise resulting in a substantial gain in 2015.

Last year, your Board decided to look into a merger option of Pak Oman Asset Management Company Limited (POAMCL) with another Asset Management Company. However, that transaction did not materialise. Your Board has now decided for injecting further equity into POAMCL to make it compliant to regulatory requirements and ensure successful operations through its restructuring and re-organisation. The process to increase the equity is in progress.

After injecting additional equity by the Sponsors, Pak Oman Microfinance Bank Limited (POMFBL) has met the minimum equity requirement of the State Bank of Pakistan. Further, during the year an advisory committee was formed to review the operations of POMFBL. This committee is also in the process of identifying a potential strategic partner/investor in order to enhance the equity and add value to the working of POMFBL.

Acknowledgement

On behalf of the Board of Directors of the Company and myself, I take this opportunity to acknowledge the dedicated services of the employees of the Company. I feel delighted to say that we take great pride in our team, who are motivated and much focused towards a collective goal. It is a pleasure to see such diversification within the organisation. We are an equal opportunity employer and encourage people from all walks of life to apply. Pak Oman's key strength remains its highly qualified and forward looking management, which under the able guidance of the Managing Director has created and sustained a leading position in an increasingly competitive environment.

I would like to express my gratitude to our stakeholders, the respective Governments of Sultanate of Oman and the Islamic Republic of Pakistan, and customers for their valuable support and cooperation & the regulatory bodies for their guidance.

Yahya Bin Said Bin Abdullah Al-Jabri
Chairman
Karachi: February 26, 2015



directors' report

On behalf of the Board of Directors, I am pleased to present the Thirteenth Annual Report and Financial Statements of your Company, along with the Consolidated Audited Financial Statements for the year ended December 31, 2014, together with Auditors' Report thereon.

Economy

Pakistan's economy has been on a path of revival, since the beginning of 2013, as indicated by improvements in key economic indicators. Award of GSP Plus status, successful launch of Euro Bonds, auction of 3G and 4G licenses, strengthening of the rupee and a visible decline in inflation due to reduction in oil prices are the main factors of this success. Inflation is likely to reduce further due to the declining oil prices. It is also expected that CPI inflation will be around 4.5% to 5.5% for the 2014-15 as against the annual target of 8%. Considering the macroeconomic variables and growing foreign exchange reserves, SBP has reduced its discount rate to 8.5%, which is at its lowest level since 2005. Although private sector uptake remains constrained due to energy issues, it is expected to pick up with a downward trend in interest rate. The main impetus to growth is expected to come from the agriculture sector, due to limited flood related damage and higher wheat support price by the Government.

However, broadening of the tax base, resolving the energy issue, improving law & order, increasing Foreign Direct Investment and reducing the size of fiscal deficit will remain major challenges for 2015.

Operational Review

Alhamdulillah, growth of your Company's core business has been strong. During the year, Pak Oman successfully capitalized on the opportunities available and was able to build up its loan portfolio to over Rs 9 billion ensuring a stable mark-up income stream for the future. Taking the benefit of Government securities yield, we also increased our Government securities portfolio to Rs 7.8 billion. Therefore, in addition to the net interest income margin, your Company also recorded Rs 264 million on gain on sale of securities. Besides, there is an unrealised gain of Rs 492 million on Government securities and a large divestment transaction which is expected to be booked in 2015.

In 2014, total revenue from operations increased by 36% and recorded at Rs 2,520 million (US\$ 25 million). After accounting for mark-up and interest expense of Rs 1,361 million (US\$ 13.5 million) and total administrative and other expenses of Rs 393 million (US\$ 3.9 million), your company achieved a profit before provisions of Rs 766 million (US\$ 7.6

million) an increase of 25% from 2013. However, this profit trend has been restricted due to provisions of Rs 288 million (US\$ 2.9 million). However, due to a strong income growth, profit before tax witnessed an increase of 12% i.e. Rs 545 million (US\$ 5.4 million) as compared to Rs 488 million (US\$ 4.8 million) in 2013 and profit after tax was Rs 384 million (US\$ 3.8 million) against Rs 376 million (US\$ 3.7 million) in 2013.

During 2014, Pak Oman Investment Company Limited continued to build a well-diversified asset portfolio, comprising of loans and leases, corporate bonds and investment in government securities. As at December 31, 2014, Company's Total Assets stood at Rs 23 billion (US\$ 232.5 million).

Financial Results

	For the year ended 2014	
	Rs million	US\$ million
Total Assets	23,366	232.5
Advances	9,070	90.3
Investments	12,180	121.2
Profit after taxation	384	3.8

Appropriations

The Board has recommended following appropriations:

	For the year ended 2014	
	Rs million	US\$ million
To Statutory Reserve	76.7	0.76
Cash Dividend @ Rs 0.40 per share	246	2.45

Credit Rating

Your Company has been assigned a medium to long-term rating of AA+ (Double A Plus) and short-term rating of A1+ (A one Plus) by JCR-VIS Credit Rating Company Limited.

This rating indicates a superior quality of credit and strength of protection factors. The assigned rating is primarily driven by development of a sustainable profit base for the Company and its relative position amongst peer group institutions.

Corporate Governance Rating

Your Company has also been assigned a corporate

governance rating of CGR-9 by JCR-VIS Credit Rating Company Limited.

The assigned rating denotes a very high level of corporate governance and is the result of adoption of best practices within the Company.

Primary Dealer of State Bank of Pakistan

Acknowledging Pak Oman's role in the development of the primary and secondary markets for Government Bonds, the State Bank of Pakistan has reappointed Pak Oman as a Primary Dealer for the financial year 2014-2015.

Pak Oman Microfinance Bank

Pak Oman Microfinance Bank Limited (POMFBL) is a nationwide microfinance bank, with its presence in the four provinces of Pakistan. Its sponsors are the Government of the Sultanate of Oman and Pak Oman Investment Company Limited. POMFBL is offering a range of micro credit and micro savings products, services, and aspires to become an engine of job creation to the under privileged segments of our society. It has an aim to reduce poverty through entrepreneurship by giving opportunities to small and medium entrepreneurs for the betterment of the economy as well as their well being.

The salient features of Pak Oman Microfinance Bank's performance are;

▶ Operational branches	16
▶ Service Centre	8
▶ Borrowers	68,702
▶ Borrowers on Dec 31, 2014	6,186
▶ Deposit Holders	18,532
▶ Disbursement till Dec 31, 2014	Rs 1,479,855,000
▶ Deposits	Rs 22,803,319
▶ Average loan size	Rs 21,540
▶ Disbursement in 2014	Rs 317,245,000
▶ Average loan size in 2014	Rs 52,000

POMFBL, after injecting the additional equity by the Sponsors, has met the minimum equity requirement of the State Bank of Pakistan. Further, during the year an advisory committee was formed to review the operations of POMFBL. This committee is also in the process of identifying a potential strategic partner/investor in order to enhance the equity and which will add value to the working of POMFBL.

Pak Oman Asset Management Company

Pak Oman Asset Management Company Limited is managing four open-end funds and one closed-end fund. In order to meet its minimum equity requirement, your Company is in the process of injecting further equity into POAMCL to make it compliant to regulatory requirements and ensure successful operations through its restructuring and re-organisation.

Risk Management Framework

The responsibility of risk management stems down from the Board of Directors to the management for operational assessment / mitigation. Pak Oman's focus is to keep up with the changing risk requirement by being innovative and proactive throughout the company's operations. The Company is fully compliant with SBP's guidelines on Basel and risk management.

Internal Control

The Directors endorsed the management's evaluation related to internal control over financial reporting and also endorsed the statement made by management relating to internal controls.

Corporate Governance & Financial Reporting

The Directors declare that:

Number of Board and sub-committee meetings held and attendance by each Director

Name	Board of Directors	Board's Executive Committee	Board's Audit Committee	Board's Remuneration & Compensation Committee
	Meetings Held 5	Meetings Held 5	Meetings Held 4	Meetings Held 1
H.E. Yahya Bin Said Bin Abdullah Al-Jabri	5	5	*	*
Mr. Muhammad Zubair Motiwala	5	5	4	1
Mr. Mustafa Bin Ali Sulaiman	5	5	4	1
Mr. Hamed Sloom Mubarak Al Athobi	5	*	4	1
Mr. Yusuf Khan	5	5	4	*
Mr. Agha Ahmed Shah	5	5	*	1

* Not member.

- These financial statements, prepared by the Management, present fairly its state of affairs, the result of its operations, cash flows, and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure from them has been appropriately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts regarding the Company's ability to continue as a going concern.
- Two directors of the Company have completed the "Directors Training Certification". One Director is exempted from said certification. Other directors have attended "Directors' Orientation Workshop".
- There has been no material departure from the best practices of corporate governance.

Statement of Investments of Provident & Gratuity funds

Investments of Provident & Gratuity funds as at December 31, 2014 according to their un-audited financial statements were Rs 137 million and Rs 90 million respectively.

Auditors

The present Auditors, M/s KPMG Taseer Hadi & Co. Chartered Accountants retire and being eligible, offer themselves for re-appointment. The Board of Directors, on the recommendation of the Audit Committee, recommended the appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants, as auditors of the Company for the year ending December 31, 2015 for consideration and approval at the Annual General Meeting.

Pattern of Shareholding

Government of Pakistan:

▶ Ministry of Finance	49.99%
<hr/>	
▶ Secretary - Economic Affairs Division	0.01%

Sultanate of Oman:

▶ Ministry of Finance	49.99%
<hr/>	
▶ Ministry of Commerce & Industry	0.01%

Acknowledgements

Sponsors

The Board is grateful to the respective Governments of Sultanate of Oman and the Islamic Republic of Pakistan for their commitment and support to the Company.

Regulators

The Board also takes this opportunity to express its gratitude to the State Bank of Pakistan for its continued guidance and support.

Management

The Board acknowledges the staff for their exceptional efforts in positioning the Company as a strong player in the financial sector. This is the result of collective team work, commitment and dedication towards achieving the Company's objectives.

Agha Ahmed Shah
Managing Director
& Chief Executive Officer
Karachi: February 26, 2015

six years financial summary

Rupees in '000

December 31	2014	2013	2012	2011	2010	2009
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Cash and balances with treasury and other banks	369,085	284,645	260,159	275,705	731,123	664,330
Lendings to financial institutions	614,177	1,206,521	833,119	1,321,745	2,454,610	2,846,936
Investments - net	12,179,521	7,629,301	10,229,027	10,589,968	9,143,686	10,775,046
Advances - net	9,070,314	7,493,690	6,347,059	5,767,026	5,947,929	5,514,114
Operating fixed assets	68,669	51,086	58,725	63,811	65,082	62,538
Other assets	1,063,857	1,062,467	849,852	798,082	832,559	701,775
Total assets	23,365,623	17,727,710	18,577,941	18,816,337	19,174,989	20,564,739
LIABILITIES						
Borrowings	8,868,730	5,721,831	6,546,367	6,648,716	6,145,349	8,895,096
Deposits and other accounts	6,295,986	4,433,848	4,351,000	4,695,693	5,561,165	4,562,089
Other liabilities	488,736	371,186	519,504	626,355	731,585	684,653
Total Liabilities	15,653,452	10,526,865	11,416,871	11,970,764	12,438,099	14,141,838
NET ASSETS	7,712,171	7,200,845	7,161,070	6,845,573	6,736,890	6,422,901
REPRESENTED BY						
Share capital	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000
Reserves & Unappropriated profit	1,268,725	1,134,203	1,008,022	794,918	692,896	414,920
	7,418,725	7,284,203	7,158,022	6,944,918	6,842,896	6,564,920
Surplus / (deficit) on revaluation of assets - net of deferred tax	293,446	(83,358)	3,048	(99,345)	(106,006)	(142,019)
	7,712,171	7,200,845	7,161,070	6,845,573	6,736,890	6,422,901
PROFITABILITY						
Mark-up/Return/Interest earned	2,117,169	1,564,799	2,048,783	2,264,147	2,224,130	2,319,194
Mark-up/Return/Interest expensed	(1,360,752)	(892,690)	(1,304,300)	(1,513,542)	(1,462,002)	(1,636,815)
Net mark-up/interest income	756,417	672,109	744,483	750,605	762,128	682,379
Fee, commission and brokerage income	29,699	9,900	13,969	11,185	22,013	15,693
Capital gain & dividend income	371,072	270,560	331,868	119,437	181,968	4,500
Other income	1,903	1,039	1,978	2,355	2,332	43
Total non markup/interest income	402,674	281,499	347,815	132,977	206,313	20,236
Gross Income	1,159,091	953,608	1,092,298	883,582	968,441	702,615
Administrative expenses and other charges	(392,775)	(339,705)	(311,967)	(269,204)	(248,755)	(246,628)
Profit before provisions	766,316	613,903	780,331	614,378	719,686	455,987
Provisions	(221,033)	(126,139)	(174,808)	(35,085)	(337,929)	(1,109,806)
Profit / (loss) before taxation	545,283	487,764	605,523	579,293	381,757	(653,819)
Taxation	(161,690)	(112,224)	(177,169)	(231,271)	(103,781)	46,326
Profit / (loss) after taxation	383,593	375,540	428,354	348,022	277,976	(607,493)
CASH FLOW STATEMENT - SUMMARY						
Cash flow from operating activities	4,768,958	(1,839,497)	2,533,492	(2,451,484)	1,810,305	52,313
Cash flow from investing activities	(4,684,421)	2,390,954	(2,324,966)	2,251,437	(1,733,597)	(33,351)
Cash flow from financing activities	(251,097)	(250,971)	(224,072)	(255,371)	(9,915)	(11,740)
Cash and cash equivalents at the beginning of the year	560,645	260,159	275,705	731,123	664,330	657,108
* Cash and cash equivalents at the end of the year	394,085	560,645	260,159	275,705	731,123	664,330
Financial Ratios						
Return on Equity	5.2%	5.2%	6.1%	5.0%	4.1%	-8.8%
Return on Assets	1.9%	2.1%	2.3%	1.8%	1.4%	-3.2%
Profit / (loss) before tax ratio	47.0%	51.1%	55.4%	65.6%	39.4%	-93.1%
Gross spread ratio	35.7%	43.0%	36.3%	33.2%	34.3%	29.4%
Total Assets to shareholders' fund	3.03	2.46	2.59	2.75	2.85	3.20
Weighted average cost of debt	10.75%	8.48%	11.73%	13.13%	11.62%	13.66%
Capital adequacy ratio (CAR)	31.17%	36.60%	41.45%	41.72%	37.48%	35.72%
Share Information						
Cash dividend per share	4%	4%	4%	3.5%	4%	-
Basic and diluted (loss) / earnings per share	0.62	0.61	0.70	0.57	0.45	(0.99)
Breakup value per shares - Without surplus on revaluation of assets	12.06	11.84	11.64	11.29	11.13	10.67
Breakup value per shares - With surplus on revaluation of assets	12.54	11.71	11.64	11.13	10.95	10.44

* Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks and placements with financial institutions having maturities of three (3) months or less.



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

review report to the members

on the statement of compliance with the applicable clauses of public sector companies (corporate governance) rules, 2013 (the rules) and code of corporate governance for the year ended December 31, 2014

We have reviewed the enclosed Statement of Compliance with the applicable clauses of the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) and the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Pak Oman Investment Company Limited** (the Company) for the year ended December 31, 2014 to comply with the requirements of the Rules and the Code.

The responsibility for compliance with the Rules and the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and the Code and report if it does not and to highlight any non-compliance with the requirements of the Rules and the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Rules and the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Rules and the Code require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Company's compliance, in all material respects, with the applicable clauses of the Rules and the Code as applicable to the Company for the year ended December 31, 2014.

Date: February 26, 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

statement of compliance

with the applicable clauses of public sector companies (corporate governance) rules, 2013 and code of corporate governance

for the year ended December 31, 2014

This statement is being presented to comply with the applicable clauses of Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance and the clauses of Code of Corporate Governance (CCG) issued by the Securities and Exchange Commission of Pakistan (SECP). The SECP through its letter dated February 10, 2014 has granted the exemption to the Company from applicability of Rules subject to the condition that the training of directors, performance evaluation of the Board and audit of the financial statement of the Company through QCR rated firms shall be ensured.

I. The Company has complied with the applicable clauses of the Rules in the following manner:

- (a) The Board has carried out the performance evaluation of its members, including the Chairman and the Chief Executive, on the basis of 'Board Self Evaluation' (BSE) process. The Self Evaluation of the Members of the Board and its Sub-Committees was conducted under the supervision of Pakistan Institute of Corporate Governance (PICG). The Board has also monitored and assessed the performance of senior management on annual basis.
- (b) All the board members underwent an orientation course arranged by the company. The purpose of the 'Director Orientation Workshop (DOW) conducted through Pakistan Institute of the Corporate Governance (PICG) was to appraise the Board regarding the material developments and information as specified in the Rules. Currently two directors have completed the Director's Training Certification under the Directors Training Program as prescribed by SECP and one director is exempt from the said certification. The Board is encouraging other members to get the Directors Training Certification as soon as possible.
- (c) The statutory audit of the Company has been carried out by the audit firm which has been given the satisfactory rating under the 'Quality Control Review' (QCR) Rating Program of the Institute of Chartered Accountant of Pakistan (ICAP).

II. The Company as good governance practice has also complied with CCG and other relevant clauses of Rules in the following manner:

1. The Board of Directors ("the Board") of the Company comprises of 5 non-executive directors and one executive director. All the directors are nominees of the respective joint venture partner governments under requirements of the Joint Venture Agreement (JVA) between them. At present the Board includes:

Category	Names
Executive Director	<ul style="list-style-type: none">• Mr. Agha Ahmed Shah, MD & CEO
Non-Executive Directors	<ul style="list-style-type: none">• H.E. Yahya Bin Said Bin Abdullah Al-Jabri• Mr. M. Zubair Motiwala• Mr. Mustafa Bin Ali Sulaiman• Mr. Hamed Sloom Mubarak Al Athobi• Mr. Yusuf Khan


2. No casual vacancy occurred on the Board during the year ended December 31, 2014.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFIs or, being a member of a Stock Exchange has been declared as a defaulter by that Stock Exchange.
4. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
5.
 - (a) The Company has prepared a "Statement of Ethics & Business Practices ("the Code of Conduct") and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website (www.pakoman.com).
 - (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.
6. The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.
7. The Board has developed and enforced appropriate policy related matters on conflict of interest, the clauses of which are contained in relevant policies to lay down circumstances or considerations when person may be deemed to have actual or potential conflict of interests, and the procedures for disclosing such interest.
8. The Board has developed and implemented policy related matters on anti-corruption, the clause of which are contained in the relevant policies to minimize actual or perceived corruption in the Company.
9. The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.
10. The Board has developed a vision or mission statement, corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
11. The meetings of the Board of Directors were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose; and
 - (a) The Board has met at least four times during the year.
 - (b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.
 - (c) The minutes of the meetings were appropriately recorded and circulated.
12. The Board has reviewed and approved the related party transactions placed before it after recommendations of the Audit Committee. A party wise record of transactions entered into with the related parties during the year has been maintained.

13. The Board has approved the profit and loss account for, and statement of financial position as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the company's website. Monthly accounts were also prepared and circulated amongst the board members.

14. The Board has formed the following Board Sub- Committees:

Category	Names
Audit Committee	Mr. Hamed Sloom Mubarak Al Athobi - Chairman
	Mr. M. Zubair Motiwala – Member
	Mr. Mustafa Bin Ali Sulaiman – Member
	Mr. Yusuf Khan – Member
Executive Committee	H.E. Yahya Bin Said Bin Abdullah Al-Jabri - Chairman
	Mr. Agha Ahmed Shah– Member
	Mr. M. Zubair Motiwala– Member
	Mr. Mustafa Bin Ali Sulaiman – Member
Remuneration & Compensation Committee	Mr. Yusuf Khan – Member
	Mr. M. Zubair Motiwala - Chairman
	Mr. Agha Ahmed Shah – Member
	Mr. Mustafa Bin Ali Sulaiman – Member
	Mr. Hamed Sloom Mubarak Al Athobi – Member

15. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.
16. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and Ordinance and fully describes the salient matters required to be disclosed.
17. The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company.
18. A formal and transparent procedure for fixing the remuneration packages of Executive Director has been set in place.
19. The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer, before approval of the Board.
20. The Audit Committee has met at least once every quarter of the financial year ended December 31, 2014. These meetings were held prior to the approval of interim results by the Board of Directors. The Chief Executive and Chairman of the Board are not members of the Audit Committee.
21. The Board has set up an effective internal audit function, which has an Audit Charter, duly approved by the Audit Committee, and which worked in accordance with the applicable standards.

- 
22. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
 23. The Company has complied with all the corporate and financial reporting requirements of applicable clauses of the Rules and CCG.
 24. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, other executive and non-executive directors have been taken by the Board.

Yahya Bin Said Bin Abdullah Al-Jabri
Chairman

Agha Ahmed Shah
Managing Director & Chief Executive Officer

Karachi: February 26, 2015

statement of internal controls

for the year ended December 31, 2014

REPORTING ON INTERNAL CONTROL SYSTEM

It is the management's responsibility to establish and maintain an adequate and effective system of internal control that would help to attain a professional and efficient working environment. The internal control system comprises of control procedures and control environment.

The Management has taken steps to ensure that an efficient and effective internal control system is in place by identifying control objectives, reviewing pertinent policies / procedures and establishing relevant control procedures. All policies and procedures are reviewed on an ongoing basis and necessary amendments are made where needed.

Alongside this, appropriate test of transactions, observation of control environment, sharing of findings on internal control systems and ensuring relevant follow up / corrective actions are also carried out.

The Internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

EVALUATION OF EXISTING INTERNAL CONTROL SYSTEMS

The Company has made an effort to ensure that an effective and efficient internal control system is in place and no compromise is made in implementing desired procedures and maintaining a suitable control environment in general. However it is an ongoing process that includes identification, evaluation and management of significant risks faced by the Company.

The observations and weaknesses found and identified by the auditors, both internal and external, have been noted and necessary steps have been taken by Management to ensure elimination of these weaknesses. Management has given a timely and satisfactory response to the recommendations and suggestions made by the auditors. The observations have also been discussed at the Audit Committee and Board of Directors meetings.

We assess that the internal control system and operations have improved over previous years in all business areas. Furthermore, due importance is given to the training needs of staff in order to ensure that their knowledge and skill levels are constantly enhanced and updated.

Recognizing it to be an ongoing process, the management of Pak Oman Investment Company Limited (POICL) has adopted an internationally accepted Internal Control COSO Framework, in accordance with guidelines on Internal Controls from the State Bank of Pakistan. Through continuing review of policies and testing of internal controls Company ensure effectiveness of internal control over financial reporting. POICL has completed the seven stages of Internal Control Program as per these guidelines.

Mohammad Jamal Nasir
Chief Financial Officer

Syed Abdullah Jamal Ahmed
Chief Internal Auditor

Karachi: February 26, 2015



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

auditors' report to the members

We have audited the annexed unconsolidated statement of financial position of **Pak Oman Investment Company Limited** ("the Company") as at December 31, 2014 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the unconsolidated statement of financial

position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

- ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The unconsolidated financial statements of the Company for the year ended December 31, 2013 were audited by another firm of Chartered Accountants, who vide their report dated March 06, 2014, addressed to the members, had expressed an unmodified opinion thereon.

Date: February 26, 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

unconsolidated statement of financial position

as at December 31, 2014

2014		2013				2014		2013	
US \$ in '000						Rupees in '000			
ASSETS									
994	776	Cash and balances with treasury banks	6	99,912	77,998				
2,679	2,057	Balances with other banks	7	269,173	206,647				
6,112	12,007	Lendings to financial institutions	8	614,177	1,206,521				
121,210	75,926	Investments - net	9	12,179,521	7,629,301				
90,267	74,577	Advances - net	10	9,070,314	7,493,690				
683	508	Operating fixed assets	11	68,669	51,086				
3,782	5,409	Deferred tax assets - net	12	380,028	543,492				
6,805	5,164	Other assets	13	683,829	518,975				
232,532	176,424			23,365,623	17,727,710				
LIABILITIES									
-	-	Bills payable		-	-				
88,261	56,943	Borrowings	14	8,868,730	5,721,831				
62,657	44,125	Deposits and other accounts	15	6,295,986	4,433,848				
-	-	Sub-ordinated loans		-	-				
5	56	Liabilities against assets subject to finance lease	16	488	5,585				
-	-	Deferred tax liabilities		-	-				
4,859	3,638	Other liabilities	17	488,248	365,601				
155,782	104,762			15,653,452	10,526,865				
76,750	71,662			7,712,171	7,200,845				
NET ASSETS									
REPRESENTED BY									
61,204	61,204	Share capital	18	6,150,000	6,150,000				
7,193	6,430	Reserves	19	722,810	646,091				
5,433	4,858	Unappropriated profit		545,915	488,112				
73,830	72,492			7,418,725	7,284,203				
		Surplus / (deficit) on revaluation of assets - net of deferred tax	20	293,446	(83,358)				
2,920	(830)								
76,750	71,662			7,712,171	7,200,845				
CONTINGENCIES AND COMMITMENTS									
21									

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

Managing Director and Chief Executive Officer

Chairman

unconsolidated profit and loss account

for the year ended December 31, 2014

2014	2013		Note	2014	2013
US \$ in '000				Rupees in '000	
21,070	15,573	Mark-up / return / interest earned	22	2,117,169	1,564,799
13,542	8,884	Mark-up / return / interest expensed	23	1,360,752	892,690
<u>7,528</u>	<u>6,689</u>	Net mark-up / interest income		<u>756,417</u>	<u>672,109</u>
(447)	50	(Reversal) / provision against non-performing advances	10.6	(44,953)	5,053
2,647	1,205	Provision for diminution in the value of investments	9.3	265,986	121,086
-	-	Bad debts written off directly		-	-
<u>2,200</u>	<u>1,255</u>			<u>221,033</u>	<u>126,139</u>
<u>5,328</u>	<u>5,434</u>	Net mark-up / interest income after provisions		<u>535,384</u>	<u>545,970</u>
		NON MARK-UP / INTEREST INCOME			
296	99	Fee, commission and brokerage income		29,699	9,900
1,066	1,446	Dividend income		107,157	145,288
-	-	Income from dealing in foreign currencies		-	-
2,624	1,185	Gain on sale of securities	24	263,713	119,038
2	62	Unrealised gain on revaluation of investments classified as held-for-trading		202	6,234
19	10	Other income	25	1,903	1,039
<u>4,007</u>	<u>2,802</u>	Total non mark-up / interest income		<u>402,674</u>	<u>281,499</u>
<u>9,335</u>	<u>8,236</u>			<u>938,058</u>	<u>827,469</u>
		NON MARK-UP / INTEREST EXPENSES			
3,709	3,261	Administrative expenses	26	372,736	327,675
20	37	Other provisions / write offs	13.2	1,966	3,698
180	83	Other charges	27	18,073	8,332
<u>3,909</u>	<u>3,381</u>	Total non mark-up / interest expenses		<u>392,775</u>	<u>339,705</u>
<u>5,426</u>	<u>4,855</u>			<u>545,283</u>	<u>487,764</u>
-	-	Extra ordinary / unusual items		-	-
<u>5,426</u>	<u>4,855</u>	PROFIT BEFORE TAXATION		<u>545,283</u>	<u>487,764</u>
		Taxation	28		
2,149	1,354	- current		215,914	136,022
-	-	- prior years		-	-
(540)	(237)	- deferred		(54,224)	(23,798)
<u>1,609</u>	<u>1,117</u>			<u>161,690</u>	<u>112,224</u>
<u>3,817</u>	<u>3,738</u>	PROFIT AFTER TAXATION		<u>383,593</u>	<u>375,540</u>
4,858	4,349	Unappropriated profit brought forward		488,112	437,039
<u>8,675</u>	<u>8,087</u>	Profit available for appropriation	10.2	<u>871,705</u>	<u>812,579</u>
US\$				Rupees	
<u>0.0062</u>	<u>0.0061</u>	Basic and diluted earnings per share	29	<u>0.62</u>	<u>0.61</u>

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

Managing Director and Chief Executive Officer

Chairman

unconsolidated statement of comprehensive income

for the year ended December 31, 2014

2014	2013		Note	2014	2013
US \$ in '000				Rupees in '000	
3,817	3,738	Profit after taxation		383,593	375,540
		Other comprehensive income for the year			
-	-	Items that may be reclassified subsequently to profit and loss account		-	-
		Items that will not be reclassified subsequently to profit and loss account:			
(46)	(51)	Remeasurement of defined benefit obligation	32.9	(4,583)	(5,090)
16	17	Related tax impact		1,512	1,731
(30)	(34)			(3,071)	(3,359)
<u>3,787</u>	<u>3,704</u>	Comprehensive income for the year transferred to equity		<u>380,522</u>	<u>372,181</u>
		Component of comprehensive income for the year not transferred to equity			
5,916	(1,301)	Surplus / (deficit) on revaluation of 'available for sale' investments		594,492	(130,702)
(2,166)	441	Related tax impact		(217,688)	44,296
3,750	(860)			376,804	(86,406)
<u>7,537</u>	<u>2,844</u>	Total comprehensive income		<u>757,326</u>	<u>285,775</u>

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

Managing Director and Chief Executive Officer

Chairman

unconsolidated cash flow statement

for the year ended December 31, 2014

2014	2013		Note	2014	2013
US \$ in '000				Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES					
5,426	4,855	Profit before taxation		545,283	487,764
(1,066)	(1,446)	Less: Dividend income		(107,157)	(145,288)
4,360	3,409			438,126	342,476
Adjustments:					
166	150	Depreciation	11.1	16,715	15,075
6	10	Amortization of intangible assets	11.2	574	1,031
(2)	(62)	Unrealised gain on revaluation of investments classified as held-for-trading		(202)	(6,234)
(19)	(7)	Gain on sale of property and equipment	25	(1,903)	(735)
(447)	50	(Reversal) / provision against non-performing advances	10.6	(44,953)	5,053
2,647	1,205	Provision for diminution in the value of investments	9.3	265,986	121,086
1	9	Finance charges on leased assets	26	140	888
(37)	37	(Reversal) / provision held against other assets		(3,698)	3,698
2,315	1,392			232,659	139,862
6,675	4,801			670,785	482,338
(Increase) / decrease in operating assets					
3,397	(969)	Lendings to financial institutions		341,344	(97,402)
5,115	1,003	Net investments in held-for-trading securities		513,980	100,774
(15,243)	(11,461)	Advances - net		(1,531,671)	(1,151,684)
(1,408)	(938)	Other assets		(141,566)	(94,165)
(8,139)	(12,365)			(817,913)	(1,242,477)
Increase / (decrease) in operating liabilities					
31,318	(8,206)	Borrowings		3,146,899	(824,536)
18,532	824	Deposits and other accounts		1,862,138	82,848
1,176	(323)	Other liabilities (excluding taxation)		118,112	(32,477)
51,026	(7,705)			5,127,149	(774,165)
49,562	(15,269)	Finance charges paid on leased assets		4,980,021	(1,534,304)
(2)	(10)	Income tax paid		(188)	(962)
(2,099)	(3,028)			(210,875)	(304,231)
47,461	(18,307)			4,768,958	(1,839,497)
CASH FLOWS FROM INVESTING ACTIVITIES					
(45,699)	20,908	Net proceeds (investments in) / from available-for-sale securities		(4,591,992)	2,100,922
-	2,016	Net proceeds from held-to-maturity securities		-	202,576
(1,428)	(499)	Investments in associates		(143,500)	(50,100)
836	1,446	Dividend income received		84,040	145,288
(360)	(97)	Purchase of operating fixed assets		(36,218)	(9,773)
32	20	Sale proceeds on sale of property and equipment		3,249	2,041
(46,619)	23,794	Net cash (used in) / from investing activities		(4,684,421)	2,390,954
CASH FLOWS FROM FINANCING ACTIVITIES					
(51)	(49)	Payments of finance lease obligations		(5,097)	(4,971)
(2,448)	(2,448)	Dividend paid		(246,000)	(246,000)
(2,499)	(2,497)	Net cash used in financing activities		(251,097)	(250,971)
(1,657)	2,990	(Decrease) / increase in cash and cash equivalents		(166,560)	300,486
5,579	2,589	Cash and cash equivalents at beginning of the year		560,645	260,159
3,922	5,579	Cash and cash equivalents at end of the year	30	394,085	560,645

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

Managing Director and Chief Executive Officer

Chairman

unconsolidated statement of changes in equity

for the year ended December 31, 2014

	Issued, subscribed and paid-up capital	RESERVES		Unappropriated profit	Total
		Statutory reserve	General reserve		
Rupees in '000					
Balance as at 1 January 2013	6,150,000	559,353	11,630	437,039	7,158,022
Total comprehensive income					
Profit for the year ended 31 December 2013	-	-	-	375,540	375,540
Other comprehensive income - net of tax	-	-	-	(3,359)	(3,359)
Total comprehensive income for the year	-	-	-	372,181	372,181
Transfers					
Transfer to statutory reserve - 20% of the profit for the year	-	75,108	-	(75,108)	-
Transaction with owners recognised directly in equity					
Dividend for the year ended 31 December 2012 (Re. 0.4 per share)	-	-	-	(246,000)	(246,000)
Balance as at 31 December 2013	6,150,000	634,461	11,630	488,112	7,284,203
Total comprehensive income					
Profit for the year ended 31 December 2014	-	-	-	383,593	383,593
Other comprehensive income - net of tax	-	-	-	(3,071)	(3,071)
Total comprehensive income for the year	-	-	-	380,522	380,522
Transfers					
Transfer to statutory reserve - 20% of the profit for the year	-	76,719	-	(76,719)	-
Transaction with owners recognised directly in equity					
Dividend for the year ended 31 December 2013 (Re. 0.4 per share)	-	-	-	(246,000)	(246,000)
Balance as at 31 December 2014	6,150,000	711,180	11,630	545,915	7,418,725

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

Managing Director and Chief Executive Officer

Chairman

notes to the unconsolidated financial statements

for the year ended December 31, 2014

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 company. The Company is a joint venture between the Government of Pakistan and the Government of the Sultanate of Oman. The Company's objectives inter alia include promotion of the economic growth of Pakistan and Oman through industrial development and agro-based industries on commercial basis and to carry on the business of finance and / or investment bank. The registered office of the Company is situated at 1st Floor, Block 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 the BPD Circular Letter No. 35 dated October 28, 2003 issued by the State Bank of Pakistan.

2

BASIS OF PRESENTATION

2.1 Separate financial statements

These unconsolidated financial statements are separate financial statements of the Company in which the investments in subsidiary and associates are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees (equity method) which is done in the consolidated financial statements of the Company.

2.2 US Dollar equivalent

The US Dollar amounts shown in the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 100.4831 to 1 US Dollar has been used for 2014 and 2013 as it was the prevalent rate as on 31 December 2014.

2.3 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimate and judgments in relation to these financial statements are as follows:

a) Provision against non-performing advances

The Company reviews its loan portfolio to assess amount of non-performing advances and determine provision required there against on quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower, value of collateral held and other requirements of Prudential Regulations are considered.

b) Impairment of available-for-sale investments

The Company considers that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged

requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

c) Classification of investments

In classifying investments as “held-for-trading”, the Company has determined securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days.

In classifying investments as “held-to-maturity” the Company follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investments to maturity.

The investments which are not classified as ‘held-for-trading’ or ‘held-to-maturity’ are classified as “available-for-sale”.

d) Income taxes

In making the estimates for current and deferred income taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Company’s view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

e) Fixed assets, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

f) Employees’ benefit plans

The liabilities for employees’ benefit plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 32. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

3

STATEMENT OF COMPLIANCE

3.1

These unconsolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the SBP. In case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and directives issued by the SBP shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, ‘Financial Instruments: Recognition and Measurement’ and IAS 40, ‘Investment Property’ for DFIs through BSD Circular Letter No. 11 dated 11 September 2002 till further instructions. Further, according to the notification of the SECP dated 28 April 2008, the IFRS - 7 “Financial Instruments: Disclosures” has not been made applicable for

DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

IFRS 8, 'Operating Segments' is effective for the Company's accounting period beginning on or after 1 January 2009. All DFIs in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated 17 February 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended 31 December 2006. The management of the Company believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

3.2 Approved accounting standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is likely to result in additional disclosure in the consolidated financial statements of the Company.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The

amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is likely to result in additional disclosure in the financial statements.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4

BASIS OF MEASUREMENT

- 4.1** These unconsolidated financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the SBP and obligations in respect of certain staff retirement benefits are carried at present value.

The unconsolidated financial statements are prepared in Pakistani rupees which is the Company's functional and presentation currency.

5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks and placements with financial institutions having maturities of three (3) months or less.

5.2 Revenue recognition

Interest income is recognized on a time proportion basis that takes into account effective yield on the asset. Premium or discount on investments classified as held-for-trading, available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to profit and loss account.

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease.

In case of advances including finance lease and debt security investments classified under the Prudential Regulations, interest / mark-up is recognized on receipt basis. Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations of SBP.

Dividend income on equity investments and mutual funds is recognized when right to receive is established.

Gains and losses on disposal of securities are recognised in the profit and loss account in the year in which they arise.

Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.

Fee, brokerage and commission income other than commission on letters of credit and guarantees and remuneration for trustee services are recognized upon performance of services.

Commission on letters of credit and guarantees is recognized on time proportion basis.

5.3 Investments

The Company classifies its investments other than those in subsidiary and associates based on the criteria set out in BSD Circular Nos. 10, 11 and 14 dated July 13, 2004, August 04, 2004 and September 24, 2004 respectively. The investments are classified in the following categories as per SBP guidelines:

Held-for-trading – These are investments which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days. These are carried at market value, with the related gain / (loss) on revaluation being taken to profit and loss account.

Held-to-maturity – These are investments which are acquired with the intention and ability to hold them up to maturity. These are carried at amortised cost.

Available-for-sale – These are investments that do not fall under held-for-trading or held-to-maturity categories. These are carried at market value with related gain / (loss) on revaluation being taken to 'surplus / (deficit) on revaluation of assets' account shown below equity. On derecognition or impairment in available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' below equity is included in the profit and loss account for the period.

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

All regular way purchases / sales of investment are recognised on the trade date, i.e., the date the Company commits to purchase / sell the investments. Regular way purchases or sales of investments require delivery of securities within the time frame generally established by regulation or convention in the market place.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or MUFAP or the Stock Exchanges.

Unquoted securities whose market value is not available are carried at cost less provision for diminution in value, if any. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to book value of the same.

Provision for diminution in value of investments for debt securities is calculated as per the SBP's Prudential Regulations.

Investments in subsidiary and associates are stated at cost. Provision is made for any impairment in value, if any.

The carrying values of investments are reviewed for impairment when indications exist that the carrying values may exceed the estimated recoverable amounts.

5.4 Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair values. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

5.5 Advances and net investment in finance lease

5.5.1 Advances

Advances are stated net of specific and general provisions against non-performing advances, if any, which are charged to profit and loss account.

5.5.2 Provision against non-performing advances

Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances) for classification of non-performing advances and computing provision / allowance there against.

5.5.3 Net investment in lease

Leases are classified as finance lease when substantially all the risks and rewards incidental to ownership of an asset are transferred to the lessee. A receivable is recognized at an amount equal to the present value of the lease payments, including guaranteed residual value, if any. Finance lease receivables are included in advances.

Advances and finance lease receivables are written off when it is considered that there is no realistic prospect of recovery.

5.6 Operating fixed assets

5.6.1 Property and equipment – owned

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to profit and loss account applying the straight-line method at rates stated in note 11.1.

Residual values and useful lives are reviewed at each balance sheet date and adjusted if impact is considered significant.

Depreciation on additions and deletions of property and equipment during a year is charged in proportion to the period of use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate item of property and equipment, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Item of property and equipment is derecognised when disposed off or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are included in profit and loss account.

5.6.2 Property and equipment - leased

Assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of the lower of fair value of assets and the present value of minimum lease payments at inception of lease and subsequently stated net of accumulated depreciation. Finance charges are allocated over the period of lease term so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

5.6.3 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any. These are transferred to specific assets as and when assets are available for use.

5.6.4 Intangible assets

Expenditure incurred to acquire software licenses is capitalised as intangible assets and stated at cost less accumulated amortization and impairment losses, if any.

Intangible assets having a finite life are amortised using the straight-line method over their estimated useful lives, at the rate stated in note 11.2.

Amortization on additions and deletions of intangible assets during the year is charged in proportion to the period of use.

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

5.7 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investments. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position, as the Company does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

5.8 Taxation

5.8.1 Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemption available, if any, or minimum taxation as per the Income Tax Ordinance, 2001 whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The charge for the current tax also includes adjustments wherever considered necessary relating to prior year, arising from assessments framed during the year.

5.8.2 Deferred

The Company accounts for deferred taxation using the balance sheet liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and any unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax related to gain / (loss) recognised in surplus / (deficit) on revaluation of assets is charged / credited to such account.

5.9 Borrowings

Borrowings are recognised initially at the value of consideration received. Difference between the consideration received and the redemption value is recognised in profit and loss account over the period of the borrowings by applying effective rate of interest / markup.

5.10 Staff retirement benefits

5.10.1 Defined benefit plan

The Company operates a funded-gratuity scheme for all its permanent employees. The scheme was established on 1 November 2002 and approved by the Commissioner of Income Tax with effect from 31 January 2003. Contribution to the fund is made every year based on actuarial valuation. The actuarial valuation is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. All actuarial gains and losses are recognized in Other Comprehensive Income (OCI) in the periods in which they occur. The actuarial valuation was conducted as at 31 December 2014.

5.10.2 Defined contribution plan

The Company also operates a provident fund scheme for all its permanent employees. Equal monthly contributions at the rate of 8.33 percent per annum of salary are made by the Company and its employees. The scheme was established on 1 November 2002 and approved by the Commissioner of Income Tax with effect from 31 January 2003. Contributions from the Company are charged to profit and loss account for the year.

5.11 Compensated absences

Compensated absences (leaves) of employees are accounted for in the period in which these absences are earned.

5.12 Foreign currencies translation

Foreign currency transactions are translated into Pakistani Rupees (functional currency) using the exchange rate prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translations of monetary assets and liabilities denominated in foreign currencies at statement of financial position date are included in profit and loss account.

5.13 Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

However, provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

5.14 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the financial statement when there is a legally enforceable right to set off the recognised amounts and the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.15 Dividend and reserves

Dividend declared and appropriations, except appropriations which are required by the law are recognised as liability and recorded as changes in reserves in the period in which these are approved by the directors / shareholders as appropriate.

5.16 Impairment

The Company assesses at each balance sheet date whether there is any indication that non-financial assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

5.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at 31 December 2014.

5.18 Financial instruments

Financial assets and liabilities are recognized at the time when the Company becomes party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss account of the current period. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

5.19 Certificates of investment (COI)

COI are initially recorded at the amount of proceeds received. Mark-up accrued is recognized separately as part of liabilities and is charged to profit and loss account of a time proportion basis.

5.20 Segment information

A segment is a distinguishable component of the Company that is engaged in either providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Business segments

- Corporate finance

Corporate finance includes services provided in connection with mergers and acquisitions, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, Initial Public Offers (IPO) and secondary private placements.

- **Trading & sales**

Involves the businesses of equity trading and fixed income securities.

- **Commercial banking**

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.

6

CASH AND BALANCES WITH TREASURY BANKS

	Note	2014	2013
		Rupees in '000	
Cash in hand:			
local currency		90	38
foreign currency		143	150
Balances with State Bank of Pakistan in local currency			
- current account	6.1	99,679	77,810
		<u>99,912</u>	<u>77,998</u>

6.1 This represent the amount required to be maintained by the Company in accordance with the SBP's Regulations.

7

BALANCES WITH OTHER BANKS

In Pakistan:			
current account		9,882	999
deposit accounts	7.1	258,771	204,796
		<u>268,653</u>	<u>205,795</u>
Outside Pakistan - current accounts		520	852
		<u>269,173</u>	<u>206,647</u>

7.1 These include term deposit receipts (TDRs) due for maturity within 1 month aggregating Rs. 250 million (2013: Rs. 200 million). These carry mark-up rates ranging from 10.40 to 10.75 percent per annum (2013: 9.8 to 10.50 percent per annum).

8

LENDINGS TO FINANCIAL INSTITUTIONS

Placements	8.1	25,000	276,000
Reverse repurchase agreement lendings	8.2 & 8.5	389,177	919,277
Certificate of investments (COIs)	8.3	200,000	11,244
		<u>614,177</u>	<u>1,206,521</u>

8.1 The rates of return on these placements is 9.6 (2013: 10.20 to 10.50) percent per annum, maturing in January 2015 (2013: January 2014).

8.2 These are short-term lendings to different financial institutions secured against government securities as disclosed in note 8.5 which are purchased under resale obligations. These carry mark-up rates ranging from 9.6 to 9.85 percent per annum (2013: 9.55 to 11.25 percent per annum) and will mature within one month (2013: within one month).

8.3 COIs are due for maturity within three months (2013: 3 months to 10 months). The rate of return on COIs is 10.95 percent per annum (2013: 12 percent per annum).

8.4 Particulars of lendings

	2014	2013
	Rupees in '000	
In local currency	614,177	1,206,521
In foreign currency	-	-
	<u>614,177</u>	<u>1,206,521</u>

8.5 Securities held as collateral against lendings to financial institutions

	2014			2013		
	Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
	Rupees in '000					
Note						
Market Treasury Bills	289,177	-	289,177	-	496,195	496,195
Pakistan Investment Bonds	-	100,000	100,000	423,082	-	423,082
8.5.1	<u>289,177</u>	<u>100,000</u>	<u>389,177</u>	<u>423,082</u>	<u>496,195</u>	<u>919,277</u>

8.5.1 Market value of the securities amounting to Rs. 393 million (2013: Rs. 926 million).

9

INVESTMENTS - net

		2014			2013		
		Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
		Rupees in '000					
9.1 Investments by types	9.5						
Held-for-trading securities							
Pakistan Investment Bonds (PIBs)	9.4 & 9.5.1	132,289	7,815	140,104	30,659	252,088	282,747
Market Treasury Bills (T-Bills)	9.4 & 9.5.1	514,762	-	514,762	726,187	197,369	923,556
Listed ordinary shares	9.5.2.1	54,929	-	54,929	17,472	-	17,472
		<u>701,980</u>	<u>7,815</u>	<u>709,795</u>	<u>774,318</u>	<u>449,457</u>	<u>1,223,775</u>
Available-for-sale securities							
Pakistan Investment Bonds (PIBs)	9.4 & 9.5.1	760,494	5,861,428	6,621,922	402,615	2,351,998	2,754,613
Listed ordinary shares	9.5.2.2	608,691	-	608,691	207,890	-	207,890
Unlisted ordinary shares	9.5.3	131,333	226,000	357,333	131,333	226,000	357,333
Mutual funds units	9.5.7	-	-	-	14,337	-	14,337
Term finance certificates (TFCs)	9.5.4 & 9.5.5	2,119,506	-	2,119,506	2,351,722	-	2,351,722
Sukuk certificates	9.5.6	1,158,039	-	1,158,039	605,074	-	605,074
		<u>4,778,063</u>	<u>6,087,428</u>	<u>10,865,491</u>	<u>3,712,971</u>	<u>2,577,998</u>	<u>6,290,969</u>
Associates							
Japan Power Generation Limited		51,921	70,726	122,647	51,921	70,726	122,647
Pak Oman Advantage Fund		262,828	-	262,828	262,828	-	262,828
Pak Oman Advantage Islamic Income Fund		92,667	-	92,667	92,667	-	92,667
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		60,000	-	60,000	-	-	-
Pak Oman Microfinance Bank Limited		384,708	-	384,708	301,208	-	301,208
9.5.8		<u>1,028,616</u>	<u>70,726</u>	<u>1,099,342</u>	<u>885,116</u>	<u>70,726</u>	<u>955,842</u>

	Note	2014			2013		
		Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
Rupees in '000							
Subsidiary							
Pak Oman Asset Management Company Limited	9.5.9	168,300	-	168,300	168,300	-	168,300
Investments at cost		<u>6,676,959</u>	<u>6,165,969</u>	<u>12,842,928</u>	<u>5,540,705</u>	<u>3,098,181</u>	<u>8,638,886</u>
Less: Provision for diminution in the value of investments	9.3	1,066,719	59,271	1,125,990	818,203	59,271	877,474
Investments - net of provisions		<u>5,610,240</u>	<u>6,106,698</u>	<u>11,716,938</u>	<u>4,722,502</u>	<u>3,038,910</u>	<u>7,761,412</u>
Surplus on revaluation of held-for-trading securities	9.6	3,948	160	4,108	193	3,713	3,906
Surplus / (deficit) on revaluation of available-for-sale securities	20	16,384	442,091	458,475	(54,758)	(81,259)	(136,017)
Total investments		<u>5,630,572</u>	<u>6,548,949</u>	<u>12,179,521</u>	<u>4,667,937</u>	<u>2,961,364</u>	<u>7,629,301</u>

9.2 Investments by segments

	Note	2014	2013
		Rupees in '000	
Federal Government Securities			
Pakistan Investment Bonds (PIBs)	9.4, 9.5 & 9.6	6,762,026	3,037,360
Market Treasury Bills (MTBs)	9.4, 9.5 & 9.6	514,762	923,556
		<u>7,276,788</u>	<u>3,960,916</u>
Fully paid up ordinary shares			
Listed companies	9.5.2	663,620	225,362
Unlisted companies	9.5.3	357,333	357,333
		<u>1,020,953</u>	<u>582,695</u>
Term finance certificates (TFCs)			
Listed	9.5.4	1,370,351	1,504,849
Unlisted	9.5.5	749,155	846,873
		<u>2,119,506</u>	<u>2,351,722</u>
Sukuk certificates - unlisted	9.5.6	1,158,039	605,074
Mutual funds	9.5.7	-	14,337
Investments in associates	9.5.8	1,099,342	955,842
Investment in subsidiary	9.5.9	168,300	168,300
Total investments at cost		<u>12,842,928</u>	<u>8,638,886</u>
Less: Provision for diminution in the value of investments	9.3	1,125,990	877,474
Investments (net of provisions)		<u>11,716,938</u>	<u>7,761,412</u>
Surplus on revaluation of held-for-trading securities	9.6	4,108	3,906
Surplus / (deficit) on revaluation of available-for-sale securities	20	458,475	(136,017)
Total investments		<u>12,179,521</u>	<u>7,629,301</u>

9.3 Particulars of provision for diminution in the value of investments

	Note	2014	2013
		Rupees in '000	
Opening balance		877,474	805,791
Charge for the year		283,015	179,000
Reversal for the year		(17,029)	(57,914)
		265,986	121,086
Transfer to capital gain due to disposal of relevant investments		(17,470)	-
Write off		-	(49,403)
Closing balance	9.3.1	1,125,990	877,474

9.3.1 Particulars of provision in respect of types and segments

Available-for-sale securities

Shares

- Listed

82,743 49,171

- Unlisted

98,568 69,091

Term Finance Certificates

- Listed

361,702 263,036

- Unlisted

149,419 125,441

Sukuk-unlisted

173,881 115,103

Investment in Mutual Funds

- 7,679

866,313 629,521

Associates

102,783 102,783

Subsidiary

156,894 145,170

1,125,990 877,474

9.4 The rates of return on PIBs maturing between July 2015 to July 2024 (2013: July 2015 to January 2024), range from 10.80 to 13.20 (2013: 10.7 to 14.02) percent per annum. The rates of return on market treasury bills maturing between January 2015 to October 2015 (2013: January 2014 to February 2014), range from 9.96 to 9.99 (2013: 9.82 to 10.40) percent per annum.

9.5 Detailed information relating to investments including quality of available-for-sale securities is given below:

9.5.1 Government Securities

9.5.1.1 Held-for-trading

	2014		2013	
	Market Value	Rating	Market Value	Rating
	Rupees in '000		Rupees in '000	
Pakistan Investment Bonds (PIBs)				
10 years	142,692	Unrated	13,495	Unrated
5 years	-	Unrated	264,544	Unrated
3 years	-	Unrated	8,956	Unrated
	142,692		286,995	
Market Treasury Bills (MTBs)				
3 months	144,730	Unrated	923,352	Unrated
12 months	371,359	Unrated	-	-
	516,089		923,352	

9.5.1.2 Available-for-sale

Pakistan Investment Bonds (PIBs)

20 years
15 years
10 years
5 years
3 years

2014		2013	
Market Value	Rating	Market Value	Rating
Rupees in '000		Rupees in '000	
19,307	Unrated	16,927	Unrated
327,151	Unrated	237,997	Unrated
3,991,576	Unrated	1,833,624	Unrated
2,307,215	Unrated	581,425	Unrated
468,211	Unrated	-	-
<u>7,113,460</u>		<u>2,669,973</u>	
<u>7,772,241</u>		<u>3,880,320</u>	

9.5.2 Listed shares

9.5.2.1 Held-for-trading

Chemical

Fauji Fertilizer Bin Qasim Limited
Engro Corporation Limited
Fauji Fertilizer Company Limited

Rating	2014		2013		2014		2013	
	No. of shares held		Cost		Market value			
			Rupees in '000		Rupees in '000			

Unrated	-	298,000	-	13,126	-	-	13,055
AA- / A1+	20,000	-	4,232	-	4,430	-	-
Unrated	39,500	-	4,699	-	4,626	-	-

Oil and gas

Pakistan Petroleum Limited
Attock Petroleum Limited
Oil & Gas Development Company Limited
Pakistan Oilfields

Unrated	10,000	20,000	1,770	4,346	1,765	4,279
Unrated	3,000	-	1,597	-	1,619	-
AAA / A-1+	1,000	-	205	-	205	-
Unrated	2,000	-	975	-	759	-

Construction and materials (Cement)

Attock Cement Limited
Lafarge Pakistan Cement Limited

Unrated	45,300	-	8,810	-	8,841	-
Unrated	500,000	-	8,673	-	8,675	-

Commercial Banks

Faysal Bank Limited
MCB Bank Limited
United Bank Limited

AA / A1+	35,000	-	624	-	637	-
AAA / A1+	15,000	-	4,446	-	4,585	-
AA+ / A1+	63,000	-	11,158	-	11,133	-

Food Producers

Engro Foods Limited

Unrated	50,000	-	5,297	-	5,427	-
---------	--------	---	-------	---	-------	---

Textile

Nishat Mills Limited

AA- / A1+	20,000	-	2,443	-	2,420	-
			<u>54,929</u>	<u>17,472</u>	<u>55,122</u>	<u>17,334</u>

9.5.2.2 Available-for-sale

Rating	2014		2013		2014		2013	
	No. of shares held		Cost		Market value		Rupees in '000	
Construction and materials (Cement)								
Cherat Cement Limited	Unrated	180,000	199,500	11,665	11,243	12,362	12,625	
Attock Cement Limited	Unrated	105,700	-	19,328	-	20,630	-	
Lucky Cement Limited	Unrated	5,000	-	2,426	-	2,501	-	
Electricity								
Lalpir Power Limited	AA / A1+	200,000	2,071,858	4,402	45,601	5,980	41,229	
Nishat Power Limited	A+ / A1	750,000	-	34,984	-	34,200	-	
Kot Addu Power Company Limited	AA+ / A1+	75,000	-	4,737	-	5,921	-	
Chemical								
Agritech Limited (9.5.5.2)	D	1,629,911	1,629,911	57,046	57,046	12,632	20,651	
Fauji Fertilizer Company Limited	A / A1	535,000	525,000	63,076	61,787	62,654	58,779	
Engro Corporation Limited	AA- / A1+	20,000	-	4,430	-	4,430	-	
Commercial Banks								
Allied Bank Limited	AA+ / A1+	250,000	-	28,883	-	28,395	-	
NIB Bank Limited	AA- / A1+	-	3,788,000	-	10,053	-	8,863	
United Bank Limited	AA+ / A1+	10,000	-	1,698	-	1,767	-	
JS Bank Limited	A+ / A1	7,137,500	-	49,523	-	50,962	-	
General Industrials								
Cherat Packaging Limited	Unrated	-	396,500	-	14,076	-	18,952	
Financial Services								
Next Capital Limited	Unrated	808,400	808,400	8,084	8,084	4,648	4,042	
Refinery / Oil & Gas								
Pakistan Oilfield Limited	Unrated	121,000	-	61,617	-	45,902	-	
Pakistan State Oil Company Limited	AA+ / A1+	188,050	-	73,685	-	67,305	-	
Oil & Gas Development Company Limited	AAA / A-1+	201,700	-	53,955	-	41,524	-	
Pakistan Petroleum Limited	Unrated	202,000	-	45,823	-	35,657	-	
Paper and Board								
Century Paper & Board	Unrated	100,000	-	6,553	-	5,421	-	
Food Producers								
Farhan Sugar Mills Limited	Unrated	60,000	-	2,532	-	2,369	-	
Textile								
Nishat Mills Limited	AA- / A1+	435,900	-	58,647	-	52,740	-	
Industrial Transportation								
Pakistan International Bulk Terminal Limited	Unrated	604,000	-	15,597	-	14,912	-	
				608,691	207,890	512,912	165,141	
				663,620	225,362	568,034	182,475	

9.5.3 Particulars of investments held in shares of unlisted companies

9.5.3.1 Available-for-sale

	No. of shares held		Cost		Share holding %	Break-up / carrying value per share (Rupees)	Latest available financial statements	Name of the Chief Executive
	2014	2013	2014	2013				
	Rupees in '000							
Shareholding upto 10%								
Alhamra Avenue (Private) Limited	5,000,000	5,000,000	50,000	50,000	3.12	9.21	30-June-2012***	Mr. Muhammad Hammad Arshad
Systems Limited	1,868,106	934,053	10,000	10,000	2.18	29.89	31-Dec-2013*	Mr. Asif Peer
Visionnet Systems Inc.	-	36,037	-	-				
Pakistan Textile City Limited (Note 9.5.12)	5,000,000	5,000,000	50,000	50,000	4.00	4.55	30-Jun-2014*	Mr. Mohammad Hanif
Techlogix International Limited	1,872,197	1,872,197	21,333	21,333	1.84	2.99	31-Dec-2013**	Mr. Kewan Qadre Khawaja
Orient Power Company (Private) Limited (Note 21.2)	22,600,000	22,600,000	226,000	226,000	5.43	17.24	30-Jun-2014*	Mr. Nadeem Baber
			<u>357,333</u>	<u>357,333</u>				

*Audited financial statement

**Audited consolidated financial statements

*** Unaudited financial statements

9.5.4 Listed Term Finance Certificates

9.5.4.1 Available-for-sale

	Rate of Interest	Profit Payment	Maturity	Long Term rating	No. of certificates held		Market value / Cost	
					2014	2013	2014	2013
					Rupees in '000			
Investment bank / companies / securities								
Escort Investment Bank Limited	8%	Half yearly	15-Sep-14	BB	-	4,031	-	1,485
Commercial banks								
Allied Bank Limited I	6 month Kibor + 1.9%	Half yearly	6-Dec-14	AA	-	25,078	-	62,833
Allied Bank Limited II	6 month Kibor + 0.85%	Half yearly	28-Aug-19	AA	13,962	13,962	68,157	66,803
Askari Bank Limited III	6 month Kibor + 2.5%	Half yearly	18-Nov-19	AA-	50,949	50,949	249,339	258,128
Bank Al-Falah Limited V	6 month Kibor + 1.25%	Half yearly	20-Feb-21	AA-	29,500	29,500	146,366	150,677
Faysal Bank Limited	6 month Kibor + 1.4%	Half yearly	12-Nov-14	AA-	-	17,681	-	44,312
NIB Bank Limited	6 month Kibor + 1.15%	Half yearly	19-Jun-22	A+	30,000	-	147,845	-
Summit Bank Limited	6 month Kibor + 3.25%	Half yearly	27-Oct-18	A (SO)	10,000	10,000	42,714	47,193
Technology and communication								
Telecard Limited	3 month Kibor + 5.04%	Half yearly	27-May-15	Unrated	56,716	56,716	-	-
WorldCall Telecom Limited	6 month Kibor + 1.6%	Half yearly	7-Oct-15	D	108,623	108,623	162,836	162,836
Chemical								
Engro Fertilizers Limited II	6 month Kibor + 1.55%	Half yearly	30-Nov-15	A+	-	30,177	-	150,508
Personal goods								
Azgard Nine Limited	6 month Kibor + 2.4%	Half yearly	20-Sep-17	D	15,000	15,000	2,662	3,527
Leasing								
Orix Leasing Pakistan Limited II	3 month Kibor + 2.15%	Quarterly	30-Jun-14	AA+	-	500	-	10,023
Electricity								
KESC AZM Certificate	14.75%	Quarterly	3-Jul-15	AA	10,000	10,000	49,587	49,870
Miscellaneous								
Pace (Pakistan) Limited	6 month Kibor + 2%	Half yearly	15-Feb-17	D	60,230	60,230	108,409	162,614
							<u>977,915</u>	<u>1,170,809</u>

9.5.4.2 The face value of each certificate held in listed TFCs is Rs. 5,000 (2013: Rs. 5,000) per certificate as at issue date except for Orix Leasing Pakistan Limited having face value per TFC of NIL (2013: Rs. 100,000)

9.5.5 Unlisted Term Finance Certificate

9.5.5.1 Available-for-sale

	Rate of Interest	Profit Payment	Maturity	Long Term rating	No. of certificates held		Market value / Cost	
					2014	2013	2014	2013
Rupees in '000								
Commercial banks								
Faysal Bank Limited - PPTFC	6 month Kibor + 2.25%	Half yearly	27-Dec-17	AA-	30,000	30,000	156,691	156,910
Bank Al Habib Limited - PPTFC	15.50%	Quarterly	15-Jun-17	AA	-	10,000	-	52,311
Bank Al-Falah Limited - IV	6 month Kibor + 2.5%	Half yearly	2-Dec-17	AA-	33,000	33,000	170,405	174,068
Development Financial Institutions								
Pak-Libya Holding Co. (Pvt) Limited - PPTFC	6 month Kibor + 1.6%	Half yearly	7-Feb-16	AA	8,000	8,000	20,025	33,236
Chemical								
Engro Fertilizers Limited - PPTFC	6 month Kibor + 1.70%	Half yearly	18-Mar-18	A+	44,500	44,500	220,748	213,087
Agri Tech Limited (Note 9.5.5.2)	6 month Kibor + 1.75%	Half yearly	29-Nov-19	D	20,000	20,000	27,819	49,437
Agri Tech Limited (Note 9.5.5.2)	Zero coupon	Half yearly	1-Jan-15	D	4,309	4,309	-	-
Personal goods								
Nishat (Chunain) Limited - PPTFC	3 month Kibor + 2.25%	Quarterly	30-Sep-15	A	10,000	10,000	12,500	25,000
Azgard Nine Limited - III	6 month Kibor + 2.25%	Half yearly	4-Dec-17	D	2,000	2,000	473	898
Azgard Nine Limited - IV	3 month Kibor + 1%	Quarterly	18-Nov-15	D	5,000	5,000	1,744	4,287
Azgard Nine Limited - V	Zero coupon	Half yearly	31-Mar-17	D	5,687	5,687	-	-
Leasing								
Security Leasing Corporation Limited	-	-	29-Jan-22	Unrated	12,000	12,000	-	-
Miscellaneous								
Avani Hotels Limited	12 month Kibor + 2.50%	Yearly	30-Oct-14	A-	-	10,000	-	18,599
							<u>610,405</u>	<u>727,833</u>

9.5.5.2 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 75% (31 December 2013: 53.56%) provision on credit exposure and 86.90% (31 December 2013: 100%) impairment on mark-to-market loss on shares in these unconsolidated financial statements.

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 the 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.

9.5.6 Investment in unlisted Sukuk

9.5.6.1 Available-for-sale

	Rate of Interest	Profit Payment	Maturity	Long Term rating	No. of certificates held		Market value / Cost	
					2014	2013	2014	2013
Rupees in '000								
Personal Goods								
Amtex Limited	3 month Kibor + 2%	Quarterly	12-Oct-12	Unrated	22,000	22,000	20,450	79,612
Leasing								
Security Leasing Corporation Limited	-	Monthly	19-Jan-22	Unrated	10,000	10,000	-	-
Security Leasing Corporation Limited II	-	Monthly	19-Jan-22	Unrated	10,000	10,000	-	-
Energy								
Liberty Power Tech (Private) Limited	3 month Kibor + 3%	Quarterly	18-Mar-21	A+	60,000	60,000	237,940	253,609
K-Electric Limited	3 month Kibor + 2.25%	Quarterly	19-Mar-17	AA	8,000	-	41,400	-
Chemical								
Engro Fertilizers Limited	6 months Kibor +1.75%	Half yearly	9-Jul-19	A+	15,800	-	80,406	-
Banks								
Al- Baraka Bank (Pakistan) Limited	6 months Kibor +1.25%	Half yearly	25-Sep-21	A	500	-	500,000	-
Miscellaneous								
Al-Razi HealthCare (Private) Limited	6 month Kibor + 3.6%	Monthly	4-Nov-17	Unrated	30,000	30,000	104,000	128,000
House Building Finance Corporation Limited	6 month Kibor + 1%	Half yearly	8-May-14	Unrated	-	55,035	-	27,540
New Allied Electronic Industries (Private) Limited	3 month Kibor + 2.6%	Quarterly	25-Jul-12	Unrated	272,000	272,000	-	-
							<u>984,196</u>	<u>488,761</u>

9.5.6.2 The face value of each certificate held in unlisted Sukuks is Rs. 5,000 (2013: Rs. 5,000) per certificate as at issue date except for New Allied Electronic Industries (Private) Limited having face value per Sukuk of Rs. 312.5 (2013: Rs. 312.5) and Al-Baraka Bank (Pakistan) Limited having face value of Rs 1 million.

9.5.7	Mutual Funds	Rating	2014	2013	2014	2013	2014	2013
			No. of units / shares held		Cost		Market value	
			Rupees in '000					
	NAMCO Balance Fund	Unrated	-	1,756,352	-	14,337	-	14,672

9.5.8 Investment in associates

9.5.8.1 The Company holds investment in ordinary shares / units of Rs. 10 each in the following entities:

9.5.8.2	Quoted	No. of unit / shares held		Cost		Holding	Break-up value per share / unit (Rupees)	Latest available financial statements	Name of the Chief Executive
		2014	2013	2014	2013				
	Japan Power Generation Limited (JPGL) (Note 9.5.8.3 and 21.1)	30,560,189	30,560,189	122,647	122,647	19.59%	(29.66)	30-Sep-14*	Mr. Amjad Awan
	Pak Oman Advantage Fund	27,109,000	27,109,000	262,828	262,828	27.11%	11.01	31-Dec-14**	Mr. Awais Masood
	Pak Oman Islamic Asset Allocation Fund	2,000,000	2,000,000	92,414	92,414	99.74%	56.90	31-Dec-14**	Mr. Awais Masood
	Pak Oman Advantage Asset Allocation Fund	2,000,000	2,000,000	84,078	84,078	99.98%	54.07	31-Dec-14**	Mr. Awais Masood
	Pak Oman Advantage Islamic Income Fund	2,003,976	2,003,976	92,667	92,667	72.48%	53.08	31-Dec-14**	Mr. Awais Masood
	Pak Oman Government Securities Fund	5,872,795	-	60,000	-	96.37%	10.56	31-Dec-14**	Mr. Awais Masood
	Unquoted								
	Pak Oman Microfinance Bank Limited (Note 9.5.12)	38,470,788	30,120,788	384,708	301,208	33.40%	9.35	31-Dec-14*	Mr. Munawar Suleman
				<u>1,099,342</u>	<u>955,842</u>				

**Reviewed financial statements.

* Unaudited financial statements

9.5.8.3 The Company exercises significant influence on the financial and operational policies of JPGL due to representation of four directors out of thirteen directors. Accordingly, investment in JPGL is accounted for as investment in associate in these unconsolidated financial statements.

9.5.8.4 The above associates are incorporated in Pakistan.

9.5.8.5 Associates - Key Information

	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**	Japan Power Generation Limited*	Pak Oman Microfinance Bank Limited*
Rupees in '000							
Assets	1,121,407	150,327	127,794	122,060	66,286	10,335,486	1,122,952
Liabilities	20,502	3,556	13,707	13,909	1,959	14,963,935	45,668
Total income	117,550	13,831	24,156	14,887	9,996	352,725	133,769
Profit / (loss) before taxation	93,247	5,013	16,174	6,189	2,134	(706,294)	2,585
Profit / (loss) after taxation	93,247	5,013	16,174	6,189	2,134	(706,294)	2,585

9.5.9 Subsidiary

	No. of shares held		Cost		Percentage of holding %	Break-up value per share (Rupees)	Latest available financial statements	Name of the Chief Executive
	2014	2013	2014	2013				
Rupees in '000								
Pak Oman Asset Management Company Limited (Note 9.5.11 and 9.5.12)	16,830,000	16,830,000	168,300	168,300	51	0.68	31-Dec-14	Mr. Awais Masood

9.5.10 Investment in subsidiary is part of strategic investment of the Company. These shares are in the custody of CDC and cannot be sold without the prior approval of the SECP in accordance with Circular Letter No. 9 of 2006 dated 15 June 2006 in addition to mandatory holding period of five years from the last date purchase of these shares.

9.5.11 The Company has now decided for injecting further equity into Pak Oman Asset Management Company Limited to make it compliant to regulatory requirements and ensure successful operations through its restructuring / re-organisation. The process to increase the equity is in progress.

9.5.12 Investment in these securities forms part of strategic investment of the Company and can not be sold for a period of five years from the last date of purchase of securities.

9.6 Surplus / (deficit) on revaluation of held-for-trading securities

	2014	2013
Rupees in '000		
Federal Government Securities		
- Market Treasury Bills	1,327	(204)
- Pakistan Investment Bonds	2,588	4,248
	3,915	4,044
Shares - listed	193	(138)
	4,108	3,906

In Pakistan

Loans, cash credit, running finance, etc.
 Net investment in finance leases
 Advance against leases
 Staff loans

Advances - Gross

Less: Provision for non-performing loans and advances
 Advances - net of provision

Note

2014

2013

Rupees in '000

	2014	2013
	8,565,685	7,105,050
	1,268,825	1,158,149
	6,373	48,875
	123,345	120,483
	<u>9,964,228</u>	<u>8,432,557</u>
	<u>893,914</u>	<u>938,867</u>
	<u>9,070,314</u>	<u>7,493,690</u>

10.1 Particulars of advances (Gross)

10.1.1 In local currency

10.1.3

	2014	2013
	<u>9,964,228</u>	<u>8,432,557</u>

10.1.2 In foreign currency

	2014	2013
	<u>-</u>	<u>-</u>

10.1.3 Short term (for upto one year)
 Long term (for over one year)

	2014	2013
	3,718,994	4,769,350
	<u>6,245,234</u>	<u>3,663,207</u>
	<u>9,964,228</u>	<u>8,432,557</u>

10.2 In accordance with BPRD Circular No. 6 dated 26 June 2014 issued by the SBP, the Company has availed the benefit of FSV against the non-performing advances and term finance certificates. As of 31 December 2014, the Company has availed total accumulated FSV benefit amounting to Rs. 193.852 million (net of tax Rs. 126.004 million). Accordingly, accumulated profit of Rs. 126.004 million (net of transfer to statutory reserves Rs. 100.803 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.

10.3 Net investment in finance lease

10.3.1 The periodic break-up of minimum lease payments due is as follows:

	2014			2013		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	Rupees in '000					
Lease rentals receivable	587,169	694,071	1,281,240	539,241	650,071	1,189,312
Residual value	43,679	152,218	195,897	67,092	88,866	155,958
Minimum lease payments	<u>630,848</u>	<u>846,289</u>	<u>1,477,137</u>	<u>606,333</u>	<u>738,937</u>	<u>1,345,270</u>
Financial charges for future periods	(95,052)	(113,260)	(208,312)	(81,681)	(105,440)	(187,121)
Present value of minimum lease payments	<u>535,796</u>	<u>733,029</u>	<u>1,268,825</u>	<u>524,652</u>	<u>633,497</u>	<u>1,158,149</u>

10.3.1.1 In respect of the aforementioned finance leases the Company holds an aggregate sum of Rs. 155.246 million (2013: Rs. 142.153 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (note 17).

10.3.1.2 The Company has entered into lease agreements of various vehicles and plant and machinery. The amount recoverable under these arrangements are receivable by the year 2019 and are subject to finance income at rates ranging between 11.13 to 16.11 (2013: 10.83 to 16.11) percent per annum. Maximum amount of lease outstanding as at 31 December 2014 amounts to Rs. 179 million (2013: Rs. 233 million)

10.4 Staff loans include personal loans and house loans given to employees in accordance with their terms of appointment. House loans carry mark-up at a rate of 5 (2013: 5) percent per annum, while no mark-up is charged on personal loans.

10.4.1 Staff loans include an amount of Rs. 10.033 million (2013: Rs. 13.845 million) advanced to the Company's Chief Executive.

10.5 Particulars of classification

10.5.1 Advances include Rs. 1,037.908 million (2013: Rs. 1,132.366 million) which have been placed under the non-performing status as detailed below:

	2014								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	57,950	-	57,950	8,090	-	8,090	8,090	-	8,090
Doubtful	-	-	-	-	-	-	-	-	-
Loss	979,958	-	979,958	885,824	-	885,824	885,824	-	885,824
	<u>1,037,908</u>	<u>-</u>	<u>1,037,908</u>	<u>893,914</u>	<u>-</u>	<u>893,914</u>	<u>893,914</u>	<u>-</u>	<u>893,914</u>

	2013								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	54,185	-	54,185	-	-	-	-	-	-
Loss	1,078,181	-	1,078,181	938,867	-	938,867	938,867	-	938,867
	<u>1,132,366</u>	<u>-</u>	<u>1,132,366</u>	<u>938,867</u>	<u>-</u>	<u>938,867</u>	<u>938,867</u>	<u>-</u>	<u>938,867</u>

10.6 Particulars of provision against non-performing advances

	Note	2014			2013		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		938,867	-	938,867	933,814	-	933,814
Charge during the year		48,269	-	48,269	92,734	-	92,734
Reversal during the year		(93,222)	-	(93,222)	(87,681)	-	(87,681)
Net charge		(44,953)	-	(44,953)	5,053	-	5,053
Less: Amounts written off during the year	10.7	-	-	-	-	-	-
Closing balance		<u>893,914</u>	<u>-</u>	<u>893,914</u>	<u>938,867</u>	<u>-</u>	<u>938,867</u>

10.6.1 Particulars of provisions against non-performing advances

	2014			2013		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
In local currency	893,914	-	893,914	938,867	-	938,867
In foreign currencies	-	-	-	-	-	-
	<u>893,914</u>	<u>-</u>	<u>893,914</u>	<u>938,867</u>	<u>-</u>	<u>938,867</u>

10.7 Particulars of write offs

	2014	2013
	Rupees in '000	
Against provisions	-	-
Directly charged to profit and loss account	-	-
	<u>-</u>	<u>-</u>
10.7.1 Write offs of Rs. 500,000 and above	-	-
Write offs of below Rs 500,000	-	-
	<u>-</u>	<u>-</u>

10.7.2 Statement showing written off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended 31 December 2014.

S. No.	Name and address of the borrower	Name of individuals partners/ directors with CNIC No.	Father's/ Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/mark-up written off	Other financial relief provided	Total (9+10+11)	
				Principal	Interest/mark-up	Others	Total					
1	2	3	4	5	6	7	8	9	10	11	12	
Rupees in '000												
1	Dewan Mushtaq Motor Company(Pvt) Limited Address: FTC, 7th floor, Block 'A', Shahrah-e-Faisal, Karachi	Mr. Dewan M.Yousof Farooqui Mrs. Hina Yousof	42301-6948978-9 42301-7944605-4	Mr. Dewan Muhammad Umer Mr. Dewan M. Yousof	10,000	2,441	24,058	36,499	-	2,441	25,053	27,494
				<u>10,000</u>	<u>2,441</u>	<u>24,058</u>	<u>36,499</u>	<u>-</u>	<u>2,441</u>	<u>25,053</u>	<u>27,494</u>	

10.8 Particulars of loans and advances to directors, associated companies etc.

Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons.

	Note	2014	2013
		Rupees in '000	
Balance at beginning of the year		120,483	128,496
Loans granted during the year		33,332	22,072
Repayments		(30,470)	(30,085)
		<u>123,345</u>	<u>120,483</u>

Debts due by subsidiary company, controlled firms and other related parties

Balance at beginning of the year	303,278	324,913
Loans granted during the year	-	-
Repayments	(24,624)	(21,635)
Balance at end of the year	<u>278,654</u>	<u>303,278</u>
	<u>401,999</u>	<u>423,761</u>

10.8.1

10.8.1 This includes an amount of Rs. 68.2 million due from Japan Power Generation Limited (an associated company) classified as non performing loan under loss category. The Company has recorded provision for entire amount due as at 31 December 2014.

10.9 Maximum total amount of advances including temporary advances granted during the year amounts to Rs. 421 (2013: Rs. 448) million. The maximum amount has been calculated by reference to month end balance.

11

OPERATING FIXED ASSETS

	Note	2014	2013
		Rupees in '000	
Property and equipment	11.1	66,611	50,451
Intangible	11.2	305	635
Advance for capital expenditure		1,753	-
		<u>68,669</u>	<u>51,086</u>

11.1 Property and equipment

Description	Cost			Depreciation			Net book value	Rate %
	As at January 1, 2014	Addition (deletion) / **transfers / during the year	As at December 31, 2014	As at January 1, 2014	During the year / **transfers / (on disposals)	As at December 31, 2014	As at December 31, 2014	
Rupees in '000								
Owned								
Office premises*	42,126	-	42,126	19,657	2,106	21,763	20,363	5
Improvement	9,863	3,208	12,805	7,836	724	8,295	4,510	20
Office equipment	9,270	931	9,943	8,114	539	8,485	1,458	20
Computer equipment	18,098	(258)	17,909	16,246	(168)	15,849	2,060	33.33
Furniture and fixtures	12,593	1,664	12,793	10,729	1,456	11,364	1,429	20
Vehicles	17,788	(1,853)	12,793	10,729	635	11,364	1,429	20
		200	12,793	10,729	635	11,364	1,429	20
		-	12,793	10,729	-	11,364	1,429	20
		28,218	66,025	5,635	10,910	29,522	36,503	20
		33,342 **	66,025	5,635	25,045 **	29,522	36,503	20
		(13,323)	66,025	5,635	(12,068)	29,522	36,503	20
Assets subject to finance lease								
Vehicles	35,069	-	1,727	26,139	345	1,439	288	20
		(33,342) **	1,727	26,139	(25,045) **	1,439	288	20
2014	144,807	34,221	163,328	94,356	16,715	96,717	66,611	
		(15,700)	163,328	94,356	(14,354)	96,717	66,611	

Description	Cost			Depreciation			Net book value	Rate %
	As at January 1, 2013	Addition (deletion) during the year	As at December 31, 2013	As at January 1, 2013	During the year / (on disposals)	As at December 31, 2013	As at December 31, 2013	
Rupees in '000								
Owned								
Office premises*	42,126	-	42,126	17,551	2,106	19,657	22,469	5
Improvement	8,422	2,092	9,863	7,807	680	7,836	2,027	20
Office equipment	8,772	(651)	9,270	7,711	(651)	8,114	1,156	20
Computer equipment	16,798	706	18,098	14,466	547	16,246	1,852	33.33
Furniture and fixtures	11,546	(208)	12,593	10,415	(144)	10,729	1,864	20
Vehicles	11,768	1,300	17,788	3,332	1,780	5,635	12,153	20
		-	17,788	3,332	-	5,635	12,153	20
		1,521	17,788	3,332	788	5,635	12,153	20
		(474)	17,788	3,332	(474)	5,635	12,153	20
		6,990	17,788	3,332	2,352	5,635	12,153	20
		(970)	17,788	3,332	(49)	5,635	12,153	20
Assets subject to finance lease								
Vehicles	37,761	-	35,069	21,688	6,822	26,139	8,930	20
		(2,692)	35,069	21,688	(2,371)	26,139	8,930	20
2013	137,193	12,609	144,807	82,970	15,075	94,356	50,451	
		(4,995)	144,807	82,970	(3,689)	94,356	50,451	

* The transfer of title of office premises in the Company's name is in process.

11.1.1 Details of disposals of assets whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 respectively whichever is less and property and equipment disposed off to the Chief Executive or to a director or to executives or to any other related party, irrespective of the values, are as follows;

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	Rupees in '000						
Vehicles							
Suzuki Cultus	700	700	-	234	234	Company policy	Mr. Faraz Sajid Khan (Executive)
Honda Civic	700	700	-	192	192	Company policy	Mr. Mohammad Nadeem Khan (Executive)
Toyota Corolla	1,031	292	739	915	176	Company policy	Mr. Irfan Ahmed (Former Executive)
Suzuki Cultus	970	453	517	805	288	Negotiations	M/S Auto One (3/29, Khalid bin Waleed road, Karachi)
Honda Civic	1,601	1,601	-	338	338	Company policy	Mr. Mohammad Jamal Nasir (Executive)
Mitsubishi Lancer	1,029	1,029	-	515	515	Negotiations	Mr. Salman Ahmed CNIC 35202-2509188-1
Mercedes	5,800	5,800	-	-	-	As per BOD Approval	Mr. Agha Ahmed Shah (Chief executive officer)
Toyota Corolla	1,389	1,389	-	-	-	As per BOD Approval	Mr. Agha Ahmed Shah (Chief Executive Officer)
	13,220	11,964	1,256	2,999	1,743		
Others	2,480	2,390	90	250	160		
	15,700	14,354	1,346	3,249	1,903		

11.2 Intangible assets

Description	Cost			Amortisation			Net book value	Rate %
	As at January 1, 2014	Addition during the year	As at December 31, 2014	As at January 1, 2014	During the year	As at December 31, 2014	As at December 31, 2014	
Rupees in '000								
Software licences	11,426	244	11,670	10,791	574	11,365	305	33.33

Description	Cost			Amortisation			Net book value	Rate %
	As at January 1, 2013	Addition during the year	As at December 31, 2013	As at January 1, 2013	During the year	As at December 31, 2013	As at December 31, 2013	
Rupees in '000								
Software licences	11,426	-	11,426	9,760	1,031	10,791	635	33.33

11.3 Included in cost of property and equipment are fully depreciated items still in use having cost of:

	Note	2014	2013
		Rupees in '000	
Improvement		6,851	6,961
Office equipment		7,754	6,287
Computer equipment		14,146	14,262
Furniture and fixture		9,470	8,949
Vehicles		4,854	5,396
Intangibles		11,071	9,197
		<u>54,146</u>	<u>51,052</u>

12

DEFERRED TAX ASSETS - Net

Deferred tax assets arising in respect of:

Provision for diminution in the value of investments		311,670	233,751
Assets subject to finance leases		70	(1,170)
Provision against other assets		-	1,294
Amortisation of premium on Federal Government Securities		573	778
Provision against non-performing advances		312,870	328,603
		<u>625,183</u>	<u>563,256</u>

Less: Deferred tax liabilities arising in respect of:

Accelerated tax depreciation allowances		(21)	601
Revaluation on investments classified as available-for-sale	20	(165,029)	52,659
Revaluation on investments classified as held-for-trading		(1,394)	(1,402)
Net investment in finance leases		(76,399)	(71,622)
Dividend receivable		(2,312)	-
		<u>(245,155)</u>	<u>(19,764)</u>
	12.1	<u>380,028</u>	<u>543,492</u>

12.1 Movement of deferred tax

January 1, 2013	Recognized in		December 31, 2013	Recognized in		December 31, 2014
	Profit and loss account	Deficit on revaluation of available for sale securities		Profit and loss account	Surplus on revaluation of available for sale securities	
Rupees in '000						

Deferred tax assets arising in respect of:

Provision for diminution in the value of investments	211,119	22,632	-	233,751	77,919	-	311,670
Assets subject to finance leases	(1,930)	760	-	(1,170)	1,240	-	70
Provision against other assets	-	1,294	-	1,294	(1,294)	-	-
Amortisation of premium on Federal Government Securities	17,121	(16,343)	-	778	(205)	-	573
Provision against non performing advances	326,835	1,768	-	328,603	(15,733)	-	312,870
	<u>553,145</u>	<u>10,111</u>	<u>-</u>	<u>563,256</u>	<u>61,927</u>	<u>-</u>	<u>625,183</u>

Less: deferred tax liabilities arising in respect of:

Accelerated tax depreciation allowances	814	(213)	-	601	(622)	-	(21)
Revaluation on investments classified as available-for-sale	8,363	-	44,296	52,659	-	(217,688)	(165,029)
Revaluation on investments classified as held-for-trading	815	(2,217)	-	(1,402)	8	-	(1,394)
Net Investment in finance leases	(87,739)	16,117	-	(71,622)	(4,777)	-	(76,399)
Dividend receivable	-	-	-	-	(2,312)	-	(2,312)
	<u>(77,747)</u>	<u>13,687</u>	<u>44,296</u>	<u>(19,764)</u>	<u>(7,703)</u>	<u>(217,688)</u>	<u>(245,155)</u>
	<u>475,398</u>	<u>23,798</u>	<u>44,296</u>	<u>543,492</u>	<u>54,224</u>	<u>(217,688)</u>	<u>380,028</u>

- 14.3** 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 (2013: 5 to 11 percent per annum). These are repayable within 6 years (2013: 7 years).
- 14.4** The rate of return on these repurchase agreement borrowings, maturing in January 2015 (2013: January 2014 to February 2014), ranges between 9.5 to 10.30 (2013: 9.8 to 10.75) percent per annum. Securities having cost of Rs 5,969.243 million (2013: Rs 3,297.650 million) have been pledged against these borrowings.
- 14.5** The rate of return on these long-term borrowings is three month KIBOR + 0.35% & six months KIBOR+0.25%. The above facilities are secured against advances receivable.
- 14.6** The rate of return on these short-term running finance facilities is three month KIBOR + 0.25% (2013: three month KIBOR + 0.25%). The above facility are secured against loan and advances receivable.
- 14.7** The rates of return on these placements, maturing in January to April 2015 (2013: January 2014) ranges between 9.50 to 10.15 (2013: 9.55 to 9.80) percent per annum.

15 DEPOSITS AND OTHER ACCOUNTS

	2014	2013
	Rupees in '000	
Certificates of investment - remunerative (in local currency):		
Financial institutions	2,888,748	607,747
Others	3,407,238	3,826,101
	<u>6,295,986</u>	<u>4,433,848</u>
15.1 Particular of deposits		
In local currency	6,295,986	4,433,848
In foreign currencies	-	-
	<u>6,295,986</u>	<u>4,433,848</u>
15.2 The rate of return on deposits maturing between January 2015 to July 2017 (2013: January 2014 to July 2015) is 9 to 12 (2013: 8.6 to 12.30) percent per annum.		
15.3 These include Certificate of Investments purchased by gratuity fund of the Company as disclosed in note 32.7.1 and by provident fund of the Company amounting to Rs. NIL (2013: 4.9 million).		
15.4 These include Certificate of Investments purchased by Pak Oman Microfinance Bank Limited (associate) of the Company amounting to Rs. 733 million (2013: 576 million).		

16

LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2014			2013		
	Minimum lease Payments	Financial charges for future periods	Principal outstanding	Minimum lease Payments	Financial charges for future periods	Principal outstanding
	Rupees in '000					
Not later than one year	504	16	488	5,414	317	5,097
Later than one year but not later than five years	-	-	-	504	16	488
	<u>504</u>	<u>16</u>	<u>488</u>	<u>5,918</u>	<u>333</u>	<u>5,585</u>

- 16.1** The Company has entered into lease agreements with financial institutions for lease of vehicle. Lease rentals are payable in monthly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate of 10.58% per annum (2013: 10.58 % to 15% per annum). At the end of lease term, the Company has option to acquire the assets, subject to adjustment of security deposits.

17

OTHER LIABILITIES

	Note	2014	2013
		Rupees in '000	
Mark-up / return / interest payable in local currency		190,110	127,231
Accrued expenses		68,151	53,006
Staff gratuity	32.2	4,817	4,876
Security deposits against investment in finance leases	10.3.1.1	155,246	142,153
Payable against purchase of investments		36,259	-
Others		33,665	38,335
		<u>488,248</u>	<u>365,601</u>

18

SHARE CAPITAL

18.1 Authorized Capital

2014	2013		2014	2013
(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>

18.2 Issued, subscribed and paid-up

<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>
		- Fully paid in cash		
<u>615,000,000</u>	<u>615,000,000</u>		<u>6,150,000</u>	<u>6,150,000</u>

- 18.3** 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 (2013: 307,495,900) ordinary shares of the Company, while 4,100 (2013: 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.

19 RESERVES

19.1 This represents a reserve created at 20% of the profit for the year in compliance with the SBP's requirements.

20 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - net of deferred tax

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

	Note	2014	2013
Rupees in '000			
Federal Government Securities			
- Pakistan Investment Bonds (PIBs)		491,538	(84,640)
		<u>491,538</u>	<u>(84,640)</u>
Shares - listed		(13,036)	6,422
Term Finance Certificates			
- Listed		(30,734)	(71,004)
- Unlisted		10,669	6,401
		<u>(20,065)</u>	<u>(64,603)</u>
Sukuk - unlisted		38	(1,210)
Investment in Mutual Funds		-	8,014
		<u>458,475</u>	<u>(136,017)</u>
Deferred tax recognized	12	(165,029)	52,659
		<u>293,446</u>	<u>(83,358)</u>

21 CONTINGENCIES AND COMMITMENTS

Transaction related contingent liability:

Guarantees		10,000	20,000
Pledge of shares on behalf of Japan Power Generation Limited	21.1	70,726	70,726
Pledge of shares on behalf of Orient Power Company (Private) Limited	21.2	226,000	226,000
Commitments for:			
Purchase of Government securities		823,733	-
Sale of Government securities		379,203	496,945
Commitments for advances and net investment in finance leases		1,684,585	1,762,545

21.1 Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 (2013: Rs. 70.726) million are pledged as security on behalf of that associate company against a syndicate finance facility obtained by it (the associate company).

21.2 Investment in unlisted shares in Orient Power Company (Private) Limited (related party) aggregating 22,600,000 having a cost of Rs. 226 million are pledged as security against a syndicate finance facility obtained by Orient Power Company (Private) Limited.

22

MARK-UP / RETURN / INTEREST EARNED**On loans and advances to:**

Customers

Financial institutions

On investments in:

Available-for-sale securities

Held-to-maturity securities

Held-for-trading securities

On securities purchased under resale agreements

On deposit with financial institutions

On placements

On certificate of investments

	2014	2013
	Rupees in '000	
Customers	808,872	713,781
Financial institutions	93,671	10,583
	<u>902,543</u>	<u>724,364</u>
Available-for-sale securities	832,904	664,444
Held-to-maturity securities	-	6,350
Held-for-trading securities	253,808	36,395
	<u>1,086,712</u>	<u>707,189</u>
On securities purchased under resale agreements	94,033	109,065
On deposit with financial institutions	15,724	10,125
On placements	17,848	2,552
On certificate of investments	309	11,504
	<u>2,117,169</u>	<u>1,564,799</u>

23

MARK-UP / RETURN / INTEREST EXPENSED**On secured borrowings:**

Repurchase agreement borrowings

Long-term borrowings

Short-term borrowings

On unsecured borrowings:

Placements

Certificate of investments

Repurchase agreement borrowings	558,258	280,889
Long-term borrowings	149,582	116,263
Short-term borrowings	3,989	2,593
	<u>711,829</u>	<u>399,745</u>
Placements	165,015	74,170
Certificate of investments	483,908	418,775
	<u>648,923</u>	<u>492,945</u>
	<u>1,360,752</u>	<u>892,690</u>

24

GAIN ON SALE OF SECURITIES

Federal Government Securities

- Market Treasury Bills

- Pakistan Investment Bonds

Term Finance Certificates and sukuk certificates

Mutual funds

Shares:

- Listed

- Unlisted

Market Treasury Bills	5,656	2,631
Pakistan Investment Bonds	138,029	35,039
	<u>143,685</u>	<u>37,670</u>
Term Finance Certificates and sukuk certificates	2,389	(1,413)
Mutual funds	11,759	-
Shares:		
- Listed	96,778	82,781
- Unlisted	9,102	-
	<u>263,713</u>	<u>119,038</u>

25

OTHER INCOME

Net gain on sale of property and equipment

Late payment charges on dividend income

Net gain on sale of property and equipment	1,903	735
Late payment charges on dividend income	-	304
	<u>1,903</u>	<u>1,039</u>

	Note	2014	2013
Rupees in '000			
Salaries, allowances and employees' benefits		188,489	160,251
Contribution to defined contribution plan		12,216	10,291
Charge for defined benefit plan	32.8	11,325	8,098
Non-executive directors' fee / remuneration	34	17,897	19,949
Chief executive's remuneration	34	33,392	29,438
Traveling and accommodation		10,017	10,675
Rent, rates and taxes		17,892	14,705
Utilities		2,997	2,547
Communication		7,289	6,796
Professional training		1,419	1,136
Advertisement and business promotion		347	703
Membership and subscriptions		2,224	2,169
Printing, stationery and periodicals		2,515	3,618
Depreciation	11.1	16,715	15,075
Amortization of intangible assets	11.2	574	1,031
Auditors' remuneration	26.1	2,250	1,114
Legal and professional charges		8,449	9,974
Repairs and maintenance		8,211	6,130
Transportation		13,477	11,550
Insurance		7,552	6,240
Finance charges on leased assets		140	888
Entertainment and canteen expenses		2,926	2,496
Donation	26.2	2,356	1,226
Others		2,067	1,575
		<u>372,736</u>	<u>327,675</u>
26.1 Auditors' remuneration			
Audit fee		462	462
Half yearly review		161	161
Special certifications and others		1,573	368
Out of pocket expenses		54	123
		<u>2,250</u>	<u>1,114</u>
26.2	Donations were not made to any donee in which a director or his spouse had any interest at any time during the year.		
26.2.1	Donations made in excess of Rs. 0.1 million to a single donee are as follows:		
The Cardiovascular Foundation		1,000	-
The Kidney Centre Post Graduation Training Institute		500	200
The Citizen Foundation		200	-
Al-Mehrab Tibbi Imdad		105	140
Burns Centre		105	140
Patients' Aid Foundation of Jinnah Post Graduate Medical Centre		-	350
Marie Adelaide Leprosy Centre (MALC)		-	150
		<u>1,910</u>	<u>980</u>
27 OTHER CHARGES			
Fees and commission		16,505	8,332
SBP penalties		1,568	-
		<u>18,073</u>	<u>8,332</u>

28

TAXATION 

Note

For the yearCurrent
Deferred

	2014	2013
	Rupees in '000	
	215,914	136,022
	(54,224)	(23,798)
	<u>161,690</u>	<u>112,224</u>

28.1 Relationship between tax expense and accounting profit

Profit before taxation

Tax at the applicable rate of 33% (2013: 34%)

Tax effect due to change in tax rate

Tax effect of income taxed at different rate

Tax effect of capital loss / (gain) on listed shares and mutual funds

Tax effect of provision for diminution in the value of listed shares
and mutual funds

Net tax effect of income not subject to tax and expenses

that are not allowable in determining taxable income tax charge

	<u>545,283</u>	<u>487,764</u>
	179,943	165,840
	-	(680)
	(19,256)	(34,869)
	(11,808)	(17,234)
	14,310	2,387
	(1,499)	(3,220)
	<u>161,690</u>	<u>112,224</u>

28.2 Tax contingencies

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.

29

EARNINGS PER SHARE 

Profit after taxation

Weighted average number of ordinary shares in issue

Basic and diluted earnings per share

	Rupees in '000	
	<u>383,593</u>	<u>375,540</u>
	Number in '000	
	<u>615,000</u>	<u>615,000</u>
	(Rupees)	
	<u>0.62</u>	<u>0.61</u>

29.1 There were no convertible dilutive potential ordinary shares outstanding on 31 December 2014 and 2013.

30

CASH AND CASH EQUIVALENTS 

Cash and balances with treasury banks

Balances with other banks

Placements

	Rupees in '000	
6	99,912	77,998
7	269,173	206,647
8	25,000	276,000
	<u>394,085</u>	<u>560,645</u>

31

STAFF STRENGTH 

Permanent

Temporary / contractual

Company's own staff strength at end of the year

Outsourced

Total staff strength

	Number	
	66	59
	6	9
	<u>72</u>	<u>68</u>
	26	26
	<u>98</u>	<u>94</u>

32.1 General Description

General description of the defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 5.10 to the financial statements.

32.1.1 Principal actuarial assumptions

The latest actuarial valuation for defined benefit plan scheme was carried out as at 31 December 2014 using the Projected Unit Credit Method (PUCM). The following significant assumptions were used for the actuarial valuation:

	2014	2013
	Percent per annum	
Discount rate	11.25	13.00
Expected rate of increase in salary levels	11.25	13.00
Expected rate of return on plan assets	11.25	13.00

Mortality rates assumed were based on the SLIC 2001-2005 mortality table.

The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Company, at the beginning of the period, for returns over the entire life of the related obligation.

	Note	2014	2013
		Rupees in '000	
32.2 Reconciliation of amount payable to defined benefit plan			
Present value of defined benefit obligation	32.3	93,349	68,821
Fair value of plan assets	32.5	(88,532)	(63,945)
	32.4	<u>4,817</u>	<u>4,876</u>
32.3 Movement in the defined benefit obligation:			
Present value of obligation as at 1 January		68,821	52,079
Current service cost		11,729	8,454
Interest cost		8,842	5,989
Benefits paid		(1,608)	-
Actuarial loss on remeasurement of obligation		5,565	2,299
Present value of obligation as at 31 December		<u>93,349</u>	<u>68,821</u>
32.4 Movement in payable to defined benefit plan:			
Opening liability		4,876	2,121
Expense for the year	32.8	11,325	8,098
Other Comprehensive Income		4,583	5,090
Contributions to the fund		(15,967)	(10,433)
Closing liability		<u>4,817</u>	<u>4,876</u>

32.5 Movement in the fair value of plan assets:

	Note	2014	2013
Rupees in '000			
Fair value of plan assets as at 1 January		63,945	49,958
Expected return on plan assets		9,246	6,345
Contributions		15,967	10,433
Benefits paid		(1,608)	-
Actuarial gain / (loss) on remeasurement of plan assets		982	(2,791)
Fair value of plan assets as at 31 December	32.7	<u>88,532</u>	<u>63,945</u>

32.6 Actual return on plan assets during the year was Rs. 10.228 million (2013: Rs. 3.554 million).

32.7 The plan assets are comprised as follows:

Particulars	Note	2014		2013			
		Rating	Rating	Rupees in '000	%	Rupees in '000	%
Market Treasury Bills		Unrated	Unrated	3,030	3.42	33,566	52.49
Pakistan Investment Bonds		Unrated	Unrated	37,827	42.73	13,796	21.57
Special Saving Certificates (SSCs)		Unrated	Unrated	46,547	52.58	10,323	16.14
Term Finance Certificates - WorldCall Telecom Limited		D	D	885	1.00	866	1.35
Certificate of Investments	32.7.1	Unrated	Unrated	-	-	5,219	8.16
Bank balance		Unrated	Unrated	243	0.27	175	0.29
				<u>88,532</u>	<u>100</u>	<u>63,945</u>	<u>100.00</u>

32.7.1 These include Certificate of Investment held with the Company in year 2013. These carry mark-up at rates ranging from NIL (2013: 9.25% to 9.75%) per annum.

32.8 The amount recognised in the profit and loss account is as follows:

	Note	2014	2013
Rupees in '000			
Current service cost		11,729	8,454
Net Interest		(404)	(356)
Expected return on plan assets		-	-
Actuarial loss		-	-
		<u>11,325</u>	<u>8,098</u>

32.9 Actuarial (losses) / gains

Net unrecognised actuarial (losses) / gains as at 1 January		-	-
Actuarial loss on remeasurement of obligation	32.9.1	(5,565)	(2,299)
Actuarial (loss) / gain on remeasurement of plan assets	32.9.1	982	(2,791)
		<u>(4,583)</u>	<u>(5,090)</u>
Actuarial loss recognised in: other comprehensive income		4,583	5,090
profit and loss account		-	-
Net unrecognised actuarial (losses) / gains as at 31 December		<u>-</u>	<u>-</u>

32.9.1 Actuarial loss / (gain) on remeasurement of obligation / plan assets comprise of:

	2014	2013	2014	2013
	Actuarial loss on remeasurement of			
	Obligation		Plan assets	
	Rupees in '000			
Demographic assumptions	(156)	490	-	-
Financial loss	-	-	(3,176)	538
Experience adjustment	5,721	1,809	2,194	2,253
	<u>5,565</u>	<u>2,299</u>	<u>(982)</u>	<u>2,791</u>

32.10 Sensitivity analysis

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	%	Rupees in '000	
Discount rate	1	(8,524)	10,026
Salary growth rate	1	9,930	(8,595)
Life expectancy	1	1	(1)

32.11 Maturity profile of defined benefit obligation

Benefit payments

Distribution of timing of benefit payments

Years	2014
	Rupees in '000
1	10,982
2	4,101
3	17,280
4	3,550
5	3,489
6 to 10	37,034
11 and above	369,037

32.12 The expected gratuity expense for the next year ending 31 December 2015 works out to Rs. 12.632 million.

32.13 The average duration of the benefit obligation at 31 December 2014 is 12.86 years (2013: 20.53 years).

33 DEFINED CONTRIBUTION PLAN

33.1 The Company also operates a provident fund scheme for its permanent employees.

33.2 Contribution made during the year

	2014	2013
	Rupees in '000	
Contribution from the Company	12,216	10,291
Contribution from employees	12,216	10,291
	<u>24,432</u>	<u>20,582</u>

COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Non-Executive Directors		Executives	
	2014	2013	2014	2013	2014	2013
	Rupees in '000					
Fees / remuneration	-	-	17,897	19,949	-	-
Managerial remuneration	31,931	27,876	-	-	163,503	143,985
Charge for defined benefit plan	1,138	762	-	-	9,905	7,284
Contribution to defined contribution plan	1,737	1,485	-	-	10,149	8,414
Medical	400	445	-	-	-	-
Utilities	626	622	-	-	251	237
Membership fee	100	80	-	-	33	14
Others	335	415	-	-	597	429
	<u>36,267</u>	<u>31,685</u>	<u>17,897</u>	<u>19,949</u>	<u>184,438</u>	<u>160,363</u>
Number of persons	1	1	5	5	63	52

- 34.1** The managing director and certain executives are provided with free use of Company's maintained cars. Executive means employees other than managing director and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices and has been disclosed in note 9. Unquoted equity investments, other than investments in associates and subsidiary, are determined on the basis of break-up value of these investments as per the latest available audited financial statements. The provision for impairment of investments has been determined in accordance with the Company's accounting policy as stated in notes 2.3 and 5.3 to these unconsolidated financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision against advances has been calculated in accordance with the Company's accounting policy as stated in note 5.5.2.

The re-pricing profile, effective rates and maturity are stated in notes 39.3.5 and 39.4.1 respectively.

In the opinion of management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

35.1 On-balance sheet financial instruments

	2014		2013	
	Book value	Fair value	Book value	Fair value
Rupees in '000				
Assets				
Cash and balances with treasury banks	99,912	99,912	77,998	77,998
Balances with other banks	269,173	269,173	206,647	206,647
Lendings to financial institutions	614,177	614,177	1,206,521	1,206,521
Investments - net	12,179,521	12,306,799	7,629,301	7,665,710
Advances - net	9,070,314	9,070,314	7,493,690	7,493,690
Other assets	591,720	591,720	418,968	418,968
	<u>22,824,817</u>	<u>22,952,095</u>	<u>17,033,125</u>	<u>17,069,534</u>
Liabilities				
Borrowings from financial institutions	8,868,730	8,868,730	5,721,831	5,721,831
Deposits and other accounts	6,295,986	6,295,986	4,433,848	4,433,848
Liabilities against assets subject to finance lease	488	488	5,585	5,585
Other liabilities	483,431	483,431	360,725	360,725
	<u>15,648,635</u>	<u>15,648,635</u>	<u>10,521,989</u>	<u>10,521,989</u>
	<u>7,176,182</u>	<u>7,303,460</u>	<u>6,511,136</u>	<u>6,547,545</u>

35.2 The carrying value of all financial assets and liabilities in the financial statements approximate to their fair values except for certain investment in an associate.

36 SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	Corporate Finance	Trading & Sales	Commercial Banking
	Rupees in '000		
2014			
Total income	5,090	1,588,873	925,880
Total expenses	56,754	1,231,468	686,338
Net (loss) / income	(51,664)	357,405	239,542
Segment assets (gross)	-	14,963,198	10,422,329
Segment non-performing advances	-	-	1,037,908
Investments provided for	-	1,664,234	-
Segment provision required *	-	1,125,990	893,914
Segment liabilities	-	8,775,239	6,878,213
Segment return on net assets (%)	-	7.06%	9.04%
Segment return on assets (ROA) (%)	-	2.58%	2.51%
Segment cost of funds (%)	-	6.72%	6.93%

2013

	Corporate Finance	Trading & Sales	Commercial Banking
	Rupees in '000		
Total income	3,511	1,114,044	728,743
Total expenses	59,015	738,227	561,292
Net (loss) / income	(55,504)	375,817	167,451
Segment assets (gross)	-	10,638,603	8,905,448
Segment non-performing advances	-	-	1,132,366
Investments provided for	-	1,352,836	-
Segment provision required*	-	877,474	938,867
Segment liabilities	-	5,192,317	5,334,548
Segment return on net assets (%)	-	8.23%	6.36%
Segment return on assets (ROA) (%)	-	3.85%	2.10%
Segment cost of funds (%)	-	5.39%	5.87%

* The provision against each segment represents provision held in advances and investments.

37

RELATED PARTY TRANSACTIONS

The Company has related party relationship with its associates, subsidiary company, employee benefit plans, company having common directors and its key management personnel (including their associates). The details of investments in subsidiary company and associates are stated in note 9 to these financial statements.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Advances are given to employees as per the Company's Policy. Transactions with other related parties are carried out on commercial terms and as per market rates.

The nature of the relationships and transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

- 37.1 Subsidiary**
Pak Oman Asset Management Company Limited
- 37.2 Associates**
Pak Oman Microfinance Bank Limited
Japan Power Generation 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
- 37.3 Key management personnel**
All heads of departments
Directors
- 37.4 Retirement benefit fund**
Defined benefit plan
Defined contribution plan
- 37.5 Other related party**
Orient Power Company (Private) Limited

37.6 The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

Nature of related party transaction	2014				2013			
	As at 1-Jan-14	Given during the year	Repaid during the year	As at 31-Dec-14	As at 1-Jan-13	Given during the year	Repaid during the year	As at 31-Dec-13
Rupees in '000								
Investments								
Subsidiary	168,300	-	-	168,300	168,300	-	-	168,300
Associates	955,842	143,500	-	1,099,342	905,742	50,100	-	955,842
Other related parties	226,000	-	-	226,000	457,744	-	(231,744)	226,000
	<u>1,350,142</u>	<u>143,500</u>	<u>-</u>	<u>1,493,642</u>	<u>1,531,786</u>	<u>50,100</u>	<u>(231,744)</u>	<u>1,350,142</u>
Advances								
Associates	68,200	-	-	68,200	68,200	-	-	68,200
Key Management personnel	63,303	5,246	(18,690)	49,859	68,907	10,356	(15,960)	63,303
Other related parties	235,078	-	(24,624)	210,454	256,713	-	(21,635)	235,078
	<u>366,581</u>	<u>5,246</u>	<u>(43,314)</u>	<u>328,513</u>	<u>393,820</u>	<u>10,356</u>	<u>(37,595)</u>	<u>366,581</u>
Deposits								
Associates	575,747	1,530,568	(1,373,568)	732,747	441,747	297,859	(163,859)	575,747
Key Management personnel	11,311	39,469	(45,792)	4,988	13,941	48,634	(51,264)	11,311
Retirement benefit funds	10,018	5,898	(15,916)	-	39,289	36,399	(65,670)	10,018
	<u>597,076</u>	<u>1,575,935</u>	<u>(1,435,276)</u>	<u>737,735</u>	<u>494,977</u>	<u>382,892</u>	<u>(280,793)</u>	<u>597,076</u>

	2014	2013
Rupees in '000		
Dividend receivable from		
Other related party	22,600	-
Other payable		
Gratuity fund	4,817	4,876
Mark-up income		
Key management personnel	2,560	2,993
Other related parties	28,858	28,875
Dividend income		
Associates	51,610	75,714
Other related parties	22,600	50,561
Other income		
Other related parties	-	304
Mark-up expense on deposits		
Associates	63,785	57,865
Key management personnel	931	1,126
Retirement benefit fund	364	3,549
Expenses for the year		
Remuneration to key management personnel	114,653	101,043
Non-executive director's fee / remuneration	17,897	19,949
Charge for defined contribution plan	12,216	10,291
Charge for defined benefit plan	11,325	8,098
Outright sale of Government Securities		
Key management personnel	4,037	-
Retirement benefit fund	145,316	202,002
Outright purchase of Government Securities		
Retirement benefit fund	80,968	-
Capital gain on Government Securities		
Retirement benefit fund	185	151

38.1 Capital management policies and procedures

The Company's objectives when managing capital are:

- to comply with the capital requirements set by the regulators of the Company;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to acquire, develop and maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored frequently by the Company's management, employing techniques based on the guidelines issued by State Bank of Pakistan (SBP).

SBP requires each development financial institution to: (a) hold the minimum level of the regulatory capital of Rs. 6 billion as at 31 December 2009 and in future periods till further notification issued by SBP, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset as per the CAMELS Rating assigned to the institution or above the minimum prescribed level of 10%.

The Company's regulatory capital is divided into three tiers:

- Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer note 38.3).

Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and Share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1 (refer note 38.3).

Tier 2 capital, which includes Subordinated debt/ Instruments, share premium of issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), Net of tax reserves on revaluation of fixed assets and equity investments up to a maximum of 45 % of the balance and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2 (refer note 38.3).

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Company calculates capital requirement as per Basel III regulatory framework, using the following approaches:

- Credit risk Standardized approach
- Market risk Standardized approach
- Operational risk Basic indicator approach

The table refer in note 38.3 summarizes the composition of regulatory capital and the ratios of the Company for the year ended 31 December 2014.

38.2 The Company's CAR as at 31 December 2014 was 31.17% of its risk weighted exposure.

The calculation of capital adequacy enables the DFIs' to assess the long term soundness. The Company has successfully managed in the past and will in the future its Capital requirements/ needs. Based on the directives of the Board, the Company has built a health portfolio of assets and liabilities focusing on quality. CAR of 31.17% demonstrates that the company is geared to absorb major risks / shocks in the present market scenario. The Company meets its capital needs through clean placements (LOP & COI) and short and long term lines from commercial institutions.

The capital adequacy ratio of the Bank was subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its circular BPRD Circular No. 06 of 2013 dated 15 August 2013. These instructions are effective from 31 December 2013 in a phased manner with full implementation intended by 31 December 2019.

38.3 Capital Adequacy Ratio (CAR) disclosure template:

Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves	Amount	
		2014	2013
		Rupees in '000	
1	Fully Paid-up Capital/ Capital deposited with SBP	6,150,000	6,150,000
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General/ Statutory Reserves	722,810	646,091
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	545,915	488,112
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9	CET 1 before Regulatory Adjustments	7,418,725	7,284,203
10	Total regulatory adjustments applied to CET1 (Note 38.3.1)	1,044,930	1,151,198
11	Common Equity Tier 1	6,373,795	6,133,005
Additional Tier 1 (AT 1) Capital			
12	Qualifying Additional Tier-1 capital instruments plus any related share premium		
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	AT1 before regulatory adjustments	-	-
18	Total regulatory adjustment applied to AT1 capital (Note 38.3.2)	786,342	727,398
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	Additional Tier 1 capital recognized for capital adequacy	-	-
21	Tier 1 Capital (CET1 + admissible AT1) (11+20)	6,373,795	6,133,005
Tier 2 Capital			
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-

		Amount	
		2014	2013
		Rupees in '000	
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-
27	Revaluation Reserves (net of taxes)	-	-
28	of which: Revaluation reserves on fixed assets	-	-
29	of which: Unrealized gains/losses on AFS	164,330	-
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed/Other Reserves (if any)	-	-
32	T2 before regulatory adjustments		
33	Total regulatory adjustment applied to T2 capital (Note 38.3.3)	507,136	363,699
34	Tier 2 capital (T2) after regulatory adjustments		
35	Tier 2 capital recognized for capital adequacy		
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital		
37	Total Tier 2 capital admissible for capital adequacy	-	-
38	TOTAL CAPITAL (T1 + admissible T2) (21+37)	6,373,795	6,133,005
39	Total Risk Weighted Assets (RWA) {for details refer Note 38.6}	20,448,383	16,756,764
Capital Ratios and buffers (in percentage of risk weighted assets)			
40	CET1 to total RWA	31.17%	36.60%
41	Tier-1 capital to total RWA	31.17%	36.60%
42	Total capital to total RWA	31.17%	36.60%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
44	of which: capital conservation buffer requirement	-	-
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
National minimum capital requirements prescribed by SBP			
48	CET1 minimum ratio	5.5%	5.0%
49	Tier 1 minimum ratio	7.0%	6.5%
50	Total capital minimum ratio	10.0%	10.0%

Regulatory Adjustments and Additional Information	2014		2013	
	Amount	Amounts subject to Pre - Basel III treatment	Amount	Amounts subject to Pre - Basel III treatment
Rupees in '000				

38.3.1 Common Equity Tier 1 capital: Regulatory adjustments

1	Goodwill (net of related deferred tax liability)				
2	All other intangibles (net of any associated deferred tax liability)	305	-	635	-
3	Shortfall in provisions against classified assets	-	-	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
5	Defined-benefit pension fund net assets	-	-	-	-

Regulatory Adjustments and Additional Information		2014		2013	
		Amount	Amounts subject to Pre - Basel III treatment	Amount	Amounts subject to Pre - Basel III treatment
Rupees in '000					
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-	-
7	Cash flow hedge reserve	-	-	-	-
8	Investment in own shares/ CET1 instruments	-	-	-	-
9	Securitization gain on sale	-	-	-	-
10	Capital shortfall of regulated subsidiaries	-	-	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	136,017	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	6,558	32,788	-	3,816
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	30,158	150,790	-	13,025
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
15	Amount exceeding 15% threshold	-	1,276,737	-	221,481
16	of which: significant investments in the common stocks of financial entities	-	842,981	-	125,785
17	of which: deferred tax assets arising from temporary differences	-	433,756	-	95,696
18	National specific regulatory adjustments applied to CET1 capital				
19	Investments in TFCs of other banks exceeding the prescribed limit	219,286	219,286	287,148	-
20	Any other deduction specified by SBP (mention details)	2,281	2,281	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	786,342	-	727,398	-
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	1,044,930	-	1,151,198	-
38.3.2	Additional Tier-1 & Tier-1 Capital: regulatory adjustments				
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-	-
24	Investment in own AT1 capital instruments	-	-	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	443,536	-	363,699	-

Regulatory Adjustments and Additional Information		2014		2013	
		Amount	Amounts subject to Pre - Basel III treatment	Amount	Amounts subject to Pre - Basel III treatment
Rupees in '000					
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	342,806	24,554	363,699	296,238
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	786,342	-	727,398	-
38.3.3 Tier 2 Capital: regulatory adjustments					
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	443,536	-	363,699	-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
33	Investment in own Tier 2 capital instrument	-	-	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	63,600	318,000	-	296,238
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	507,136	-	363,699	-

38.3.4 Additional Information
Risk Weighted Assets subject to pre-Basel III treatment

		Amount	
		2014	2013
Rupees in '000			
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)		-	-
38	Non-significant investments in the capital of other financial entities	-	-

		Amount	
		2014	2013
		Rupees in '000	
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
41	Applicable caps on the inclusion of provisions in Tier 2 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

38.4 Capital Structure Reconciliation

Table: 38.4.1

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	As at period end	
	Rupees in '000	
Assets	(1)	
Cash and balances with treasury banks	99,912	99,912
Balanced with other banks	269,173	269,173
Lending to financial institutions	614,177	614,177
Investments	12,179,521	12,179,521
Advances	9,070,314	9,070,314
Operating fixed assets	68,669	68,669
Deferred tax assets	380,028	380,028
Other assets	683,829	683,829
Total assets	23,365,623	23,365,623
Liabilities & Equity		
Bills payable	-	-
Borrowings	8,868,730	8,868,730
Deposits and other accounts	6,295,986	6,295,986
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	488	488
Deferred tax liabilities	-	-
Other liabilities	488,248	488,248
Total liabilities	15,653,452	15,653,452
Share capital/ Head office capital account	6,150,000	6,150,000
Reserves	722,810	722,810
Unappropriated/ Unremitted profit/ (losses)	545,915	545,915
Minority Interest	-	-
Surplus on revaluation of assets	293,446	293,446
Total liabilities & equity	23,365,623	23,365,623

	(1)	Balance sheet	Under	Ref
		as in published	regulatory scope	
		financial	of consolidation	
		statements		
		As at period end		
		Rupees in '000		
Assets	(1)	(2)	(3)	(4)
Cash and balances with treasury banks		99,912	99,912	
Balanced with other banks		269,173	269,173	
Lending to financial institutions		614,177	614,177	
Investments		12,179,521	12,179,521	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>				a
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>				b
<i>of which: Mutual Funds exceeding regulatory threshold</i>				c
<i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i>				d
<i>of which: others (mention details)</i>				e
Advances		9,070,314	9,070,314	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital</i>				f
Fixed Assets		68,669	68,669	g
Deferred Tax Assets		625,183	625,183	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>				h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>				i
Other assets		683,829	683,829	
<i>of which: Goodwill</i>				j
<i>of which: Intangibles</i>				k
<i>of which: Defined-benefit pension fund net assets</i>				l
Total assets		23,610,778	23,610,778	
Liabilities & Equity				
Bills payable		-	-	
Borrowings		8,868,730	8,868,730	
Deposits and other accounts		6,295,986	6,295,986	
Sub-ordinated loans		-	-	
<i>of which: eligible for inclusion in AT1</i>				m
<i>of which: eligible for inclusion in Tier 2</i>				n
Liabilities against assets subject to finance lease		488	488	
Deferred tax liabilities		245,155	245,155	
<i>of which: DTLs related to goodwill</i>				o
<i>of which: DTLs related to intangible assets</i>				p
<i>of which: DTLs related to defined pension fund net assets</i>				q
<i>of which: other deferred tax liabilities</i>				r
Other liabilities		488,248	488,248	
Total liabilities		15,898,607	15,898,607	
		6,150,000	6,150,000	
<i>of which: amount eligible for CET1</i>		6,150,000	6,150,000	s
<i>of which: amount eligible for AT1</i>				t

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	As at period end		
	Rupees in '000		
Reserves	722,810	722,810	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	722,810	722,810	u
<i>of which: portion eligible for inclusion in Tier 2</i>			v
Unappropriated profit/ (losses)	545,915	545,915	w
Minority Interest	-	-	
<i>of which: portion eligible for inclusion in CET1</i>			x
<i>of which: portion eligible for inclusion in AT1</i>			y
<i>of which: portion eligible for inclusion in Tier 2</i>			z
Surplus on revaluation of assets	293,446	293,446	
<i>of which: Revaluation reserves on Fixed Assets</i>			aa
<i>of which: Unrealized Gains/Losses on AFS</i>	293,446	293,446	
<i>In case of Deficit on revaluation (deduction from CET1)</i>			ab
Total liabilities & Equity	23,610,778	23,610,778	

Basel III Disclosure Template (with added column)

Table: 38.4.3

	Component of regulatory capital reported by bank	Source based on reference number from step 2
	Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	6,150,000	(s)
2 Balance in Share Premium Account	-	
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	722,810	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	545,915	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments		
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	305	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	-	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	6,558	(a) - (ac) - (ae)

Component of regulatory capital reported by bank	Source based on reference number from step 2
Rupees in '000	

21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	30,158	(b)-(ad)-(af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	219,286	
28	of which: Any other deduction specified by SBP (mention details)	2,281	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	786,342	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	1,044,930	
31	Common Equity Tier 1	6,373,795	
	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	(t)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	AT1 before regulatory adjustments	-	
	Additional Tier 1 Capital: regulatory adjustments	-	
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	443,536	

	Component of regulatory capital reported by bank	Source based on reference number from step 2
	Rupees in '000	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	342,806
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	786,342
46	Additional Tier 1 capital	
47	Additional Tier 1 capital recognized for capital adequacy	-
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	6,373,795
	Tier 2 Capital	
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	- (n)
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	- (z)
52	of which: instruments issued by subsidiaries subject to phase out	-
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	- (g)
54	Revaluation Reserves -	
55	of which: Revaluation reserves on fixed assets	- portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	164,330
57	Foreign Exchange Translation Reserves	- (v)
58	Undisclosed/Other Reserves (if any)	-
59	T2 before regulatory adjustments	-
	Tier 2 Capital: regulatory adjustments	
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-
61	Reciprocal cross holdings in Tier 2 instruments	
62	Investment in own Tier 2 capital instrument	
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	63,600 (ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	- (af)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	63,600
66	Tier 2 capital (T2)	
67	Tier 2 capital recognized for capital adequacy	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	
69	Total Tier 2 capital admissible for capital adequacy	-
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	6,373,795

38.5 Main Features Template of Regulatory Capital Instruments

1	Issuer	Pak Oman Investment Company Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	Not Applicable
3	Governing law(s) of the instrument	SECP
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Group and stand alone
7	Instrument type	Common shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	6,150,000
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholder Equity
11	Original date of issuance	23-Jul-01
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	No Maturity
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not Applicable
18	coupon rate and any related index/ benchmark	Not Applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not Applicable
23	Convertible or non-convertible	Not Convertible
24	If convertible, conversion trigger (s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	Not Applicable
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not Applicable

38.6 Risk Weighted Assets

Capital Requirements		Risk Weighted Assets	
2014	2013	2014	2013

Rupees in '000

Credit Risk

On-Balance sheet

Portfolios subject to standardized approach
(Simple or Comprehensive)

Public Sector entities	6,154	100,057	61,541	1,000,571
Banks	33,259	12,653	332,585	126,529
Corporate	725,654	515,779	7,256,535	5,157,788
Retail	891	839	8,905	8,392
Residential Mortgages	3,902	3,825	39,015	38,253
Past Due loans	10,858	9,675	108,581	96,750
Operating Fixed Assets	6,836	5,045	68,364	50,451
Other assets	163,390	187,771	1,633,897	1,877,705

Off-Balance sheet

Non-market related	110,252	102,195	1,102,520	1,021,950
--------------------	---------	---------	-----------	-----------

Equity Exposure Risk in the Banking Book

	204,505	201,714	2,045,048	2,017,135
--	---------	---------	-----------	-----------

Total Credit Risk

	1,265,701	1,139,553	12,656,991	11,395,524
--	-----------	-----------	------------	------------

Market Risk

Capital Requirement for portfolios subject to
Standardized Approach

Interest rate risk	372,233	243,472	4,652,915	3,043,394
Equity position risk	109,863	52,172	1,373,292	652,147

Total Market Risk

	482,096	295,644	6,026,207	3,695,541
--	---------	---------	-----------	-----------

Operational Risk

Capital Requirement for operational risks

	141,215	133,256	1,765,185	1,665,699
--	---------	---------	-----------	-----------

TOTAL

	1,889,012	1,568,453	20,448,383	16,756,764
--	-----------	-----------	------------	------------

2014		2013	
Required	Actual	Required	Actual

Capital Adequacy Ratios

CET1 to total RWA	10.00%	31.17%	10.00%	36.60%
Tier-1 capital to total RWA	10.00%	31.17%	10.00%	36.60%
Total capital to total RWA	10.00%	31.17%	10.00%	36.60%

The Company has set up objectives and policies to manage the risks that arise in connection with financial instruments. The risk management framework and policies of the Company are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in operations of the Company. The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies. In achieving the objective of maximizing returns to shareholders, the board of directors takes cognizance of the risk elements that the Company is confronted with in its operations. In view of the multi-faceted risks inherent in the financial sector, the Company places great emphasis on the importance of risk management and has put in place clear and comprehensive risk management mechanisms and strategies to identify, monitor, manage and control the relevant risk factors.

Risk management organisation

Risk Management Department ensures that risks remain within the boundaries as defined by the board, comply with the risk parameters and prudential limits, establish systems and procedures and work out remedial measures.

Credit Committee implements credit risk policy and monitors credit risk in light with credit policy and prudential regulations.

The Company's risk management, compliance and internal audit department support the risk management function. The compliance department ensures that all the directives and guidelines issued by SBP are being complied with. Internal audit department reviews the compliance of internal control procedures with internal and regulatory standards.

39.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Exposure to credit risks for the Company arises primarily from lending activities and investments in fixed income securities.

A multi-tiered approach is being followed in the management of credit risk with the organizational structure, roles and responsibilities clearly outlined in the Credit Policy Manual. The Board is responsible for final approval of overall risk tolerance, limits for sectors and pricing strategies. Various business units responsible for undertaking risks are expected to comply with the credit policy and adhere to the independent risk management function. This is ensured through the implementation of a credit approval and documentation process adopted by the Company.

The Company uses both external and internal ratings to evaluate risk. The Company obtains external ratings from PACRA and JCR-VIS whereas a comprehensive risk assessment matrix model is used for internal ratings.

Exposures	JCR-VIS	PACRA	Other (specify)
Corporate	Yes	Yes	x
Banks	Yes	Yes	x
Sovereigns	x	x	x
SME's	x	x	x
Securitized	x	x	x
Others (Specify)	x	x	x

Credit exposures subject to Standardised Approach

Exposures	Rating Category	2014			2013		
		Rupees in '000					
		Amount Outstanding	Deduction CRM*	Net amount	Amount Outstanding	Deduction CRM*	Net amount
Corporate	0	-	289,177	289,177	-	-	-
	1	200,000	-	200,000	496,195	423,083	919,278
	2	3,537,525	(289,177)	3,248,348	1,154,857	(11,800)	1,143,057
	3-4	286,250	-	286,250	190,000	-	190,000
	5-6	-	-	-	-	-	-
	Unrated	4,473,170	-	4,473,170	4,191,325	(411,283)	3,780,042
		<u>8,496,945</u>	<u>-</u>	<u>8,496,945</u>	<u>6,032,377</u>	<u>-</u>	<u>6,032,377</u>
Banks	0	-	100,000	100,000	-	-	-
	1	294,173	(100,000)	194,173	382,647	-	382,647
	2-3	587,500	-	587,500	100,000	-	100,000
	Unrated	-	-	-	-	-	-
		<u>881,673</u>	<u>-</u>	<u>881,673</u>	<u>482,647</u>	<u>-</u>	<u>482,647</u>
Sovereigns etc.							
Unrated							

*CRM = Credit Risk Mitigation

The accounting policies and methods used by the Company are in accordance with the requirements of the Prudential Regulations of the SBP. These policies are disclosed in note 5 to these financial statements. Reconciliation in the provision against non-performing advances has been disclosed in note 10.5 of these financial statements.

39.2 Segmental information

39.2.1 Segment by class of business

	2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Financial institution	1,272,661	12.77	2,888,748	45.88	1,202,936	37.66
Agribusiness	-	-	-	-	-	-
Textile	1,628,350	16.34	-	-	270,000	8.45
Transportation and communication	435,206	4.37	23,621	0.38	294,575	9.22
Power	1,153,159	11.57	125,000	1.99	686,116	21.48
Electronics	132,496	1.33	-	-	-	-
Food and beverage	1,265,143	12.70	-	-	158,770	4.97
Services	392,395	3.94	140,000	2.22	89,111	2.79
Engineering and allied products	295,873	2.97	-	-	13,614	0.43
Chemical and pharmaceuticals	267,289	2.68	-	-	69,090	2.16
Automobiles	158,633	1.59	-	-	-	-
Fuel and energy	553,226	5.55	207,000	3.29	114,935	3.60
Construction	55,250	0.55	-	-	-	-
Cement	7,860	0.08	-	-	-	-
Sugar	1,589,375	15.95	-	-	-	-
Paper and board /packaging	214,322	2.15	-	-	285,100	8.93
Healthcare	220,000	2.21	-	-	-	-
Individual	123,344	1.24	481,124	7.64	-	-
Others	199,646	2.01	2,430,493	38.60	10,000	0.31
	9,964,228	100.00	6,295,986	100.00	3,194,247	100.00

	2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Financial institution	85,161	1.01	607,747	13.71	1,296,945	50.34
Agribusiness	1,950,000	23.12	-	-	-	-
Textile	1,377,118	16.33	1,395	0.03	753,105	29.23
Transportation and communication	214,968	2.55	345,588	7.79	-	-
Power	1,010,572	11.98	60,000	1.35	366,726	14.24
Electronics	151,075	1.79	-	-	-	-
Food and beverage	1,053,225	12.49	-	-	111,750	4.34
Services	197,601	2.34	221,000	4.98	-	-
Engineering and allied products	122,598	1.45	-	-	7,000	0.27
Chemical and pharmaceuticals	300,723	3.57	-	-	-	-
Automobiles	213,957	2.54	-	-	-	-
Fuel and energy	571,833	6.78	-	-	6,180	0.24
Construction	55,250	0.66	-	-	-	-
Cement	26,907	0.32	-	-	-	-
Sugar	565,329	6.70	-	-	-	-
Paper and board /packaging	134,850	1.60	-	-	-	-
Healthcare	140,000	1.66	-	-	-	-
Individual	120,483	1.43	445,771	10.05	-	-
Others	140,907	1.68	2,752,347	62.09	34,510	1.34
	8,432,557	100.00	4,433,848	100.00	2,576,216	100.00

39.2.2 Segment by sector

	2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	486,839	4.89	660,000	10.48	104,815	3.28
Private	9,477,389	95.11	5,635,986	89.52	3,089,432	96.72
	<u>9,964,228</u>	<u>100.00</u>	<u>6,295,986</u>	<u>100.00</u>	<u>3,194,247</u>	<u>100.00</u>

	2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	2,310,491	27.40	260,000	5.86	6,180	0.24
Private	6,122,066	72.60	4,173,848	94.14	2,570,036	99.76
	<u>8,432,557</u>	<u>100.00</u>	<u>4,433,848</u>	<u>100.00</u>	<u>2,576,216</u>	<u>100.00</u>

39.2.3 Details of non-performing advances and specific provisions by class of business segment

	2014		2013	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Automobile	158,633	158,633	213,957	213,957
Cement	7,860	7,860	26,907	26,907
Textile	428,060	377,027	438,151	380,585
Chemical and pharmaceuticals	32,093	27,889	34,854	30,649
Construction	55,250	53,675	55,250	53,675
Engineering and allied products	74,073	74,073	80,073	80,073
Electronics	50,000	13,178	50,000	2,819
Fuel and energy	84,194	84,194	89,194	60,907
Food and beverages	16,434	15,934	16,434	15,934
Financial institution	5,161	5,161	5,161	5,161
Power	68,200	68,200	68,200	68,200
Others	57,950	8,090	54,185	-
	<u>1,037,908</u>	<u>893,914</u>	<u>1,132,366</u>	<u>938,867</u>

39.2.4 Details of non-performing advances and specific provisions by sector

Public / Government	-	-	-	-
Private	1,037,908	893,914	1,132,366	938,867
	<u>1,037,908</u>	<u>893,914</u>	<u>1,132,366</u>	<u>938,867</u>

39.2.5 Geographical segment analysis

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	545,283	23,364,606	7,712,171	3,194,247
Middle East	-	1,017	-	-
	<u>545,283</u>	<u>23,365,623</u>	<u>7,712,171</u>	<u>3,194,247</u>

39.3 Market risk

Market risk is the risk that the value of on and off-balance sheet positions of a financial institution will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates and equity prices. The board of directors is responsible for reviewing and recommending all market risk policies.

The market risk management framework of the company comprises of business unit actually undertaking the risk, the Risk Management Department, Asset and Liability Committee and the Investment Committee.

39.3.1 Interest rate risk

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The lending, funding and investment activities of the Company are exposed to interest rate risk. The Company is using a 16band reprising model for measurement of interest rate risk. Furthermore, stress testing technique is also used to evaluate the potential effects on the financial condition of a specific event and movements in a set of financial variables. The Company has also developed value-at-risk (VAR) model internally.

39.3.2 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to change in foreign currency rates. However, the Company is not exposed to major foreign currency risk as its assets and liabilities are primarily denominated in Pakistani rupees.

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistani Rupees	23,364,960	15,653,452	-	7,711,508
United States Dollar	73	-	-	73
Omani Riyal	590	-	-	590
	<u>23,365,623</u>	<u>15,653,452</u>	<u>-</u>	<u>7,712,171</u>

39.3.3 Equity position risk

Equity position risk refers to the risk arising from taking long or short positions, in the trading book, in equities and all instruments that exhibit market behavior similar to equities. The Company is exposed to such risk due to investment activities undertaken on a day-to-day basis. The Company has established a Capital Market Review Committee to monitor the equity portfolio and the future strategy pertaining thereto. As per Standardized Approach 8% charge has to be created on both Specific and General Equity Position Risk Management calculation.

39.3.4 Liquidity risk

Liquidity risk is the potential for loss arising from either inability to meet obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses.

Large off-balance sheet exposures or heavy reliance on large corporate deposits gives rise to relatively high level of liquidity risk. Rapid growth in assets also increases the liquidity risk. Objectives of liquidity management in Pak Oman are that:

- A reasonable amount of liquid assets are maintained at all times.
- Measurement and projection of funding requirements during various scenarios.
- Excess funds are profitably deployed.

Beside the Board which will be responsible for formulation of over all policy, the following will be involved in Liquidity Risk Management Process with roles and responsibilities defined hereunder:

- Risk Management Department
- Finance Department
- Treasury Department
- Asset Liability Committee

The ALCO will be responsible for monitoring of the tolerance limits.

39.3.5 Mismatch of interest rate sensitive assets and liabilities as at 31 December 2014

Exposed to Yield / interest risk												
Effective yield/ interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial Instruments	
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		99,912	-	-	-	-	-	-	-	-	99,912	
Balances with other banks	10.49%	269,173	258,771	-	-	-	-	-	-	-	10,402	
Lending to financial institutions	10.16%	614,177	414,177	200,000	-	-	-	-	-	-	-	
Investments	11.83%	12,179,521	587,526	1,120,265	959,866	422,464	399,926	1,013,027	2,615,764	3,225,918	1,834,765	
Advances	12.49%	9,070,314	1,786,686	4,754,427	1,619,447	155,549	272,466	229,447	174,085	46,881	11,873	
Other assets		591,720	-	-	-	-	-	-	-	-	591,720	
		<u>22,224,817</u>	<u>3,047,160</u>	<u>6,074,692</u>	<u>2,579,313</u>	<u>578,013</u>	<u>672,392</u>	<u>1,242,474</u>	<u>2,789,849</u>	<u>3,272,799</u>	<u>19,453</u>	<u>2,548,672</u>
Liabilities												
Borrowings from financial institutions	10.03%	8,868,730	7,234,379	677,017	313,263	115,161	204,240	178,454	139,987	6,229	-	
Deposits and other accounts	9.96%	6,295,986	568,336	3,255,550	1,418,239	1,035,579	16,182	2,100	-	-	-	
Liabilities against assets subject to finance leases	10.58%	488	31	62	96	299	-	-	-	-	-	
Other liabilities		483,431	-	-	-	-	-	-	-	-	483,431	
		<u>15,648,635</u>	<u>7,802,746</u>	<u>3,932,629</u>	<u>1,731,598</u>	<u>1,151,039</u>	<u>220,422</u>	<u>180,554</u>	<u>139,987</u>	<u>6,229</u>	<u>-</u>	<u>483,431</u>
On-balance sheet gap		<u>7,176,182</u>	<u>(4,755,586)</u>	<u>2,142,063</u>	<u>847,715</u>	<u>(573,026)</u>	<u>451,970</u>	<u>1,061,920</u>	<u>2,649,862</u>	<u>3,266,570</u>	<u>19,453</u>	<u>2,065,241</u>
Non-Financial assets		540,806										
Non-Financial liabilities		4,817										
Total Net Assets		<u>7,712,171</u>										
Total yield/profit risk sensitivity gap			<u>(4,755,586)</u>	<u>2,142,063</u>	<u>847,715</u>	<u>(573,026)</u>	<u>451,970</u>	<u>1,061,920</u>	<u>2,649,862</u>	<u>3,266,570</u>	<u>19,453</u>	
Cumulative yield/profit risk sensitivity gap			<u>(4,755,586)</u>	<u>(2,613,523)</u>	<u>(1,765,808)</u>	<u>(2,338,834)</u>	<u>(1,886,864)</u>	<u>(824,944)</u>	<u>1,824,918</u>	<u>5,091,488</u>	<u>5,110,941</u>	

Mismatch of interest rate sensitive assets and liabilities as at 31 December 2013

Exposed to Yield / interest risk												
Effective yield/ interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial Instruments	
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		77,998	-	-	-	-	-	-	-	-	77,998	
Balances with other banks	10.08%	206,647	204,796	-	-	-	-	-	-	-	1,851	
Lending to financial institutions	10.31%	1,206,521	1,195,277	1,203	-	10,041	-	-	-	-	-	
Investments	11.36%	7,629,301	704,398	1,335,872	1,167,583	763	51,432	958,061	1,039,464	993,223	16,927	
Advances	12.06%	7,493,690	2,438,390	3,371,710	526,223	150,714	302,991	256,050	346,013	77,397	13,013	
Other assets		418,968	-	-	-	-	-	-	-	-	418,968	
		<u>17,033,125</u>	<u>4,542,861</u>	<u>4,708,785</u>	<u>1,693,806</u>	<u>161,518</u>	<u>354,423</u>	<u>1,214,111</u>	<u>1,385,477</u>	<u>1,070,620</u>	<u>29,940</u>	<u>1,871,584</u>
Liabilities												
Borrowings from financial institutions	9.76%	5,721,831	3,013,445	1,336,547	479,166	119,070	268,930	196,652	270,634	37,387	-	
Deposits and other accounts	9.64%	4,433,848	1,351,652	2,126,059	845,289	110,223	625	-	-	-	-	
Liabilities against assets subject to finance leases	13.49%	5,585	359	922	1,236	2,580	488	-	-	-	-	
Other liabilities		360,725	-	-	-	-	-	-	-	-	360,725	
		<u>10,521,989</u>	<u>4,365,456</u>	<u>3,463,528</u>	<u>1,325,691</u>	<u>231,873</u>	<u>270,043</u>	<u>196,652</u>	<u>270,634</u>	<u>37,387</u>	<u>-</u>	<u>360,725</u>
On-balance sheet gap		<u>6,511,136</u>	<u>177,405</u>	<u>1,245,257</u>	<u>368,115</u>	<u>(70,355)</u>	<u>84,380</u>	<u>1,017,459</u>	<u>1,114,843</u>	<u>1,033,233</u>	<u>29,940</u>	<u>1,510,859</u>
Non - financial assets		694,585										
Non - financial liabilities		4,876										
Total Net Assets		<u>7,200,845</u>										
Total yield/profit risk sensitivity gap			<u>177,405</u>	<u>1,245,257</u>	<u>368,115</u>	<u>(70,355)</u>	<u>84,380</u>	<u>1,017,459</u>	<u>1,114,843</u>	<u>1,033,233</u>	<u>29,940</u>	
Cumulative yield/profit risk sensitivity gap			<u>177,405</u>	<u>1,422,662</u>	<u>1,790,777</u>	<u>1,720,422</u>	<u>1,804,802</u>	<u>2,822,261</u>	<u>3,937,104</u>	<u>4,970,337</u>	<u>5,000,277</u>	

39.3.6 Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

39.3.7 Profit rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market profit rates. The company is not exposed to any major profit rate risk as it mainly invests in equity securities.

39.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Operational risk is inherent in the company's business and operational activities.

The Company has instituted sound internal controls through policies, plans and processes approved by the board of directors for controlling and mitigating potential operational risk. The system of internal controls include financial, operational and compliance controls and is performed on continuous basis by the senior management and all levels of employees within the Company.

The objectives of internal controls include the safeguarding of assets from inappropriate use or from loss and fraud, ensuring that liabilities are identified and managed and that the quality of internal and external reporting is maintained. The Company monitors its Key Risk Indicators (KRI) and Loss Data reporting through an operational risk software.

The company has also formulated a business continuity plan, a disaster recovery plan and guidelines for information security, employee conduct and for prevention of fraud and forgery to ensure smooth functioning of the Company's operations.

39.4.1 Maturities of assets and liabilities - Based on contractual maturity of assets and liabilities

Maturities of assets and liabilities as at 31 December 2014

	2014									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	99,912	99,912	-	-	-	-	-	-	-	-
Balances with other banks	269,173	269,173	-	-	-	-	-	-	-	-
Lending to financial institutions	614,177	414,177	200,000	-	-	-	-	-	-	-
Investments	12,179,521	301,545	79,801	335,369	524,978	1,064,845	1,362,299	4,570,161	3,940,523	-
Advances	9,070,314	440,922	261,212	868,478	1,335,060	2,088,949	1,614,762	1,995,636	419,104	46,191
Other assets	683,829	325,661	197,555	155,074	1,626	-	-	3,913	-	-
Operating fixed assets	68,669	4,447	4,780	6,245	9,752	17,606	11,797	4,212	9,830	-
Deferred tax assets	380,028	(61,669)	(19,325)	(18,825)	(205,800)	(78,639)	(24,979)	789,284	(1,443)	1,424
	23,365,623	1,794,168	724,023	1,346,341	1,665,616	3,092,761	2,963,879	7,363,206	4,368,014	47,615
Liabilities										
Borrowings from financial institutions	8,868,730	7,234,379	443,683	179,930	265,161	420,907	178,454	139,987	6,229	-
Deposits and other accounts	6,295,986	568,336	3,255,550	1,418,239	1,035,579	16,182	2,100	-	-	-
Liabilities against assets subject to finance leases	488	31	62	96	299	-	-	-	-	-
Others liabilities	488,248	120,270	198,485	29,846	24,276	39,412	31,730	44,229	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	15,653,452	7,923,016	3,897,780	1,628,111	1,325,315	476,501	212,284	184,216	6,229	-
Net assets	<u>7,712,171</u>	<u>(6,128,848)</u>	<u>(3,173,757)</u>	<u>(281,770)</u>	<u>340,301</u>	<u>2,616,260</u>	<u>2,751,595</u>	<u>7,178,990</u>	<u>4,361,785</u>	<u>47,615</u>
Share capital	6,150,000									
Reserves	722,810									
Unappropriated profit	545,915									
	7,418,725									
Surplus on revaluation of assets - net of tax	293,446									
	<u>7,712,171</u>									

Maturities of assets and liabilities as at 31 December 2013

2013									
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000									
Assets									
Cash and balances with treasury banks	77,998	77,998	-	-	-	-	-	-	-
Balances with other banks	206,647	206,647	-	-	-	-	-	-	-
Lending to financial institutions	1,206,521	1,195,277	1,203	-	10,041	-	-	-	-
Investments	7,629,301	645,906	480,222	371,592	178,328	606,687	1,206,006	2,670,369	1,453,264
Advances	7,493,690	376,014	672,282	1,313,703	1,621,813	1,072,695	975,971	1,131,142	317,057
Other assets	518,975	214,748	149,604	148,858	1,156	-	-	4,609	-
Operating fixed assets	51,086	2,405	4,494	5,101	8,160	12,672	2,106	4,212	10,532
Deferred tax assets	543,492	(67,904)	(24,158)	(18,305)	25,024	(53,561)	(37,553)	720,537	(1,679)
	17,727,710	2,651,091	1,283,647	1,820,949	1,844,522	1,638,493	2,146,530	4,530,869	1,779,174
									32,435
Liabilities									
Borrowings from financial institutions	5,721,831	3,013,445	969,880	179,166	269,070	568,930	413,319	270,634	37,387
Deposits and other accounts	4,433,848	1,351,652	2,126,059	845,289	110,223	625	-	-	-
Liabilities against assets subject to finance leases	5,585	359	922	1,236	2,580	488	-	-	-
Others Liabilities	365,601	104,782	139,495	31,848	12,550	10,794	39,060	27,072	-
	10,526,865	4,470,238	3,236,356	1,057,539	394,423	580,837	452,379	297,706	37,387
	7,200,845	(1,819,147)	(1,952,709)	763,410	1,450,099	1,057,656	1,694,151	4,233,163	1,741,787
									32,435
Net assets									
Share capital	6,150,000								
Reserves	646,091								
Unappropriated profit	488,112								
	7,284,203								
Deficit on revaluation of investment - net of tax	(83,358)								
	7,200,845								

The contractual maturities of assets and liabilities do not significantly differ with the expected maturities except operating fixed assets and deferred tax assets which do not have any contractual maturities. The maturities of operating fixed assets and deferred tax assets have been reported based on their patten of usage and recoverability of the underlying assets on which deferred tax asset has been recorded.

39.4.2 Maturities of assets and liabilities - Based on the working prepared by the Asset and Liabilities Management Committee (ALCO)

Maturities of assets and liabilities as at 31 December 2014

2014									
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000									
Assets									
Cash and balances with treasury banks	99,912	99,912	-	-	-	-	-	-	-
Balances with other banks	269,173	269,173	-	-	-	-	-	-	-
Lending to financial institutions	614,177	414,177	200,000	-	-	-	-	-	-
Investments	12,179,521	301,545	79,801	335,369	524,978	1,064,845	1,362,299	4,570,161	3,940,523
Advances	9,070,314	440,922	261,212	868,478	1,335,060	2,088,949	1,614,762	1,995,636	419,104
Other assets	683,829	325,661	197,555	155,074	1,626	-	-	3,913	-
Operating fixed assets	68,669	4,447	4,780	6,245	9,752	17,606	11,797	4,212	9,830
Deferred tax assets	380,028	(61,669)	(19,325)	(18,825)	(205,800)	(78,639)	(24,979)	789,284	(1,443)
	23,365,623	1,794,168	724,023	1,346,341	1,665,616	3,092,761	2,963,879	7,363,206	4,368,014
									47,615
Liabilities									
Borrowings from financial institutions	8,868,730	7,234,379	443,683	179,930	265,161	420,907	178,454	139,987	6,229
Deposits and other accounts	6,295,986	568,336	3,255,550	1,418,239	1,035,579	16,182	2,100	-	-
Liabilities against assets subject to finance leases	488	31	62	96	299	-	-	-	-
Others liabilities	488,248	120,270	198,485	29,846	24,276	39,412	31,730	44,229	-
Deferred liabilities	-	-	-	-	-	-	-	-	-
	15,653,452	7,923,016	3,897,780	1,628,111	1,325,315	476,501	212,284	184,216	6,229
	7,712,171	(6,128,848)	(3,173,757)	(281,770)	340,301	2,616,260	2,751,595	7,178,990	4,361,785
									47,615
Net assets									
Share capital	6,150,000								
Reserves	722,810								
Unappropriated profit	545,915								
	7,418,725								
Surplus on revaluation of investment - net of tax	293,446								
	7,712,171								

Maturities of assets and liabilities as at 31 December 2013

	2013									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	77,998	77,998	-	-	-	-	-	-	-	-
Balances with other banks	206,647	206,647	-	-	-	-	-	-	-	-
Lending to financial institutions	1,206,521	1,195,277	1,203	-	10,041	-	-	-	-	-
Investments	7,629,301	645,906	480,222	371,592	178,328	606,687	1,206,006	2,670,369	1,453,264	16,927
Advances	7,493,690	376,014	672,282	1,313,703	1,621,813	1,072,695	975,971	1,131,142	317,057	13,013
Other assets	518,975	214,748	149,604	148,858	1,156	-	-	4,609	-	-
Operating fixed assets	51,086	2,405	4,494	5,101	8,160	12,672	2,106	4,212	10,532	1,404
Deferred tax assets	543,492	(67,904)	(24,158)	(18,305)	25,024	(53,561)	(37,553)	720,537	(1,679)	1,091
	17,727,710	2,651,091	1,283,647	1,820,949	1,844,522	1,638,493	2,146,530	4,530,869	1,779,174	32,435
Liabilities										
Borrowings from financial institutions	5,721,831	3,013,445	969,880	179,166	269,070	568,930	413,319	270,634	37,387	-
Deposits and other accounts	4,433,848	1,351,652	2,126,059	845,289	110,223	625	-	-	-	-
Liabilities against assets subject to finance leases	5,585	359	922	1,236	2,580	488	-	-	-	-
Others Liabilities	365,601	104,782	139,495	31,848	12,550	10,794	39,060	27,072	-	-
	10,526,865	4,470,238	3,236,356	1,057,539	394,423	580,837	452,379	297,706	37,387	-
Net assets	7,200,845	(1,819,147)	(1,952,709)	763,410	1,450,099	1,057,656	1,694,151	4,233,163	1,741,787	32,435
Share capital	6,150,000									
Reserves	646,091									
Unappropriated profit	488,112									
	7,284,203									
Deficit on revaluation of investment - net of tax	(83,358)									
	7,200,845									

The contractual maturities of assets and liabilities do not significantly differ with the expected maturities except operating fixed assets and deferred tax assets which do not have any contractual maturities. The maturities of operating fixed assets and deferred tax assets have been reported based on their pattern of usage and recoverability of the underlying assets on which deferred tax asset has been recorded.

40

TRUST ACTIVITIES

The Company is acting as trustee to Term Finance Certificates issued by Pakistan Refinery Limited, Askari Bank Limited and Standard Chartered Bank (Pakistan) Limited. The Company is holding the trust properties in fiduciary capacity on behalf of the relevant beneficiaries. In this behalf, the Company is fulfilling all its obligations and duties in accordance with the provisions of the respective trust documents.

41

POST BALANCE SHEET EVENTS

The Board of Directors of the Company in their meeting held on February 26, 2015 have:

- proposed 4% cash dividend amounting to Rs. 246 million subject to the approval of the members at the annual general meeting.

These financial statements do not recognise the aforementioned appropriation as this has been proposed and approved subsequent to the statement of financial position date.

42

GENERAL

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

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

43

DATE OF AUTHORISATION

These financial statements were authorised on February 26, 2015 by the Board of Directors of the Company.

Managing Director and Chief Executive Officer

Chairman



consolidated financial statements

117	Auditors' Report to the Members
118	Consolidated Statement of Financial Position
119	Consolidated Profit & Loss Account
120	Consolidated Statement of Comprehensive Income
121	Consolidated Cash Flow Statement
122	Consolidated Statement of Changes in Equity
123	Notes to the Consolidated Financial Statements
186	Company Information



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

auditors' report to the members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of **Pak Oman Investment Company Limited** and its subsidiary company (the Group) as at December 31, 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Pak Oman Investment Company Limited except for Pak Oman Asset Management Company Limited which were reviewed by other firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Pak Oman Investment Company Limited and its subsidiary company as at December 31, 2014 and the results of their operations for the year then ended.

The consolidated financial statements of the Group for the year ended December 31, 2014 were audited by another firm of chartered accountants who had expressed an unmodified opinion thereon dated March 6, 2014.

Date: February 26, 2015
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

consolidated statement of financial position

as at December 31, 2014

2014	2013		2014	2013	
US \$ in '000			Rupees in '000		
ASSETS					
995	777	Cash and balances with treasury banks	6	99,935	78,034
2,683	2,259	Balances with other banks	7	269,621	227,034
6,112	12,007	Lendings to financial institutions	8	614,177	1,206,521
121,643	76,153	Investments - net	9	12,223,083	7,652,050
90,267	74,577	Advances - net	10	9,070,314	7,493,690
694	524	Operating fixed assets	11	69,705	52,642
3,236	4,903	Deferred tax assets - net	12	325,115	492,682
7,071	5,453	Other assets	13	710,553	547,998
232,701	176,653			23,382,503	17,750,651
LIABILITIES					
-	-	Bills payable		-	-
88,261	56,943	Borrowings	14	8,868,730	5,721,831
62,657	44,125	Deposits and other accounts	15	6,295,986	4,433,848
-	-	Sub-ordinated loans		-	-
5	56	Liabilities against assets subject to finance lease	16	488	5,605
-	-	Deferred tax liabilities		-	-
4,943	3,724	Other liabilities	17	496,589	374,125
155,866	104,848			15,661,793	10,535,409
76,835	71,805			7,720,710	7,215,242
NET ASSETS					
REPRESENTED BY					
61,204	61,204	Share capital	18	6,150,000	6,150,000
7,193	6,430	Reserves	19	722,810	646,091
5,415	4,801	Unappropriated profit		544,142	482,442
73,812	72,435			7,416,952	7,278,533
109	221	Non-controlling interest	20	10,959	22,221
73,921	72,656			7,427,911	7,300,754
2,914	(851)	Surplus / (deficit) on revaluation of assets - net of deferred tax	21	292,799	(85,512)
76,835	71,805			7,720,710	7,215,242
CONTINGENCIES AND COMMITMENTS					
			22		

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Managing Director and Chief Executive Officer

Chairman

consolidated profit and loss account

for the year ended December 31, 2014

2014	2013		Note	2014	2013
US \$ in '000				Rupees in '000	
21,080	15,592	Mark-up / return / interest earned	23	2,118,186	1,566,715
13,542	8,884	Mark-up / return / interest expensed	24	1,360,752	892,690
<u>7,538</u>	<u>6,708</u>	Net mark-up / interest income		<u>757,434</u>	<u>674,025</u>
(447)	50	(Reversal) / provision against non-performing advances	10.6	(44,953)	5,053
2,530	1,049	Provision for diminution in the value of investments	9.3	254,262	105,425
-	-	Bad debts written off directly		-	-
<u>2,083</u>	<u>1,099</u>			<u>209,309</u>	<u>110,478</u>
<u>5,455</u>	<u>5,609</u>	Net mark-up / interest income after provisions		<u>548,125</u>	<u>563,547</u>
NON MARK-UP / INTEREST INCOME					
518	405	Fee, commission and brokerage income		52,098	40,688
553	692	Dividend income		55,547	69,574
-	-	Income from dealing in foreign currencies		-	-
2,628	1,189	Gain on sale of securities	25	264,054	119,456
2	62	Unrealised gain on revaluation of investments classified as held-for-trading		202	6,234
601	638	Share of profit from associates - net of tax		60,401	64,145
25	11	Other income	26	2,469	1,103
<u>4,327</u>	<u>2,997</u>	Total non mark-up / interest income		<u>434,771</u>	<u>301,200</u>
<u>9,782</u>	<u>8,606</u>			<u>982,896</u>	<u>864,747</u>
NON MARK-UP / INTEREST EXPENSES					
4,175	3,908	Administrative expenses	27	419,510	392,662
20	37	Other provisions / write offs	13.2	1,966	3,698
185	110	Other charges	28	18,728	11,080
<u>4,380</u>	<u>4,055</u>	Total non mark-up / interest expenses		<u>440,204</u>	<u>407,440</u>
<u>5,402</u>	<u>4,551</u>			<u>542,692</u>	<u>457,307</u>
-	-	Extra ordinary / unusual items		-	-
<u>5,402</u>	<u>4,551</u>	PROFIT BEFORE TAXATION		<u>542,692</u>	<u>457,307</u>
Taxation					
2,152	1,359	- current	29	216,197	136,520
4	-	- prior years		388	-
(499)	(182)	- deferred		(50,121)	(18,316)
<u>1,657</u>	<u>1,177</u>			<u>166,464</u>	<u>118,204</u>
<u>3,745</u>	<u>3,374</u>	PROFIT AFTER TAXATION		<u>376,228</u>	<u>339,103</u>
PROFIT / (LOSS) ATTRIBUTABLE TO:					
3,857	3,524	Shareholders of the holding company		387,490	354,150
(112)	(150)	Non-controlling interest		(11,262)	(15,047)
<u>3,745</u>	<u>3,374</u>			<u>376,228</u>	<u>339,103</u>
US\$				Rupees	
<u>0.0063</u>	<u>0.0057</u>	Basic and diluted earnings per share	30	<u>0.63</u>	<u>0.58</u>

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Managing Director and Chief Executive Officer

Chairman

consolidated statement of comprehensive income

for the year ended December 31, 2014

2014	2013		Note	2014	2013
US \$ in '000				Rupees in '000	
3,745	3,375	Profit after taxation		376,228	339,103
		Other comprehensive income for the year			
		Items that may be reclassified subsequently to profit and loss account		-	-
		Items that will not be reclassified subsequently to profit and loss account:			
(46)	(51)	Remeasurement of defined benefit obligation	33.9	(4,583)	(5,090)
15	17	Related tax impact		1,512	1,731
(31)	(34)			(3,071)	(3,359)
<u>3,714</u>	<u>3,341</u>	Comprehensive income for the year transferred to equity attributable to:		<u>373,157</u>	<u>335,744</u>
3,826	3,491	Shareholders of the holding company		384,419	350,791
(112)	(150)	Non-controlling interest		(11,262)	(15,047)
<u>3,714</u>	<u>3,341</u>	Comprehensive income for the year transferred to equity		<u>373,157</u>	<u>335,744</u>
		Component of comprehensive income for the year not transferred to equity			
5,931	(1,304)	Surplus / (deficit) on revaluation of 'available for sale' investments		595,999	(131,051)
(2,166)	441	Related tax impact		(217,688)	44,296
3,765	(863)			378,311	(86,755)
<u>7,479</u>	<u>2,478</u>	Total comprehensive income		<u>751,468</u>	<u>248,989</u>

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Managing Director and Chief Executive Officer

Chairman

consolidated cash flow statement

for the year ended December 31, 2014

2014	2013		Note	2014	2013
US \$ in '000				Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES					
5,402	4,551	Profit before taxation		542,692	457,307
553	692	Less: Dividend income		55,547	69,574
4,849	3,859			487,145	387,733
Adjustments:					
171	163	Depreciation	11.1	17,214	16,391
6	10	Amortization of intangible assets	11.2	574	1,031
(2)	(62)	Unrealised gain on revaluation of investments classified as held-for-trading		(202)	(6,234)
(25)	(8)	Gain on sale of operating fixed assets	26	(2,469)	(799)
(601)	(638)	Share of profit from associates - net of tax		(60,401)	(64,145)
(447)	50	(Reversal) / provision against non-performing advances	10.6	(44,953)	5,053
2,530	1,049	Provision for diminution in the value of investments	9.3	254,262	105,425
(37)	37	(Reversal) / provision held against other assets	13.2	(3,698)	3,698
1	10	Finance charges on leased assets	27	146	957
1,596	611			160,473	61,377
6,445	4,470			647,618	449,110
(Increase) / decrease in operating assets					
3,397	(969)	Landings to financial institutions		341,344	(97,402)
5,125	1,027	Net investments in held-for-trading securities		514,997	103,200
(15,243)	(11,461)	Advances - net		(1,531,671)	(1,151,684)
(1,369)	(906)	Other assets		(137,558)	(91,080)
(8,090)	(12,309)			(812,888)	(1,236,966)
(Decrease) / increase in operating liabilities					
31,318	(8,206)	Borrowings		3,146,899	(824,536)
18,532	824	Deposits and other accounts		1,862,138	82,848
1,174	(281)	Other liabilities (excluding taxation)		117,929	(28,122)
51,024	(7,663)			5,126,966	(769,810)
49,379	(15,502)	Finance charges paid on leased assets		4,961,696	(1,557,666)
(2)	(10)	Income tax paid		(194)	(1,031)
(2,122)	(3,059)			(213,255)	(307,400)
47,255	(18,571)	Net cash from / (used in) operating activities		4,748,247	(1,866,097)
CASH FLOWS FROM INVESTING ACTIVITIES					
(45,699)	20,908	Net proceeds from / (investments in) available-for-sale securities		(4,591,992)	2,100,922
-	2,016	Net proceeds from held-to-maturity securities		-	202,576
(913)	710	Investments in associates		(91,698)	71,303
323	692	Dividend received		32,430	69,574
(361)	(101)	Investments in operating fixed assets		(36,243)	(10,135)
38	22	Sale proceeds of operating fixed assets disposed off		3,861	2,168
(46,612)	24,247	Net cash (used in) / from investing activities		(4,683,642)	2,436,408
CASH FLOWS FROM FINANCING ACTIVITIES					
(51)	(52)	Payments of lease obligations		(5,117)	(5,197)
(2,448)	(2,448)	Dividend paid		(246,000)	(246,000)
(2,499)	(2,500)	Net cash used in financing activities		(251,117)	(251,197)
(1,856)	3,176	(Decrease) / increase in cash and cash equivalents		(186,512)	319,114
5,783	2,607	Cash and cash equivalents at beginning of the year		581,068	261,954
3,927	5,783	Cash and cash equivalents at end of the year	31	394,556	581,068

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Managing Director and Chief Executive Officer

Chairman

consolidated statement of changes in equity

for the year ended December 31, 2014

	Issued, subscribed and paid-up capital	Attributable to the shareholders of the holding company		Unappro- priated profit	Sub total	Non- controlling interest	Total
		Statutory reserve	General reserve				
Rupees in '000							
Balance as at 1 January 2013	6,150,000	559,353	11,630	452,759	7,173,742	37,268	7,211,010
Comprehensive income							
Profit / (loss) for the year ended 31 December 2013	-	-	-	354,150	354,150	(15,047)	339,103
Other comprehensive income - net of tax	-	-	-	(3,359)	(3,359)	-	(3,359)
Total comprehensive income for the year	-	-	-	350,791	350,791	(15,047)	335,744
Transfers							
Transfer to statutory reserve - 20% of the holding company's profit for the year	-	75,108	-	(75,108)	-	-	-
Transaction with owners recognised directly in equity							
Dividend for the year ended 31 December 2012 (Re. 0.40 per share)	-	-	-	(246,000)	(246,000)	-	(246,000)
Balance as at 31 December 2013	6,150,000	634,461	11,630	482,442	7,278,533	22,221	7,300,754
Comprehensive income							
Profit / (loss) for the year ended 31 December 2014	-	-	-	387,490	387,490	(11,262)	376,228
Other comprehensive income - net of tax	-	-	-	(3,071)	(3,071)	-	(3,071)
Total comprehensive income for the year	-	-	-	384,419	384,419	(11,262)	373,157
Transfers							
Transfer to statutory reserve - 20% of the holding company's profit for the year	-	76,719	-	(76,719)	-	-	-
Transaction with owners recognised directly in equity							
Dividend for the year ended 31 December 2013 (Re. 0.4 per share)	-	-	-	(246,000)	(246,000)	-	(246,000)
Balance as at 31 December 2014	6,150,000	711,180	11,630	544,142	7,416,952	10,959	7,427,911

The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Managing Director and Chief Executive Officer

Chairman

notes to the consolidated financial statements

for the year ended December 31, 2014

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of Pak-Oman Investment Company Limited - POICL (the “holding company” or “parent”), a subsidiary, Pak Oman Asset Management Company Limited (POAMCL) and associates. The Group is principally engaged in promotion of the economic growth of Pakistan and Oman through industrial development and agro-based industries on commercial basis and to carry on the business of finance and/or investment bank, asset management and investment advisory services. Brief profile of the holding company and its subsidiary is as follows:

1.1.1 Holding Company

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

1.1.2 Subsidiary Company

Pak-Oman Asset Management Company Limited (the “subsidiary company” or “POAMCL”) was incorporated in Pakistan under the Companies Ordinance, 1984 on July 28, 2006 as an unlisted public limited company having its registered office at Horizon Vista, Mezzanine Floor-2, Plot No Com-10, Scheme-5, Block 4 Clifton, Karachi, Pakistan. POAMCL obtained certificate of commencement of business on October 31, 2006. The principal activities of the company includes investment advisory and asset management services.

POAMCL's license to provide asset management and advisory services has expired and an application with the Securities and Exchange Commission of Pakistan (SECP) for its renewal. The SECP had advised that the renewal application shall be considered only when the management company meets the minimum equity requirement of Rs. 230 million (net of losses). In view of this fact, the management company, with the approval of its Board of Directors had earlier concluded a scheme of arrangement for amalgamation with KASB Funds Limited (KFL), with KFL being the proposed surviving entity in order to meet the aforementioned minimum equity requirement. However, the Board of Directors of the Management Company in their meeting held on February 10, 2015 has resolved for a right issue to meet the minimum equity requirement and therefore has also resolved to call off the said amalgamation. The correspondence process in this respect with all the relevant stakeholders will be initiated in due course. Accordingly, the Management Company expects the renewal of its license of asset management and investment advisory services after the injection of equity through the aforementioned right issue.

1.2 The Group's associates are as follows:

Entity	Country of incorporation	Nature of business	Holding %	
			2014	2013
Pak Oman Advantage Fund	Pakistan	Established as a closed-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	27.36	27.36
Pak Oman Advantage Islamic Income Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	72.48	41.04
Pak Oman Islamic Asset Allocation fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	99.74	88.61
Pak Oman Advantage Asset Allocation Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	99.98	84.36
Pak Oman Government Securities Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	96.37	-
Pak Oman Microfinance Bank Limited	Pakistan	Incorporated under the Companies Ordinance, 1984 and is engaged in providing micro finance services to the poor and under served segment of the society.	33.40	33.40
Japan Power Generation Limited	Pakistan	Incorporated under the Companies Ordinance, 1984 and is engaged in generation of power and its supply to WAPDA.	19.59	19.59

2

BASIS OF PRESENTATION

2.1 Consolidated Financial Statements

These consolidated financial statements have been prepared from the information available in the audited financial statements of the holding company for the year ended December 31, 2014 and the condensed interim financial information of the subsidiary (POAMCL) as on and for the half year ended December

31, 2014 which have only been subjected to a review but are not audited. Certain disclosures relating to POAMCL as incorporated in these consolidated financial statements were not included in its reviewed financial statements as of December 31, 2014. The accounting policies used by POAMCL and associates in preparation of their respective financial statements are consistent with that of the holding company except for the accounting policy for investments. The financial statements used for the equity accounting of associates are disclosed in Note 9.5.8.2.

2.2 US Dollar equivalent

The US Dollar amounts shown on the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 100.4831 to 1 US Dollar has been used for 2014 and 2013 as it was the prevalent rate as on December 31, 2014.

2.3 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the consolidated financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimate and judgments in relation to these consolidated financial statements are as follows:

a) Provision against non-performing advances

The Group reviews its loan portfolio to assess amount of non-performing advances and determine provision required there against on quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower, value of collateral held and requirements of Prudential Regulations are considered.

b) Impairment of available-for-sale investments

The Group considers that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

c) Classification of investments

In classifying investments as "held-for-trading", the Group has determined securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days.

In classifying investments as "held-to-maturity", the Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as "available-for-sale".

d) Income and deferred taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Group's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

e) Fixed assets, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

f) Employees' benefit plans

The liabilities for employees' benefit plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 33.1. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

3

STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the SBP. In case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and directives issued by the SBP shall prevail.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for DFIs through BSD Circular Letter No. 11 dated September 11, 2002 till further instructions. Further, according to the notification of the SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for DFIs. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

IFRS 8, 'Operating Segments' is effective for the Group's accounting period beginning on or after January 1, 2009. All DFIs in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the holding company believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by the SBP.

3.2 Approved accounting standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are ‘highly correlated’, or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Group financial statements.
- IFRS 10 ‘Consolidated Financial Statements’ – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 ‘Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called ‘Separate Financial Statements’ and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is likely to have an impact in the consolidated financial statements of the Group. The management is currently assessing its impact on the Group financial statements.
- IFRS 11 ‘Joint Arrangements’ (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 ‘Interests in Joint Ventures’. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named ‘Investment in Associates and Joint Ventures’. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016.
- IFRS 12 ‘Disclosure of Interest in Other Entities’ (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is likely to result in additional disclosure in the financial statements.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

4

BASIS OF MEASUREMENT

4.1

These consolidated financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the SBP and obligations in respect of certain staff retirement benefits are carried at present value.

The consolidated financial statements are prepared in Pakistani Rupees which is the Group's functional and presentation currency.

5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1

Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree at acquisition date. Acquisition related costs are recognised in consolidated profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-Controlling Interest in equity of the subsidiary company is measured at the portion of operation and of net assets of subsidiary company attributable to interest which is not owned by the holding company.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in consolidated profit or loss account.

5.1.1 Basis of consolidation

- Subsidiary is the enterprise in which the Group directly or indirectly controls, beneficially owns or holds more than 50 percent of its voting securities or otherwise has power to elect and appoint more than 50 percent of its directors.
- Subsidiary company is consolidated from the date on which more than 50 percent of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.
- The financial statements of the subsidiary is prepared for the same reporting year as the Group for the purpose of consolidation, using consistent accounting policies except where specified otherwise.
- The assets, liabilities, income and expenses of subsidiary have been consolidated on a line by line basis and the carrying value of investment in subsidiary held by the Group is eliminated against the shareholders' equity in the consolidated financial statements.
- Non-Controlling Interest in equity of the subsidiary company is measured at proportionate share of net assets of the acquiree.
- Material intra-group balances and transactions have been eliminated.

5.2 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks and placements with financial institutions having maturities of three (3) months or less.

5.3 Revenue recognition

Interest income is recognized on a time proportion basis that takes into account effective yield on the asset. Premium or discount on investments classified as held-for-trading, available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to profit and loss account.

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease.

In case of advances including finance lease and debt security investments classified under the Prudential Regulations, interest / mark-up is recognized on receipt basis. Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations of SBP.

Dividend income on equity investments and mutual funds is recognized when right to receive is established.

Gains and losses on disposal of securities are recognised in the consolidated profit and loss account in the year in which they arise.

Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.

Fee, brokerage and commission income other than commission on letters of credit and guarantees and remuneration for trustee services are recognized upon performance of services.

Commission on letters of credit and guarantees is recognized on time proportion basis.

Management fee is recognised on accrual basis on the average annual net assets of the funds calculated on a monthly basis.

Advisory fee is recognized on accrual basis as and when services are rendered.

5.4 Investments

The holding company classifies its investments other than those in subsidiary and associates based on the criteria set out in BSD Circular Nos. 10, 11 and 14 dated July 13, 2004, August 04, 2004 and September 24, 2004 respectively. The investments are classified in the following categories as per SBP guidelines:

The Group has classified its investment portfolio, except for investments in associates, into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' portfolios as follows:

Held-for-trading – These are investments which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days. These are carried at market value, with the related gain / (loss) on revaluation being taken to consolidated profit and loss account.

Held-to-maturity – These are investments which are acquired with the intention and ability to hold them up to maturity. These are carried at amortised cost.

Available-for-sale – These are investments that do not fall under held-for-trading or held-to-maturity categories. These are carried at market value with related gain / (loss) on revaluation being taken to 'surplus / (deficit) on revaluation of assets' account shown below equity. On derecognition or impairment in available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' below equity is included in the consolidated profit and loss account for the period.

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transactions costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the consolidated profit and loss account.

All regular way purchases / sales of investment are recognised on the trade date, i.e., the date the Group commits to purchase / sell the investments. Regular way purchases or sales of investments require delivery of securities within the time frame generally established by regulation or convention in the market place.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or MUFAP or the Stock Exchanges.

Unquoted securities whose market value is not available are carried at cost less provision for diminution in value, if any. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to book value of the same.

Provision for diminution in value of investments for debt securities is calculated as per the SBP's Prudential Regulations.

Associates – Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting.

Under the equity method, the Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit and loss account, its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

The carrying values of investments are reviewed for impairment when indications exist that the carrying values may exceed the estimated recoverable amounts.

5.5 Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair values. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the consolidated profit and loss account.

5.6 Advances and net investment in finance lease

5.6.1 Advances

Advances are stated net of specific and general provisions against non-performing advances, if any, which are charged to consolidated profit and loss account.

5.6.2 Provision against non-performing advances

Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by SBP and charged to the consolidated profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances) for classification of non-performing loans and advances and computing provision / allowance there against.

5.6.3 Net investment in lease

Leases are classified as finance lease when substantially all the risks and rewards incidental to ownership of an asset are transferred to the lessee. A receivable is recognized at an amount equal to the present value of the lease payments, including guaranteed residual value, if any. Finance lease receivables are included in advances.

Advances and finance lease receivables are written off when it is considered that there is no realistic prospect of recovery.

5.7 Operating fixed assets

5.7.1 Property and equipment – owned

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to the consolidated profit and loss account applying the straight-line method at rates stated in note 11.1.

Residual values and useful lives are reviewed at each balance sheet date, and adjusted if impact is considered significant.

Depreciation on additions and deletions of property and equipment during a year is charged in proportion to the period of use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate item of property and equipment, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated profit and loss account during the period in which they are incurred.

Item of property and equipment is derecognised when disposed of or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are included in consolidated profit and loss account.

5.7.2 Property and equipment - Leased

Assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of the lower of fair value of assets and the present value of minimum lease payments at inception of lease and subsequently stated net of accumulated depreciation. Finance charges are allocated over the period of lease term so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

5.7.3 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any. These are transferred to specific assets as and when assets are available for use.

5.7.4 Intangible assets

Expenditure incurred to acquire software licenses is capitalised as intangible assets and stated at cost less accumulated amortization and impairment losses, if any.

Intangible assets having a finite life are amortised using the straight-line method over their estimated useful lives, at the rate stated in note 11.2.

Amortization on additions and deletions of intangible assets during the year is charged in proportion to the period of use.

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

5.8 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position and are measured in accordance with accounting policies for investments. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

5.9 Taxation

5.9.1 Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemption available if any or minimum taxation as per the Income Tax Ordinance, 2001 whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The charge for the current tax also includes adjustments wherever considered necessary relating to prior year, arising from assessments framed during the year.

5.9.2 Deferred

The Group accounts for deferred taxation using the balance sheet liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and any unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to gain / loss recognised in surplus / deficit on revaluation of assets is charged / credited to such account.

5.10 Borrowings

Borrowings are recognised initially at the value of consideration received. Difference between the consideration received and the redemption value is recognised in consolidated profit and loss account over the period of the borrowings by applying effective rate of interest / markup.

5.11 Staff retirement benefits

5.11.1 Defined benefit plan

The holding company operates a funded-gratuity scheme for all its permanent employees. The scheme was established on November 1, 2002 and approved by the Commissioner of Income Tax with effect from January 31, 2003. Contribution to the fund is made every year based on actuarial valuation. The actuarial valuation is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. All actuarial gains and losses are recognized in Other Comprehensive Income (OCI) in the periods in which they occur. The actuarial valuation was conducted as at December 31, 2014.

5.11.2 Defined contribution plan - the holding company

The holding company also operates a provident fund scheme for all its permanent employees. Equal monthly contributions at the rate of 8.33 percent per annum of salary are made by the holding company and its employees. The scheme was established on November 1, 2002 and approved by the Commissioner of Income Tax with effect from January 31, 2003. Contributions from the holding company are charged to consolidated profit and loss account for the year.

5.11.3 Defined contribution plan - the subsidiary company

The subsidiary company operates a provident fund scheme for all its permanent employees. Equal monthly contributions at the rate of 8.33 percent per annum of salary are made by the subsidiary company and its employees. The scheme was established on July 01, 2007 and approved by the Commissioner of Income Tax with effect from May 01, 2008. Contributions from the subsidiary company are charged to consolidated profit and loss account for the year.

5.11.4 Compensated absences

Compensated absences (leaves) of employees are accounted for in the period in which these absences are earned.

5.12 Foreign currencies translation

Foreign currency transactions are translated into Pakistani Rupees (functional currency) using the exchange rate prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translations of monetary assets and liabilities denominated in foreign currencies at statement of financial position date are included in consolidated profit and loss account.

5.13 Provisions

Provisions are recognised when the Group has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

However, provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

5.14 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated financial statement when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.15 Dividend and reserves

Dividend declared and appropriations, except appropriations which are required by the law are recognised as liability and recorded as changes in reserves in the period in which these are approved by the directors / shareholders as appropriate.

5.16 Impairment

The Group assesses at each balance sheet date whether there is any indication that non-financial assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in consolidated profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

5.17 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at December 31, 2014.

5.18 Financial instruments

Financial assets and liabilities are recognized at the time when the Group becomes party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the consolidated profit and loss account of the current period. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

5.19 Certificates of investment (COI)

COI are initially recorded at the amount of proceeds received. Mark-up accrued is recognized separately as part of liabilities and is charged to profit and loss account of a time proportion basis.

5.20 Receivables from funds

These are carried at original invoice amount made to the fund in respect of management fee. No estimate is made for doubtful receivables as amount receivable from funds is received on monthly basis.

5.21 Segment information

A segment is a distinguishable component of the Group that is engaged in either providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Business segments

- **Corporate finance**

Corporate finance includes services provided in connection with mergers and acquisitions, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, Initial Public Offers (IPO) and secondary private placements.

- **Trading & sales**

Involves the businesses of equity trading and fixed income securities.

- **Commercial banking**

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.

- **Asset management**

Asset management includes services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations).

6 CASH AND BALANCES WITH TREASURY BANKS

Note	2014	2013
------	------	------

Rupees in '000

Cash in hand:				
local currency		113		74
foreign currency		143		150
		<u>99,679</u>		<u>77,810</u>
Balances with State Bank of Pakistan in local currency - current account	6.1	<u>99,935</u>		<u>78,034</u>

6.1 This represent the amount required to be maintained by the holding company in accordance with the SBP's Regulations.

7 BALANCES WITH OTHER BANKS

In Pakistan:				
current account		9,882		999
deposit accounts	7.1	<u>259,219</u>		<u>225,183</u>
		<u>269,101</u>		<u>226,182</u>
Outside Pakistan - current accounts		520		852
		<u>269,621</u>		<u>227,034</u>

7.1 These include term deposit receipts (TDRs) due for maturity within 1 month aggregating Rs. 250 million (2013: Rs. 200 million). These carry mark-up rates ranging from 10.40 to 10.75 percent per annum (2013: from 9.8 to 10.50 percent per annum).

8 LENDINGS TO FINANCIAL INSTITUTIONS

Placements	8.1	25,000		276,000
Reverse repurchase agreement lendings	8.2 & 8.5	389,177		919,277
Certificate of investments (COIs)	8.3	<u>200,000</u>		<u>11,244</u>
		<u>614,177</u>		<u>1,206,521</u>

8.1 The rates of return on these placements is 9.6 (2013: 10.20 to 10.50) percent per annum, maturing in January 2015 (2013: January 2014).

8.2 These are short-term lendings to different financial institutions secured against government securities as disclosed in note 8.5 which are purchased under resale obligations. These carry mark-up rates ranging from 9.6 to 9.85 percent per annum (2013: 9.55 to 11.25 percent per annum) and will mature within one month (2013: within one month).

8.3 COIs are due for maturity within three months (2013: 3 months to 10 months). The rate of return on COIs is 10.95 percent per annum (2013: 12 percent per annum).

8.4 Particulars of lendings

In local currency		614,177		1,206,521
In foreign currency		-		-
		<u>614,177</u>		<u>1,206,521</u>

8.5 Securities held as collateral against lendings to financial institutions

Note	2014			2013		
	Held by the holding company	Given as collateral	Total	Held by the holding company	Given as collateral	Total
	Rupees in '000					
Market Treasury Bills	289,177	-	289,177	-	496,195	496,195
Pakistan Investment Bonds	-	100,000	100,000	423,082	-	423,082
8.5.1	<u>289,177</u>	<u>100,000</u>	<u>389,177</u>	<u>423,082</u>	<u>496,195</u>	<u>919,277</u>

8.5.1 Market value of the securities amounting to Rs. 393 million (2013: Rs. 925.789 million)



	2014			2013			
	Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total	
Note	Rupees in '000						
9.1 Investments by types	9.5						
Held-for-trading securities							
Pakistan Investment Bonds (PIBs)	9.4 & 9.5.1	132,289	7,815	140,104	30,659	252,088	282,747
Market Treasury Bills (T-Bills)	9.4 & 9.5.1	514,762	-	514,762	726,187	197,369	923,556
Listed ordinary shares	9.5.2.1	54,929	-	54,929	17,472	-	17,472
Sukuk certificates	9.5.6.1	-	-	-	1,017	-	1,017
		701,980	7,815	709,795	775,335	449,457	1,224,792
Available-for-sale securities							
Pakistan Investment Bonds (PIBs)	9.4 & 9.5.1.2	760,494	5,861,428	6,621,922	402,615	2,351,998	2,754,613
Listed ordinary shares	9.5.2.2	608,691	-	608,691	207,890	-	207,890
Unlisted ordinary shares	9.5.3	131,333	226,000	357,333	131,333	226,000	357,333
Mutual funds units	9.5.7	-	-	-	14,337	-	14,337
Term finance certificates (TFCs)	9.5.4.1 & 9.5.5.1	2,119,506	-	2,119,506	2,351,722	-	2,351,722
Sukuk certificates	9.5.6.2	1,158,039	-	1,158,039	605,074	-	605,074
		4,778,063	6,087,428	10,865,491	3,712,971	2,577,998	6,290,969
Associates							
Japan Power Generation Limited		-	-	-	-	-	-
Pak Oman Advantage Fund		301,220	-	301,220	296,570	-	296,570
Pak Oman Advantage Islamic Income Fund		106,408	-	106,408	105,034	-	105,034
Pak Oman Islamic Asset Allocation Fund		113,781	-	113,781	114,721	-	114,721
Pak Oman Advantage Asset Allocation Fund		108,140	-	108,140	110,540	-	110,540
Pak Oman Government Securities Fund		61,991	-	61,991	-	-	-
Pak Oman Microfinance Bank Limited	9.5.8	359,987	-	359,987	271,056	-	271,056
		1,051,527	-	1,051,527	897,921	-	897,921
Investments at cost		6,531,570	6,095,243	12,626,813	5,386,227	3,027,455	8,413,682
Less: Provision for diminution in the value of investments	9.3	866,313	-	866,313	629,521	-	629,521
Investments - net of provisions		5,665,257	6,095,243	11,760,500	4,756,706	3,027,455	7,784,161
Surplus on revaluation of held-for-trading securities	9.6	3,948	160	4,108	193	3,713	3,906
Surplus / (deficit) on revaluation of available-for-sale securities	21	16,384	442,091	458,475	(54,758)	(81,259)	(136,017)
Total investments		5,685,589	6,537,494	12,223,083	4,702,141	2,949,909	7,652,050

9.2 Investments by segments

	Note	2014	2013
Rupees in '000			
Federal Government Securities			
Pakistan Investment Bonds (PIBs)	9.4, 9.5 & 9.6	6,762,026	3,037,360
Market Treasury Bills (MTBs)	9.4, 9.5 & 9.6	514,762	923,556
		<u>7,276,788</u>	<u>3,960,916</u>
Fully paid up ordinary shares			
Listed companies	9.5.2	663,620	225,362
Unlisted companies	9.5.3.1	357,333	357,333
		<u>1,020,953</u>	<u>582,695</u>
Term finance certificates (TFCs)			
Listed	9.5.4	1,370,351	1,504,849
Unlisted	9.5.5	749,155	846,873
		<u>2,119,506</u>	<u>2,351,722</u>
Sukuk certificates - unlisted	9.5.6	1,158,039	606,091
Mutual funds	9.5.7	-	14,337
Investments in associates	9.5.8	1,051,527	897,921
Total investments at cost		<u>12,626,813</u>	<u>8,413,682</u>
Less: Provision for diminution in the value of investments	9.3	866,313	629,521
Investments - net of provisions		<u>11,760,500</u>	<u>7,784,161</u>
Surplus on revaluation of held-for-trading securities	9.6	4,108	3,906
Surplus / (deficit) on revaluation of available-for-sale securities	21	458,475	(136,017)
Total investments		<u>12,223,083</u>	<u>7,652,050</u>

9.3 Particulars of provision for diminution in the value of investments

Opening balance		629,521	573,499
Charge for the year		271,291	163,339
Reversal for the year		(17,029)	(57,914)
Net charge		<u>254,262</u>	<u>105,425</u>
Transfer to capital gain due to disposal of relevant investments		(17,470)	-
Write-off		-	(49,403)
Closing balance	9.3.1	<u>866,313</u>	<u>629,521</u>

9.3.1 Particulars of provision in respect of types and segments

	2014	2013
	Rupees in '000	
Available-for-sale securities		
Shares		
- Listed	82,743	49,171
- Unlisted	98,568	69,091
Term Finance Certificates		
- Listed	361,702	263,036
- Unlisted	149,419	125,441
Sukuk-unlisted	173,881	115,103
Investment in Mutual Funds	-	7,679
	<u>866,313</u>	<u>629,521</u>

9.4 The rates of return on PIBs maturing between July 2015 to July 2024 (2013: July 2015 to January 2024), range from 10.80 to 13.20 (2013: 10.7 to 14.02) percent per annum. The rates of return on market treasury bills maturing between January 2015 to October 2015 (2013: January 2014 to February 2014), range from 9.96 to 9.99 (2013: 9.82 to 10.40) percent per annum.

9.5 Detailed information relating to investments including quality of available-for-sale securities is given below:

9.5.1 Government Securities

	2014		2013	
	Market Value	Rating	Market Value	Rating
	Rupees in '000		Rupees in '000	
9.5.1.1 Held-for-trading				
Pakistan Investment Bonds (PIBs)				
10 years	142,692	Unrated	13,495	Unrated
5 years	-	Unrated	264,544	Unrated
3 years	-	Unrated	8,956	Unrated
	<u>142,692</u>		<u>286,995</u>	
Market Treasury Bills (MTBs)				
3 months	144,730	Unrated	923,352	Unrated
12 months	371,359	Unrated	-	
	<u>516,089</u>		<u>923,352</u>	
9.5.1.2 Available-for-sale				
Pakistan Investment Bonds (PIBs)				
20 years	19,307	Unrated	16,927	Unrated
15 years	327,151	Unrated	237,997	Unrated
10 years	3,991,576	Unrated	1,833,624	Unrated
5 years	2,307,215	Unrated	581,425	Unrated
3 years	468,211	Unrated	-	
	<u>7,113,460</u>		<u>2,669,973</u>	
	<u>7,772,241</u>		<u>3,880,320</u>	

9.5.2 Listed shares

9.5.2.1 Held-for-trading

Chemical

Fauji Fertilizer Bin Qasim Limited
Engro Corporation Limited
Fauji Fertilizer Company Limited

Oil and gas

Pakistan Petroleum Limited
Attock Petroleum Ltd
Oil & Gas Development Company Limited
Pakistan Oilfields

Construction and materials (Cement)

Attock Cement Ltd
Lafarge Pakistan Cement Ltd

Commercial Banks

Faysal Bank Ltd.
MCB Bank Ltd
United Bank Ltd

Food Producers

Engro Foods Ltd

Textile

Nishat Mills Limited

9.5.2.2 Available-for-sale

Construction and materials (Cement)

Cherat Cement Limited
Attock Cement Limited
Lucky Cement Limited

Electricity

Lalpir Power Limited
Nishat Power Limited
Kot Addu Power Company Limited

Chemical

Agritech Limited (9.6.5.2)
Fauji Fertilizer Company Limited
Engro Corporation Limited

Commercial Banks

Allied Bank Limited
NIB Bank Limited
United Bank Limited
JS Bank Limited

General Industrials

Cherat Packaging Limited

Financial Services

Next Capital Limited

Refinery / Oil & Gas

Pakistan Oilfield Limited
Pakistan State Oil Company Limited
Oil & Gas Development Company Limited
Pakistan Petroleum Limited

Paper and Board

Century Paper & Board

Food Producers

Farhan Sugar Mills Limited

Textile

Nishat Mills Limited

Industrial Transportation

Pakistan International Bulk Terminal Limited

Rating	2014		2013		2014		2013	
	No. of shares held		Cost		Market value			
			Rupees in '000					
Unrated	-	298,000	-	13,126	-	13,055		
AA- / A1+	20,000	-	4,232	-	4,430	-		
Unrated	39,500	-	4,699	-	4,626	-		
Unrated	10,000	20,000	1,770	4,346	1,765	4,279		
Unrated	3,000	-	1,597	-	1,619	-		
AAA / A-1+	1,000	-	205	-	205	-		
Unrated	2,000	-	975	-	759	-		
Unrated	45,300	-	8,810	-	8,841	-		
Unrated	500,000	-	8,673	-	8,675	-		
AA / A1+	35,000	-	624	-	637	-		
AAA / A1+	15,000	-	4,446	-	4,585	-		
AA+ / A1+	63,000	-	11,158	-	11,133	-		
Unrated	50,000	-	5,297	-	5,427	-		
AA-/A1+	20,000	-	2,443	-	2,420	-		
			54,929	17,472	55,122	17,334		
Unrated	180,000	199,500	11,665	11,243	12,362	12,625		
Unrated	105,700	-	19,328	-	20,630	-		
Unrated	5,000	-	2,426	-	2,501	-		
AA / A1+	200,000	2,071,858	4,402	45,601	5,980	41,229		
A+ / A1	750,000	-	34,984	-	34,200	-		
AA+ / A1+	75,000	-	4,737	-	5,921	-		
D	1,629,911	1,629,911	57,046	57,046	12,632	20,651		
A / A1	535,000	525,000	63,076	61,787	62,654	58,779		
AA- / A1+	20,000	-	4,430	-	4,430	-		
AA+ / A1+	250,000	-	28,883	-	28,395	-		
AA- / A1+	-	3,788,000	-	10,053	-	8,863		
AA+ / A1+	10,000	-	1,698	-	1,767	-		
A+ / A1	7,137,500	-	49,523	-	50,962	-		
Unrated	-	396,500	-	14,076	-	18,952		
Unrated	808,400	808,400	8,084	8,084	4,648	4,042		
Unrated	121,000	-	61,617	-	45,902	-		
AA+ / A1+	188,050	-	73,685	-	67,305	-		
AAA / A-1+	201,700	-	53,955	-	41,524	-		
Unrated	202,000	-	45,823	-	35,657	-		
Unrated	100,000	-	6,553	-	5,421	-		
Unrated	60,000	-	2,532	-	2,369	-		
AA- / A1+	435,900	-	58,647	-	52,740	-		
Unrated	604,000	-	15,597	-	14,912	-		
			608,691	207,890	512,912	165,141		
			663,620	225,362	568,034	182,475		

9.5.3 Particulars of investments held in shares of unlisted companies

9.5.3.1 Available-for-sale

	No. of shares held		Cost		Share holding %	Break-up/ carrying value per share (Rupees)	Latest available financial statements	Name of the Chief Executive
	2014	2013	2014	2013				
			Rupees in '000					
Shareholding upto 10%								
Alhamra Avenue (Private) Limited	5,000,000	5,000,000	50,000	50,000	3.12	9.21	30-June-2012***	Mr. Muhammad Hamad Arshad
Systems Limited	1,868,106	934,053	10,000	10,000	2.18	29.89	31-Dec-2013*	Mr. Asif Peer
Visionnet Systems Inc.	-	36,037	-	-				
Pakistan Textile City Limited (Note 9.5.9)	5,000,000	5,000,000	50,000	50,000	4.00	4.55	30-Jun-2014*	Mr. Mohammad Hanif
Techlogix International Limited	1,872,197	1,872,197	21,333	21,333	1.84	2.99	31-Dec-2013**	Mr. Kewan Qadre Khawaja
Orient Power Co. (Private) Limited (Note 21.2)	22,600,000	22,600,000	226,000	226,000	5.43	17.24	30-Jun-2014*	Mr. Nadeem Baber
			357,333	357,333				

*Audited financial statement

**Audited consolidated financial statements

*** Unaudited financial statements

9.5.4 Listed Term Finance Certificates

	Rate of Interest	Profit Payment	Maturity	Long Term rating	No. of certificates held		Market value / Cost	
					2014	2013	2014	2013
							Rupees in '000	
Investment bank / companies / securities								
Escort Investment Bank Limited	8%	Half yearly	15-Sep-14	BB	-	4,031	-	1,485
Commercial banks								
Allied Bank Limited I	6 month Kibor + 1.9%	Half yearly	6-Dec-14	AA	-	25,078	-	62,833
Allied Bank Limited II	6 month Kibor + 0.85%	Half yearly	28-Aug-19	AA	13,962	13,962	68,157	66,803
Askari Bank Limited III	6 month Kibor + 2.5%	Half yearly	18-Nov-19	AA-	50,949	50,949	249,339	258,128
Bank Al-Falah Limited V	6 month Kibor + 1.25%	Half yearly	20-Feb-21	AA-	29,500	29,500	146,366	150,677
Faysal Bank Limited	6 month Kibor + 1.4%	Half yearly	12-Nov-14	AA-	-	17,681	-	44,312
NIB Bank Limited	6 month Kibor + 1.15%	Half yearly	19-Jun-22	A+	30,000	-	147,845	-
Summit Bank Limited	6 month Kibor + 3.25%	Half yearly	27-Oct-18	A (SO)	10,000	10,000	42,714	47,193
Technology and communication								
Telecard Limited	3 month Kibor + 5.04%	Half yearly	27-May-15	Unrated	56,716	56,716	-	-
WorldCall Telecom Limited	6 month Kibor + 1.6%	Half yearly	7-Oct-15	D	108,623	108,623	162,836	162,836
Chemical								
Engro Fertilizers Limited II	6 month Kibor + 1.55%	Half yearly	30-Nov-15	A+	-	30,177	-	150,508
Personal goods								
Azgard Nine Limited	6 month Kibor + 2.4%	Half yearly	20-Sep-17	D	15,000	15,000	2,662	3,527
Leasing								
Orix Leasing Pakistan Limited II	3 month Kibor + 2.15%	Quarterly	30-Jun-14	AA+	-	500	-	10,023
Electricity								
KESC AZM Certificate	14.75%	Quarterly	3-Jul-15	AA	10,000	10,000	49,587	49,870
Miscellaneous								
Pace (Pakistan) Limited	6 month Kibor + 2%	Half yearly	15-Feb-17	D	60,230	60,230	108,409	162,614
							977,915	1,170,809

9.5.4.2 The face value of each certificate held in listed TFCs is Rs. 5,000 (2013: Rs. 5,000) per certificate as at issue date except for Orix Leasing Pakistan Limited having face value per TFC of NIL (2013: Rs. 100,000).

	Rate of Interest	Profit Payment	Maturity	Long Term rating	No. of certificates held		Market value / Cost	
					2014	2013	2014	2013
9.5.5 Unlisted Term Finance Certificate								
9.5.5.1 Available-for-sale								
Commercial banks								
Faysal Bank Limited - PPTFC	6 month Kibor + 2.25%	Half yearly	27-Dec-17	AA-	30,000	30,000	156,691	156,910
Bank Al Habib Limited - PPTFC	15.50%	Quarterly	15-Jun-17	AA	-	10,000	-	52,311
Bank Al-Falah Limited - IV	6 month Kibor + 2.5%	Half yearly	2-Dec-17	AA-	33,000	33,000	170,405	174,068
Development Financial Institutions								
Pak-Libya Holding Co. (Pvt) Limited - PPTFC	6 month Kibor + 1.6%	Half yearly	7-Feb-16	AA	8,000	8,000	20,025	33,236
Chemical								
Engro Fertilizers Limited - PPTFC	6 month Kibor + 1.70%	Half yearly	18-Mar-18	A+	44,500	44,500	220,748	213,087
Agri Tech Limited (Note 9.5.5.2)	6 month Kibor + 1.75%	Half yearly	29-Nov-19	D	20,000	20,000	27,819	49,437
Agri Tech Limited (Note 9.5.5.2)	Zero coupon	Half yearly	1-Jan-15	D	4,309	4,309	-	-
Personal goods								
Nishat (Chunain) Limited - PPTFC	3 month Kibor + 2.25%	Quarterly	30-Sep-15	A	10,000	10,000	12,500	25,000
Azgard Nine Limited - III	6 month Kibor + 2.25%	Half yearly	4-Dec-17	D	2,000	2,000	473	898
Azgard Nine Limited - IV	3 month Kibor + 1%	Quarterly	18-Nov-15	D	5,000	5,000	1,744	4,287
Azgard Nine Limited - V	Zero coupon	Half yearly	31-Mar-17	D	5,687	5,687	-	-
Leasing								
Security Leasing Corporation Limited	-	-	29-Jan-22	Unrated	12,000	12,000	-	-
Miscellaneous								
Avani Hotels Limited	12 month Kibor + 2.50%	Yearly	30-Oct-14	A-	-	10,000	-	18,599
							610,405	727,833

9.5.5.2 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 June 27, 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 June 30, 2014, September 30, 2014, December 31, 2014, March 31, 2015, June 30, 2015, September 30, 2015 and December 31, 2015 respectively calculated under Prudential Regulations. The Company has maintained 75% (December 31, 2013: 53.56%) provision on credit exposure and 86.90% (December 31, 2013: 100%) impairment on mark-to-market loss on shares in these unconsolidated financial statements.

	Rate of Interest	Profit Payment	Maturity	Long Term rating	No. of certificates held		Market value / Cost	
					2014	2013	2014	2013
9.5.6 Investment in unlisted Sukuk								
9.5.6.1 Held-for-trading								
Cement								
Kohat Cement	3 month Kibor+1.5%	Quarterly	20-Sep-16	Unrated	-	4000	-	1,017
							-	1,017
9.5.6.2 Available-for-sale								
Personal Goods								
Amtex Limited	3 month Kibor + 2%	Quarterly	12-Oct-12	Unrated	22,000	22,000	20,450	79,612
Leasing								
Security Leasing Corporation Limited	-	Monthly	19-Jan-22	Unrated	10,000	10,000	-	-
Security Leasing Corporation Limited II	-	Monthly	19-Jan-22	Unrated	10,000	10,000	-	-
Energy								
Liberty Power Tech (Private) Limited	3 month Kibor + 3%	Quarterly	18-Mar-21	A+	60,000	60,000	237,940	253,609
K-Electric Limited	3 month Kibor + 2.25%	Quarterly	19-Mar-17	AA	8,000	-	41,400	-
Chemical								
Engro Fertilizers Limited	6 months Kibor +1.75%	Half yearly	9-Jul-19	A+	15,800	-	80,406	-
Banks								
Al- Baraka Bank (Pakistan) Limited	6 months Kibor +1.25%	Half yearly	25-Sep-21	A	500	-	500,000	-
Miscellaneous								
Al-Razi HealthCare (Private) Limited	6 month Kibor + 3.6%	Monthly	4-Nov-17	Unrated	30,000	30,000	104,000	128,000
House Building Finance Corporation Limited	6 month Kibor + 1%	Half yearly	8-May-14	Unrated	-	55,035	-	27,540
New Allied Electronic Industries (Private) Limited	3 month Kibor + 2.6%	Quarterly	25-Jul-12	Unrated	272,000	272,000	-	-
							984,196	488,761
							984,196	489,778

9.5.6.3 The face value of each certificate held in unlisted Sukuks is Rs. 5,000 (2013: Rs. 5,000) per certificate as at issue date except for New Allied Electronic Industries (Private) Limited having face value per Sukuk of Rs. 312.5 (2013: Rs. 312.5) and Al-Baraka Bank (Pakistan) Limited having face value of Rs. 1 million.

9.5.7 Mutual Funds

Rating	No. of unit / shares held		Cost		Market value	
	2014	2013	2014	2013	2014	2013
Rupees in '000						
NAMCO Balance Fund	Unrated	-	1,756,352	-	14,337	14,672

9.5.8 Investment in associates

9.5.8.1 The holding company holds investment in ordinary shares / units of Rs. 10 each in the following entities:

No. of unit / shares held	Cost		Holding	Break-up value per share/unit (Rupees)	Latest available financial statements	Name of the Chief Executive
	2014	2013				
Rupees in '000						

9.5.8.2 Quoted

Japan Power Generation Company Limited (JPGL) (Note 9.5.8.3 & 22.1)	30,560,189	30,560,189	-	-	19.59%	(29.66)	30-Sep-14***	Mr. Amjad Awan
Pak Oman Advantage Fund	27,359,000	27,359,000	301,220	296,570	27.36%	11.01	31-Dec-14**	Mr. Awais Masood
Pak Oman Islamic Asset Allocation Fund	2,000,000	2,000,000	113,781	114,721	99.74%	56.90	31-Dec-14**	Mr. Awais Masood
Pak Oman Advantage Asset Allocation Fund	2,000,000	2,000,000	108,140	110,540	99.98%	54.07	31-Dec-14**	Mr. Awais Masood
Pak Oman Advantage Islamic Income Fund	2,003,976	2,003,976	106,408	105,034	72.48%	53.08	31-Dec-14**	Mr. Awais Masood
Pak Oman Government Securities Fund	5,872,795	-	61,991	-	96.37%	10.56	31-Dec-14**	Mr. Awais Masood

Unquoted

Pak Oman Microfinance Bank Limited (Note 9.5.9)	30,120,788	30,120,788	359,987	271,056	33.40%	9.35	31-Dec-14*	Mr. Munawar Suleman
			<u>1,051,527</u>	<u>897,921</u>				

**Reviewed financial statements.

* Unaudited financial statements

***Audited financial statements.

9.5.8.3 The holding company exercises significant influence on the financial and operational policies of JPGL due to representation of four directors out of thirteen directors. Accordingly, investment in JPGL is accounted for as investment in associate in these consolidated financial statements.

9.5.8.4 The above associates are incorporated in Pakistan.

9.5.8.5 Associates - Key Information

Particulars	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	Japan Power Generation Limited	Pak Oman Microfinance Bank Limited
Rupees in '000							
Assets	1,121,407	150,327	127,794	122,060	66,286	10,335,486	1,122,952
Total income	117,550	13,831	24,156	14,887	9,996	352,725	133,769
Liabilities	20,502	3,556	13,707	13,909	1,959	14,963,935	45,688
Profit / (loss) before taxation	93,247	5,013	16,174	6,189	2,134	(706,294)	2,585
Profit / (loss) after taxation	93,247	5,013	16,174	6,189	2,134	(706,294)	2,585

9.5.9 Investment in these securities forms part of strategic investment of the holding company and can not be sold for a period of five years from the last date of purchase of securities.

9.6 Surplus / (deficit) on revaluation of held-for-trading securities

	2014	2013
Rupees in '000		
Federal Government Securities		
- Market Treasury Bills	1,327	(204)
- Pakistan Investment Bonds	2,588	4,248
Shares-listed	3,915	4,044
	193	(138)
	<u>4,108</u>	<u>3,906</u>

	Note	2014	2013
Rupees in '000			
In Pakistan			
Loans, cash credit, running finance, etc. in Pakistan		8,565,685	7,105,050
Net investment in finance leases in Pakistan	10.3	1,268,825	1,158,149
Advance against leases		6,373	48,875
Staff loans	10.4	123,345	120,483
Advances - Gross	10.1	9,964,228	8,432,557
Less: Provision for non-performing advances	10.6	893,914	938,867
Advances - net of provision		<u>9,070,314</u>	<u>7,493,690</u>
10.1 Particulars of advances (Gross)			
10.1.1 In local currency	10.1.3	<u>9,964,228</u>	<u>8,432,557</u>
10.1.2 In foreign currency		<u>-</u>	<u>-</u>
10.1.3 Short term (for upto one year)		3,718,994	4,769,350
Long term (for over one year)		6,245,234	3,663,207
		<u>9,964,228</u>	<u>8,432,557</u>

10.2 In accordance with BPRD Circular No. 6 dated 26 June 2014 issued by the SBP, the holding company has availed the benefit of FSV against the non-performing advances and term finance certificates. As of 31 December 2014, the holding company has availed total accumulated FSV benefit amounting to Rs. 193.852 million (net of tax Rs. 126.004 million). Accordingly, accumulated profit of Rs. 126.004 million (net of transfer to statutory reserves Rs. 100.803 million) will not be available for the distribution as cash or stock dividend to the shareholders of the holding company / bonus to employees of the holding company as required by the aforementioned SBP directives.

10.3 Net investment in finance lease

10.3.1 The periodic break-up of minimum lease payments due is as follows :

	2014			2013		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
Rupees in '000						
Lease rentals receivable	587,169	694,071	1,281,240	539,241	650,071	1,189,312
Residual value	43,679	152,218	195,897	67,092	88,866	155,958
Minimum lease payments	630,848	846,289	1,477,137	606,333	738,937	1,345,270
Financial charges for future periods	(95,052)	(113,260)	(208,312)	(81,681)	(105,440)	(187,121)
Present value of minimum lease payments	<u>535,796</u>	<u>733,029</u>	<u>1,268,825</u>	<u>524,652</u>	<u>633,497</u>	<u>1,158,149</u>

10.3.1.1 In respect of the aforementioned finance leases the Group holds an aggregate sum of Rs. 155.246 million (2013: Rs. 142.153 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (note 17).

10.3.1.2 The holding company has entered into lease agreements of various vehicles and plant and machinery. The amount recoverable under these arrangements are receivable by the year 2019 and are subject to finance income at rates ranging between 11.13 to 16.11 (2013: 10.83 to 16.11) percent per annum. Maximum amount of lease outstanding as at 31 December 2014 amounts to Rs. 179 million (2013: Rs. 233 million).

10.4 Staff loans include personal loans and house loans given to employees in accordance with their terms of appointment. House loans carry mark-up at a rate of 5 (2013: 5) percent per annum, while no mark-up is charged on personal loans.

10.4.1 Staff loans include an amount of Rs.10.033 million (2013: Rs. 13.845 million) advanced to the holding company's Chief Executive.

10.5 Particulars of classification

Advances include Rs. 1,037.908 million (2013: Rs. 1,132.366 million) which have been placed under the non-performing status as detailed below:

	2014								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	57,950	-	57,950	8,090	-	8,090	8,090	-	8,090
Doubtful	-	-	-	-	-	-	-	-	-
Loss	979,958	-	979,958	885,824	-	885,824	885,824	-	885,824
	<u>1,037,908</u>	<u>-</u>	<u>1,037,908</u>	<u>893,914</u>	<u>-</u>	<u>893,914</u>	<u>893,914</u>	<u>-</u>	<u>893,914</u>

	2013								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	54,185	-	54,185	-	-	-	-	-	-
Loss	1,078,181	-	1,078,181	938,867	-	938,867	938,867	-	938,867
	<u>1,132,366</u>	<u>-</u>	<u>1,132,366</u>	<u>938,867</u>	<u>-</u>	<u>938,867</u>	<u>938,867</u>	<u>-</u>	<u>938,867</u>

10.6 Particulars of provisions against non-performing advances

	Note	2014			2013		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		938,867	-	938,867	933,814	-	933,814
Charge during the year		48,269	-	48,269	92,734	-	92,734
Reversal during the year		(93,222)	-	(93,222)	(87,681)	-	(87,681)
Net charge / (reversal)		(44,953)	-	(44,953)	5,053	-	5,053
Less: Amounts written off during the year	10.7	-	-	-	-	-	-
Closing balance		<u>893,914</u>	<u>-</u>	<u>893,914</u>	<u>938,867</u>	<u>-</u>	<u>938,867</u>

10.6.1 Particulars of provisions against non-performing advances

	2014			2013		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	893,914	-	893,914	938,867	-	938,867
In foreign currencies	-	-	-	-	-	-
	<u>893,914</u>	<u>-</u>	<u>893,914</u>	<u>938,867</u>	<u>-</u>	<u>938,867</u>

10.7 Particulars of write offs

	2014	2013
	Rupees in '000	
Against provisions	-	-
Directly charged to profit and loss account	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

10.7.1 Write offs of Rs. 500,000 and above Write offs of below Rs 500,000

10.7.2 Statement showing written off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2014.

S. No.	Name and address of the borrower	Name of individuals partners/ directors with CNIC No.	Father's/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/mark-up written off	Other financial relief provided	Total (9+10+11)
				Principal	Interest/mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
	Rupees in '000										
1	Dewan Mushtaq Motor Company (Pvt) Limited	Mr. Dewan M. Yousuf Farooqui 42301-6948978-9 Mrs. Hina Yousuf 42301-7944605-4	Mr. Dewan Muhammad Umer Farooque Mr. Dewan M. Yousuf	10,000	2,441	24,058	36,499	-	2,441	25,053	27,494
	Address: FTC, 7th floor, Block 'A', Shahrah-e-Faisal, Karachi										
	-	-	-	-	-	-	-	-	-	-	-

10.8 Particulars of loans and advances to directors, associated companies etc.

	Note	2014	2013
		Rupees in '000	
Debts due by directors, executives or officers of the holding company or any of them either severally or jointly with any other persons.			
Balance at beginning of the year		120,483	128,496
Loans granted during the year		33,332	22,072
Repayments		(30,470)	(30,085)
Balance at end of the year		<u>123,345</u>	<u>120,483</u>
Debts due by other related parties			
Balance at beginning of the year		303,278	324,913
Loans granted during the year		-	-
Repayments		(24,624)	(21,635)
Balance at end of the year		<u>278,654</u>	<u>303,278</u>
	10.8.1	<u>401,999</u>	<u>423,761</u>

10.8.1 This includes an amount of Rs. 68.2 million due from Japan Power Generation Limited (an associated company) classified as non performing loan under loss category. The holding company has recorded provision for entire amount due as at December 31, 2014.

10.9 Maximum total amount of advances including temporary advances granted during the year amounts to Rs. 421 (2013: Rs. 448) million. The maximum amount has been calculated by reference to month end balance.

11 OPERATING FIXED ASSETS	Note	2014	2013
		Rupees in '000	
Property and equipment	11.1	67,647	52,007
Intangibles	11.2	305	635
Advance for capital expenditure		1,753	-
		<u>69,705</u>	<u>52,642</u>

11.1 Property and equipment

	Cost			Depreciation		Net book value		Rate %
	As at 1, January 2014	Addition / **transfers / (deletion) during the year	As at 31 December 2014	As at 1 January 2014	During the year / **transfers / (on disposals)	As at 31 December 2014	As at 31 December 2014	
Rupees in '000								
Owned								
Office premises *	42,126	-	42,126	19,657	2,106	21,763	20,363	5
Improvement	19,947	3,208 (266)	22,889	17,171	927 (265)	17,833	5,056	20
Office equipment	13,360	956 (332)	13,984	11,840	683 (242)	12,281	1,703	20
Computer equipment	25,264	1,664 (2,549)	24,379	23,265	1,535 (2,595)	22,205	2,174	33.33
Furniture and fixtures	15,928	200	16,128	13,902	681	14,583	1,545	20
Vehicles	20,109	28,218 32,842 ** (14,541)	66,628	7,836	10,937 24,531 ** (13,194)	30,110	36,518	20
Assets subject to finance lease								
Vehicles	34,569	- (32,842) **	1,727	25,625	345 (24,531) **	1,439	288	20
2014	<u>171,303</u>	<u>34,246</u> <u>(17,688)</u>	<u>187,861</u>	<u>119,296</u>	<u>17,214</u> <u>(16,296)</u>	<u>120,214</u>	<u>67,647</u>	

	Cost			Depreciation		Net book value		Rate %
	As at 1, January 2013	Addition / (deletion) during the year	As at 31 December 2013	As at 1 January 2013	During the year / (on disposals)	As at 31 December 2013	As at 31 December 2013	
Rupees in '000								
Owned								
Office premises*	42,126	-	42,126	17,551	2,106	19,657	22,469	5
Improvement	17,499	3,099 (651)	19,947	16,744	1,078 (651)	17,171	2,776	20
Office equipment	12,699	1,040 (379)	13,360	11,288	867 (315)	11,840	1,520	20
Computer equipment	23,862	1,481 (79)	25,264	21,326	1,955 (16)	23,265	1,999	33.33
Furniture and fixtures	14,950	1,681 (703)	15,928	13,644	961 (703)	13,902	2,026	20
Vehicles	14,089	6,990 (970)	20,109	5,453	2,432 (49)	7,836	12,273	20
Assets subject to finance lease								
Vehicles	37,261	- (2,692)	34,569	21,004	6,992 (2,371)	25,625	8,944	20
2013	<u>162,486</u>	<u>14,291</u> <u>(5,474)</u>	<u>171,303</u>	<u>107,010</u>	<u>16,391</u> <u>(4,105)</u>	<u>119,296</u>	<u>52,007</u>	

* The transfer of title of office premises in the holding company's name is in process.

11.1.1 Details of disposals whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 whichever is less and property and equipment disposed off to the Chief Executive or to a director or to executives or to any other related party, irrespective of the values, are as follows :

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	Rupees in '000						
Vehicles							
Suzuki Cultus	700	700	-	234	234	Company policy	Mr. Faraz Sajid Khan (Executive)
Honda Civic	700	700	-	192	192	Company policy	Mr. Mohammad Nadeem Khan (Executive)
Toyota Corolla	1,031	292	739	915	176	Company policy	Mr. Irfan Ahmed (Former Executive)
Suzuki Cultus	970	453	517	805	288	Negotiations	M/S Auto One (3/29, Khalid bin waleed road, Karachi)
Honda Civic	1,601	1,601	-	338	338	Company policy	Mr. Mohammad Jamal Nasir (Executive)
Mitsubishi Lancer	1,029	1,029	-	515	515	Negotiations	Mr. Salman Ahmed CNIC 35202-2509188-1
Mercedes	5,800	5,800	-	-	-	As per BOD Approval	Mr. Agha Ahmed Shah (Chief executive officer)
Toyota Corolla	1,389	1,389	-	-	-	As per BOD Approval	Mr. Agha Ahmed Shah (Chief executive officer)
	13,220	11,964	1,256	2,999	1,743		
Others	4,468	4,332	136	862	726		
	17,688	16,296	1,392	3,861	2,469		

11.2 Intangible assets

	Cost			Amortization		Net book value		Rate %
	As at 1, January 2014	Addition during the year	As at 31 December 2014	As at 1 January 2014	During the year	As at 31 December 2014	As at 31 December 2014	
Rupees in '000								
Software licenses	19,837	244	20,081	19,202	574	19,776	305	33.33

	Cost			Amortization		Net book value		Rate %
	As at 1, January 2013	Addition during the year	As at 31 December 2013	As at 1 January 2013	During the year	As at 31 December 2013	As at 31 December 2013	
Rupees in '000								
Software licenses	19,837	-	19,837	18,171	1,031	19,202	635	33.33

13

OTHER ASSETS

	Note	2014	2013
Rupees in '000			
Mark-up / return / interest receivable in local currency		436,914	324,141
Dividend income receivable		23,117	-
Mark-up / profit receivable on purchase of securities		111,345	25,831
Security deposits		4,188	4,907
Prepayments		10,780	11,920
Receivable against sale of investments		18,107	16,870
Taxation		70,069	71,887
Non-banking assets acquired in satisfaction of claims	13.1	32,096	37,760
Advance against shares		-	50,000
Receivable from funds		3,937	4,250
Others		-	4,130
		710,553	551,696
Less: Provision held against other assets		-	3,698
		710,553	547,998
13.1	Market value of non-banking assets acquired in satisfaction of claims.	37,760	37,760
13.2	Provision against other assets		
	Opening balance	3,698	-
	Charge for the year	5,664	3,698
	Reversals	(3,698)	-
		1,966	3,698
	Amount written off	(5,664)	-
	Closing balance	-	3,698
14	BORROWINGS		
	In Pakistan	8,868,730	5,721,831
	Outside Pakistan	-	-
		8,868,730	5,721,831
14.1	Particulars of borrowings with respect to currencies		
	In local currency	8,868,730	5,721,831
	In foreign currencies	-	-
		8,868,730	5,721,831
14.2	Particulars of borrowings		
	Secured		
	Borrowings from the State Bank of Pakistan:		
	- Long term financing for export oriented projects (LTF - EOP)	14.3	14,904
	- Long term financing facility (LTFF)	14.3	777,096
	- Financing facility for storage of agricultural produce (FFSAP)	14.3	13,375
	Repurchase agreement borrowings	14.4	5,979,208
	Long term borrowings	14.5	516,667
	Short term running finance	14.6	112,980
		7,414,230	5,221,831
	Unsecured		
	Placements	14.7	1,454,500
		8,868,730	5,721,831

- 14.3** 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 holding 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 (2013: 5 to 11 percent per annum). These are repayable within 6 years (2013: 7 years).
- 14.4** The rate of return on these repurchase agreement borrowings, maturing in January 2015 (2013: January 2014 to February 2014), ranges between 9.5 to 10.30 (2013: 9.8 to 10.75) percent per annum. Securities having cost of Rs 5,969.243 million (2013: Rs 3,297.650 million) have been pledged against these borrowings.
- 14.5** The rate of return on these long-term borrowings is three month KIBOR + 0.35% & six months KIBOR+0.25%. The above facilities are secured against advances receivable.
- 14.6** The rate of return on these short-term running finance facilities is three month KIBOR + 0.25% (2013: three month KIBOR + 0.25%). The above facility are secured against loan and advances receivable.
- 14.7** The rates of return on these placements, maturing in January 2015 (2013: January 2014) ranges between 9.50 to 10.15 (2013: 9.55 to 9.80) percent per annum.

15 DEPOSITS AND OTHER ACCOUNTS

Certificates of investment - remunerative (in local currency)
Financial institutions
Others

2014	2013
Rupees in '000	
2,888,748	607,747
3,407,238	3,826,101
<u>6,295,986</u>	<u>4,433,848</u>

15.1 Particulars of deposits

In local currency
In foreign currencies

6,295,986	4,433,848
-	-
<u>6,295,986</u>	<u>4,433,848</u>

- 15.2** The rate of return on deposits maturing between January 2015 to July 2017 (2013: January 2014 to July 2015) is 9 to 12 (2013: 8.6 to 12.30) percent per annum.
- 15.3** These include Certificate of Investments purchased by gratuity fund of the Company as disclosed in note 32.7.1 and by provident fund of the Company amounting to Rs. NIL (2013: 4.9 million).
- 15.4** These include Certificate of Investments purchased by Pak Oman Microfinance Bank Limited (associate) of the Company amounting to Rs. 733 million (2013: 576 million).

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2014			2013		
	Minimum lease Payments	Financial charges for future periods	Principal outstanding	Minimum lease Payments	Financial charges for future periods	Principal outstanding
Rupees in '000						
Not later than one year	504	16	488	5,435	318	5,117
Later than one year but not later than five years	-	-	-	504	16	488
	<u>504</u>	<u>16</u>	<u>488</u>	<u>5,939</u>	<u>334</u>	<u>5,605</u>

- 16.1** The holding company has entered into lease agreements with financial institutions for lease of vehicle. Lease rentals are payable in monthly instalments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate of 10.58% per annum (2013: 10.58 % to 15% per annum). At the end of lease term, the Company has option to acquire the assets, subject to adjustment of security deposits.

17

OTHER LIABILITIES

	Note	2014	2013
Rupees in '000			
Mark-up / return / interest payable in local currency		190,110	127,231
Accrued expenses		69,175	53,006
Staff gratuity	33.2	4,817	4,876
Security deposits against investment in finance leases	10.3.1.1	155,246	142,153
Payable against purchase of investments		36,259	-
Others		40,982	46,859
		<u>496,589</u>	<u>374,125</u>

18

SHARE CAPITAL**18.1 Authorized Capital**

2014	2013		2014	2013
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>

18.2 Issued, subscribed and paid-up

<u>615,000,000</u>	<u>615,000,000</u>	Ordinary shares of Rs.10 each - Fully paid in cash	<u>6,150,000</u>	<u>6,150,000</u>
<u>615,000,000</u>	<u>615,000,000</u>		<u>6,150,000</u>	<u>6,150,000</u>

18.3 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 (2013: 307,495,900) ordinary shares of the holding Company. While 4,100 (2013: 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.

19

RESERVES

19.1 This represents a reserve created at 20% of the profit for the year in compliance with the SBP's requirements.

20

NON-CONTROLLING INTEREST

	2014	2013
Rupees in '000		
Opening balance	22,221	37,268
Change during the year	(11,262)	(15,047)
Closing balance	<u>10,959</u>	<u>22,221</u>

21

SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - net of deferred tax

Note

2014

2013

Rupees in '000

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

Federal Government Securities			
- Pakistan Investment Bonds (PIBs)		491,538	(84,640)
		<u>491,538</u>	<u>(84,640)</u>
Shares-listed		(13,036)	6,422
Term Finance Certificates			
- Listed		(30,734)	(71,004)
- Unlisted		10,669	6,401
		<u>(20,065)</u>	<u>(64,603)</u>
Sukuk-unlisted		38	(1,210)
Investment in Mutual Funds		-	8,014
		<u>458,475</u>	<u>(136,017)</u>
Deferred tax asset recognized	12	(165,029)	52,659
		<u>293,446</u>	<u>(83,358)</u>
Associate's share of deficit on revaluation of available-for-sale securities		(647)	(2,154)
		<u>292,799</u>	<u>(85,512)</u>

22

CONTINGENCIES AND COMMITMENTS

Transaction related contingent liability:

Guarantees		10,000	20,000
Pledge of shares on behalf of Japan Power Generation Limited	22.1	70,726	70,726
Pledge of shares on behalf of Orient Power Company (Pvt.) Limited	22.2	226,000	226,000
Commitments for:			
- Purchase of government securities		823,733	-
- Sale of government securities		379,203	496,945
Commitments for advances and net investment in finance leases		1,684,585	1,762,545

- 22.1** Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 (2013: Rs. 70.726) million are pledged as security on behalf of that associate company against a syndicate finance facility obtained by it (the associate company).
- 22.2** Investment in unlisted shares in Orient Power Company (Private) Limited (related party) aggregating 22,600,000 having a cost of Rs. 226 million are pledged as security against a syndicate finance facility obtained by Orient Power Company (Private) Limited.
- 22.3** In year 2007, the Pak Oman Asset Management Company Limited (POAMCL) had launched POBOP Advantage Plus Fund (the Fund) under the capital subscription and fee sharing agreement with The Bank of Punjab (BOP). BOP had subscribed five million core units and one million non-core units of the aggregate face value of Rs. 250 million and 500 million respectively. During year 2011 the management rights of the Fund were transferred to another asset management company.

In the year 2013, BOP had filed a suit against POAMCL before the Honourable High Court of Sindh claiming damages of Rs. 100.4 million in respect of the alleged losses suffered by BOP due to non-honouring of its redemption requests by the POAMCL in year 2009 allegedly violating the NBFC regulations and provisions of the trust deed.

The legal advisor of POAMCL has opined that the suit is based on factual inconsistencies and the POAMCL has sound defence on legal grounds. During the year, POAMCL had also lodged a counter claim of Rs. 250 million against BOP for damaging the image and reputation of the POAMCL.

23

MARK-UP / RETURN / INTEREST EARNED**On loans and advances to**

Customers

Financial institutions

On investments in

Available-for-sale securities

Held-to-maturity securities

Held-for-trading securities

On securities purchased under resale agreements

On deposit with financial institutions

On placements

On certificate of investments

	2014	2013
	Rupees in '000	
Customers	808,872	713,781
Financial institutions	93,671	10,583
	<u>902,543</u>	<u>724,364</u>
Available-for-sale securities	832,904	664,152
Held-to-maturity securities	-	6,350
Held-for-trading securities	254,099	36,578
	<u>1,087,003</u>	<u>707,080</u>
On securities purchased under resale agreements	94,033	109,065
On deposit with financial institutions	16,450	12,150
On placements	17,848	2,552
On certificate of investments	309	11,504
	<u>2,118,186</u>	<u>1,566,715</u>

24

MARK-UP / RETURN / INTEREST EXPENSED**On secured borrowings**

Repurchase agreement borrowings

Long-term borrowings

Short-term borrowings

On unsecured borrowings

Placements

Certificate of investments

Repurchase agreement borrowings	558,258	280,889
Long-term borrowings	149,582	116,263
Short-term borrowings	3,989	2,593
	<u>711,829</u>	<u>399,745</u>
Placements	165,015	74,170
Certificate of investments	483,908	418,775
	648,923	492,945
	<u>1,360,752</u>	<u>892,690</u>

25

GAIN ON SALE OF SECURITIES

Federal Government Securities

- Market Treasury Bills (MTBs)

- Pakistan Investment Bonds (PIBs)

Term Finance Certificates

Mutual funds

Shares / units

- Listed

- Unlisted

Market Treasury Bills (MTBs)	5,656	2,631
Pakistan Investment Bonds (PIBs)	138,029	35,039
	<u>143,685</u>	<u>37,670</u>
Term Finance Certificates	2,730	(995)
Mutual funds	11,759	-
Shares / units		
- Listed	96,778	82,781
- Unlisted	9,102	-
	<u>105,880</u>	<u>82,781</u>
	<u>264,054</u>	<u>119,456</u>

26

OTHER INCOME

Net gain on sale of property and equipment

Late payment charges on dividend income

Net gain on sale of property and equipment	2,469	799
Late payment charges on dividend income	-	304
	<u>2,469</u>	<u>1,103</u>

	Note	2014	2013
		Rupees in '000	
Salaries, allowances and employees' benefits		214,294	198,266
Contribution to defined contribution plan		13,155	12,150
Charge for defined benefit plan	33.8	11,325	8,098
Non-executive directors' fee / remuneration	35	17,897	19,949
Non-executive directors' fee of POAMCL		-	1,337
Chief executive's remuneration	35	33,392	29,438
Traveling and accommodation		11,204	12,954
Rent, rates and taxes		19,992	16,720
Utilities		5,190	4,828
Communication		7,328	6,873
Professional training		1,419	1,136
Advertisement and business promotion		347	703
Membership and subscriptions		5,595	5,693
Printing, stationery and periodicals		4,119	5,518
Depreciation	11.1	17,214	16,391
Amortization of intangible assets	11.2	574	1,031
Auditors' remuneration	27.1	2,504	1,480
Legal and professional charges		11,878	13,463
Repairs and maintenance		10,014	7,389
Transportation		15,285	14,901
Insurance		7,585	6,338
Finance charges on leased assets		146	957
Entertainment and canteen expenses		3,123	3,113
Donation	27.2	2,356	1,226
Shahriah advisor fee		600	600
Others		2,974	2,110
		<u>419,510</u>	<u>392,662</u>
27.1 Auditors' remuneration			
Audit fee		462	462
Half yearly review		161	161
Auditors' remuneration of subsidiary company		254	366
Special certifications and others		1,573	368
Out of pocket expenses		54	123
		<u>2,504</u>	<u>1,480</u>
27.2	Donations were not made to any donee in which a director or his spouse had any interest at any time during the year.		
27.2.1	Donations made in excess of Rs. 0.1 million to a single donee are as follows:		
The Cardiovascular Foundation		1,000	-
The Kidney Centre Post Graduation Training Institute		500	200
The Citizen Foundation		200	-
Al-Mehrab Tibbi Imdad		105	140
Burns Centre		105	140
Patients' Aid Foundation of Jinnah Post Graduate Medical Centre		-	350
Marie Adelaide Leprosy Centre (MALC)		-	150
		<u>1,910</u>	<u>980</u>
28 OTHER CHARGES			
Fees and commission		17,160	11,080
SBP penalties		1,568	-
		<u>18,728</u>	<u>11,080</u>



Note	2014	2013
	Rupees in '000	
For the year		
- Current	216,197	136,520
- Prior	388	-
- Deferred	(50,121)	(18,316)
	<u>166,464</u>	<u>118,204</u>
29.1 Relationship between tax expense and accounting profit		
Profit before taxation	<u>542,692</u>	<u>457,307</u>
Tax at the applicable rate of 33% (2013: 34%)	179,088	155,484
Tax effect due to change in tax rate	-	(1,539)
Tax effect of income taxed at different rate	(19,256)	(16,698)
Tax effect of capital loss / (gain) on listed shares and mutual funds	(11,808)	(17,234)
Tax effect of provision for diminution in the value of listed shares and mutual funds	14,310	2,387
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge	<u>4,130</u>	<u>(4,196)</u>
	<u>166,464</u>	<u>118,204</u>

29.1.1 POAMCL has not recognised deferred tax asset due to uncertainty with regards to availability of future taxable profits against which deferred tax asset would be utilised. As on December 31, 2014, the total unrecognised deferred tax asset is amounting to Rs. 76.770 million (December 31, 2013: Rs. 103.926 million) mainly arising on account of accumulated tax losses and deductible temporary differences.

29.2 Tax contingencies

The Income tax Department has amended the deemed assessment orders of the holding company 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 holding company's appeals are pending at various appellate forums. Management estimates that sufficient provisions have been made and no further provision is required.

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



		2014	2013
Profit attributable to shareholders of the holding company	Rupees in '000	<u>387,490</u>	<u>354,150</u>
Weighted average number of ordinary shares in issue	Numbers in '000	<u>615,000</u>	<u>615,000</u>
Basic earnings per share	Rupees	<u>0.63</u>	<u>0.58</u>
Diluted earnings per share	Rupees	<u>0.63</u>	<u>0.58</u>

30.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2013 and 2014.

31 CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks
Balances with other banks
Placements

Note	2014	2013
	Rupees in '000	
6	99,935	78,034
7	269,621	227,034
8	25,000	276,000
	<u>394,556</u>	<u>581,068</u>

32 STAFF STRENGTH

Permanent
Temporary / contractual
Group's own staff strength at end of the year
Outsource
Total staff strength

	2014	2013
	Number	
	75	82
	7	15
	<u>82</u>	<u>97</u>
	29	26
	<u>111</u>	<u>123</u>

33 DEFINED BENEFIT PLAN

General Description

- 33.1 General description of the holding company's defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 5.11 to the consolidated financial statements.

Principal actuarial assumptions

The latest actuarial valuation for defined benefit plan scheme was carried out as at December 31, 2014 using the Projected Unit Credit method. The following significant assumptions were used for the actuarial valuation:

	2014	2013
	Percent per annum	
Discount rate	11.25	13.00
Expected rate of increase in salary levels	11.25	13.00
Expected rate of return on plan assets	11.25	13.00

Mortality rates assumed were based on the SLIC 2001-2005 mortality table.

The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the holding company, at the beginning of the period, for returns over the entire life of the related obligation.

33.2 Reconciliation of amount payable to defined benefit plan

	Note	2014	2013
		Rupees in '000	
Present value of defined benefit obligation	33.3	93,349	68,821
Fair value of plan assets	33.5	(88,532)	(63,945)
	33.4	<u>4,817</u>	<u>4,876</u>

33.3 The movement in the defined benefit obligation over the year is as follows:

Present value of obligation as at January 1	68,821	52,079
Current service cost	11,729	8,454
Interest cost	8,842	5,989
Benefits paid	(1,608)	-
Actuarial loss on obligation	5,565	2,299
Present value of obligation as at December 31	<u>93,349</u>	<u>68,821</u>

33.4 Movement in payable to defined benefit plan:

	Note	2014	2013
Rupees in '000			
Opening liability / (assets)		4,876	2,121
Expense for the year	33.8	11,325	8,098
Other Comprehensive Income		4,583	5,090
Contributions to the fund		(15,967)	(10,433)
Closing liability		4,817	4,876

33.5 The movement in the fair value of plan assets is as follows:

Fair value of plan assets as at January 1		63,945	49,958
Expected return on plan assets		9,246	6,345
Contributions		15,967	10,433
Benefits paid		(1,608)	-
Actuarial (loss) / gain on remeasurement of plan assets		982	(2,791)
Fair value of plan assets as at December 31	33.7	88,532	63,945

33.6 Actual return on plan assets during the year was Rs. 10.228 million (2013: Rs. 3.554 million).

33.7 The plan assets are comprised as follows:

Note	2014		2013		2014		2013	
	Rating	Rating	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Market Treasury Bills	Unrated	Unrated	3,030	3.42	33,566	52.49		
Pakistan Investment Bonds	Unrated	Unrated	37,827	42.73	13,796	21.57		
Special Saving Certificates (SSCs)	Unrated	Unrated	46,547	52.58	10,323	16.14		
Term Finance Certificates								
- WorldCall Telecom Limited	D	D	885	1.00	866	1.35		
Certificate of Investments	33.7.1	Unrated	-	-	5,219	8.16		
Bank balance	Unrated	Unrated	243	0.27	175	0.29		
			88,532	100.00	63,945	100.00		

33.7.1 These include Certificate of Investment held with the Company in year 2013. These carry mark-up at rates ranging from NIL (2013: 9.25% to 9.75%).

33.8 The amount recognised in the profit and loss account is as follows:

	2014	2013
Rupees in '000		
Current service cost	11,729	8,454
Net Interest	(404)	(356)
Expected return on plan assets	-	-
Actuarial loss recognised	-	-
	11,325	8,098

33.9 Actuarial (losses) / gains

	Note	2014	2013
		Rupees in '000	
Net unrecognised actuarial (losses) / gains as at January 1		-	-
Actuarial loss on remeasurement of obligation	33.9.1	(5,565)	(2,299)
Actuarial (loss) / gain on remeasurement of plan assets		982	(2,791)
		<u>(4,583)</u>	<u>(5,090)</u>
Actuarial loss recognised:			
- other comprehensive income		4,583	5,090
- profit and loss account		-	-
Net unrecognised actuarial (losses) / gains as at December 31		<u>-</u>	<u>-</u>

33.9.1 Actuarial loss on remeasurement of obligation comprise of:

	2014	2013	2014	2013
	Actuarial loss on remeasurement of		Rupees in '000	
	Obligation		Plan assets	
Demographic assumptions	(156)	490	-	-
Financial loss	-	-	(3,176)	538
Experience adjustment	5,721	1,809	2,194	2,253
	<u>5,565</u>	<u>2,299</u>	<u>(982)</u>	<u>2,791</u>

33.10 Sensitivity analysis

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	%	Rupees in '000	
Discount rate	1	(8,524)	10,026
Salary growth rate	1	9,930	(8,595)
Life expectancy	1	1	(1)

33.11 Maturity profile of defined benefit obligation

Benefit payments		2014
Distribution of timing of benefit payments		Rupees in '000
Years		
1		10,982
2		4,101
3		17,280
4		3,550
5		3,489
6 to 10		37,034
11 and above		369,037

33.12 The expected gratuity expense for the next year ending December 31, 2015 works out to Rs. 12.632 million.

33.13 The average duration of the benefit obligation at 31 December 2014 is 12.86 years (2013: 20.53 years).

34 DEFINED CONTRIBUTION PLAN

34.1 The Group also operates a provident fund scheme for all its permanent employees.

34.2 Contribution to the fund made during the year by the holding company

	2014	2013
Rupees in '000		
Contribution from the holding company	12,216	10,291
Contribution from the employees of holding company	12,216	10,291
	<u>24,432</u>	<u>20,582</u>

34.3 Contribution to the fund made during the year by the subsidiary company

	2014	2013
Contribution from the subsidiary company	939	1,859
Contribution from the employees of subsidiary company	939	1,859
	<u>1,878</u>	<u>3,718</u>

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Non-Executive Directors		Executives	
	2014	2013	2014	2013	2014	2013
Rupees in '000						
Fees / remuneration	-	-	17,897	19,949	-	-
Managerial remuneration	31,931	27,876	-	-	171,138	163,141
Charge for defined benefit plan	1,138	762	-	-	9,905	7,284
Contribution to defined contribution plan	1,737	1,485	-	-	10,388	9,999
Medical	400	445	-	-	1,197	1,531
Utilities	626	622	-	-	251	10,832
Membership fee	100	80	-	-	33	14
Others	335	415	-	-	597	429
	<u>36,267</u>	<u>31,685</u>	<u>17,897</u>	<u>19,949</u>	<u>193,509</u>	<u>193,230</u>
Number of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>5</u>	<u>68</u>	<u>65</u>

35.1 The managing director and certain executives are provided with free use of holding company's maintained cars. Executive means employees other than managing director and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

35.2 It includes particulars of Chief executive and executives of POAMCL.

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, and has been disclosed in note 9. Unquoted equity investments are determined on the basis of break-up value of these investments as per the latest available audited financial statements. The provision for impairment of investments has been determined in accordance with the Group's accounting policy as stated in notes 2.3 and 5.4 to these consolidated financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision against advances has been calculated in accordance with the holding company's accounting policy as stated in note 2.3 & 5.6.2.

The maturity and re-pricing profile and effective rates are stated in notes 40.4.1, 40.4.2 and 40.3.5 respectively.

In the opinion of management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

36.1 On-balance sheet financial instruments

	2014		2013	
	Book value	Fair value	Book value	Fair value
Rupees in '000				
Assets				
Cash and balances with treasury banks	99,935	99,935	78,034	78,034
Balances with other banks	269,621	269,621	227,034	227,034
Lendings to financial institutions	614,177	614,177	1,206,521	1,206,521
Investments - net	12,223,083	12,223,083	7,652,050	7,652,050
Advances - net	9,070,314	9,070,314	7,493,690	7,493,690
Other assets	597,608	597,608	426,431	426,431
	<u>22,874,738</u>	<u>22,874,738</u>	<u>17,083,760</u>	<u>17,083,760</u>
Liabilities				
Borrowings	8,868,730	8,868,730	5,721,831	5,721,831
Deposits and other accounts	6,295,986	6,295,986	4,433,848	4,433,848
Liabilities against assets subject to finance lease	488	488	5,605	5,605
Other liabilities	491,772	491,772	369,249	369,249
	<u>15,656,976</u>	<u>15,656,976</u>	<u>10,530,533</u>	<u>10,530,533</u>
	<u>7,217,762</u>	<u>7,217,762</u>	<u>6,553,227</u>	<u>6,553,227</u>

36.2 The carrying value of all financial assets and liabilities in the financial statements approximate to their fair values except for certain investment in an associate.

37

SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	Corporate Finance	Trading & Sales	Commercial Banking	Asset Management
Rupees in '000				
2014				
Total income	5,090	1,596,871	925,880	25,116
Total expenses	56,754	1,219,744	686,338	47,429
Net (loss) / income	<u>(51,664)</u>	<u>377,127</u>	<u>239,542</u>	<u>(22,313)</u>
Segment assets (Gross)	-	14,689,695	10,422,329	30,706
Segment non-performing loans	-	-	1,037,908	-
Investments provided for	-	1,373,287	-	-
Segment provision required *	-	866,313	893,914	-
Segment liabilities	-	8,775,239	6,878,213	8,341
Segment return on net assets (%)	-	7.47%	9.04%	-99.77%
Segment return on assets (ROA) (%)	-	2.73%	2.51%	-72.67%
Segment cost of funds (%)	-	6.72%	6.93%	-
2013				
Total income	3,511	1,098,136	728,743	37,525
Total expenses	59,015	722,566	561,292	67,735
Net (loss) / income	<u>(55,504)</u>	<u>375,570</u>	<u>167,451</u>	<u>(30,210)</u>
Segment assets (Gross)	-	10,359,697	8,905,448	53,894
Segment non-performing loans	-	-	1,132,366	-
Investments provided for	-	1,061,889	-	-
Segment provision required*	-	629,521	938,867	-
Segment liabilities	-	5,192,317	5,334,548	8,544
Segment return on net assets (%)	-	8.28%	6.36%	-66.62%
Segment return on assets (ROA) (%)	-	3.86%	2.10%	-56.05%
Segment cost of funds (%)	-	5.39%	5.87%	-

* The provision against each segment represents provision held in advances and investments.

RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associates, employee benefit plans, company having common directors and its key management personnel (including their associates). The details of investments in associates are stated in note 9 to these consolidated financial statements.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Advances are given to employees as per the Group's Policy. Transactions with other related parties are carried out on commercial terms and as per market rates.

The details of transactions with related parties, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

38.1 Associates

Pak Oman Microfinance Bank Limited
Japan Power Generation 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

38.2 Key management personnel

All heads of departments
Directors

38.3 Retirement benefit fund

Defined benefit plan
Defined contribution plan

38.4 Other related party

Orient Power Company (Private) Limited

38.5 The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

Nature of related party transaction	2014				2013			
	As at 1-Jan-14	Given during the year	Repaid during the year	As at 31-Dec-14	As at 1-Jan-13	Given during the year	Repaid during the year	As at 31-Dec-13
Rupees in '000								
Investments								
Associates	897,921	153,606	-	1,051,527	905,428	63,000	(70,507)	897,921
Other related parties	226,000	-	-	226,000	457,744	-	(231,744)	226,000
	<u>1,123,921</u>	<u>153,606</u>	<u>-</u>	<u>1,277,527</u>	<u>1,363,172</u>	<u>63,000</u>	<u>(302,251)</u>	<u>1,123,921</u>
Advances								
Associates	68,200	-	-	68,200	68,200	-	-	68,200
Key Management personnel	63,303	5,246	(18,690)	49,859	68,907	10,356	(15,960)	63,303
Other related parties	235,078	-	(24,624)	210,454	256,713	-	(21,635)	235,078
	<u>366,581</u>	<u>5,246</u>	<u>(43,314)</u>	<u>328,513</u>	<u>393,820</u>	<u>10,356</u>	<u>(37,595)</u>	<u>366,581</u>
Deposits								
Associates	575,747	1,530,568	(1,373,568)	732,747	441,747	297,859	(163,859)	575,747
Key Management personnel	11,311	39,469	(45,792)	4,988	13,941	48,634	(51,264)	11,311
Retirement benefit fund	10,018	5,898	(15,916)	-	39,289	36,399	(65,670)	10,018
	<u>597,076</u>	<u>1,575,935</u>	<u>(1,435,276)</u>	<u>737,735</u>	<u>494,977</u>	<u>382,892</u>	<u>(280,793)</u>	<u>597,076</u>

	2014	2013
	Rupees in '000	
Dividend receivables from:		
Other related party	22,600	-
Other payable		
Gratuity fund	4,817	4,876
Management fee receivable from associates	3,936	2,957
Formation cost received from associates	-	2,081
Management fee received from associates	22,672	27,280
Mark-up income		
Key Management personnel	2,560	2,993
Other related parties	28,858	28,875
Dividend income		
Associates	51,802	75,714
Other related parties	22,600	50,561
Other income		
Other related parties	-	304
Mark-up expense on deposits		
Associates	63,785	57,865
Key Management personnel	931	1,126
Retirement benefit fund	364	3,549
Expenses for the year		
Remuneration to key management personnel	130,787	115,775
Non-executive director's fee / remuneration	17,897	19,949
Charge for defined contribution plan	13,155	12,150
Charge for defined benefit plan	11,325	8,098
Outright sale of Government Securities		
Key Management personal	4,037	-
Retirement benefit fund	145,316	202,002
Outright purchase of Government Securities		
Retirement benefit fund	80,968	-
Capital gain on Government Securities		
Retirement benefit fund	185	151

39

CAPITAL ADEQUACY

39.1 Capital management policies and procedures

The Group's objectives when managing capital are:

- to comply with the capital requirements set by the regulators of the Group;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to acquire, develop and maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored frequently by the Group's management, employing techniques based on the guidelines issued by State Bank of Pakistan (SBP).

SBP requires each development financial institution to: (a) hold the minimum level of the regulatory capital of Rs. 6 billion as at December 31, 2009 and in future periods till further notification issued by SBP, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset as per the CAMELS Rating assigned to the institution or above the minimum prescribed level of 10%.

The Group's regulatory capital is divided into three tiers:

- Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer note 39.3)

Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and Share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1 (refer note 39.3).

Tier 2 capital, which includes Subordinated debt/ Instruments, share premium of issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), Net of tax reserves on revaluation of fixed assets and equity investments up to a maximum of 45 % of the balance and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2 (refer note 39.3).

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Group calculates capital requirement as per Basel III regulatory framework, using the following approaches:

- Credit risk Standardized approach
- Market risk Standardized approach
- Operational risk Basic indicator approach

The table refer in note 39.3 summarizes the composition of regulatory capital and the ratios of the Group for the year ended December 31, 2014.

39.2 The Group's CAR as at December 31, 2014 was 31.30% of its risk weighted exposure.

The calculation of capital adequacy enables the DFIs' to assess the long term soundness. The Group has successfully managed in the past and will in the future its Capital requirements/ needs. Based on the directives of the Board, the Group has built a healthy portfolio of assets and liabilities focusing on quality. CAR of 31.30% demonstrates that the Group is geared to absorb major risks / shocks in the present market scenario. The Group meets its capital needs through clean placements (LOP & COI) and short and long term lines from commercial institutions.

The capital adequacy ratio of the DFI was subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its circular BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

39.3 Capital Adequacy Ratio (CAR) disclosure template:

Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves	Amount	
		2014	2013
		Rupees in '000	
1	Fully Paid-up Capital/ Capital deposited with SBP	6,150,000	6,150,000
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General/ Statutory Reserves	722,810	646,091
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	544,142	482,442
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	10,093	22,221
9	CET 1 before Regulatory Adjustments	7,427,045	7,300,754
10	Total regulatory adjustments applied to CET1 (Note 39.3.1)	1,098,336	1,177,738
11	Common Equity Tier 1	6,328,709	6,123,016
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium		
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	AT1 before regulatory adjustments	-	-
18	Total regulatory adjustment applied to AT1 capital (Note 39.3.2)	833,975	742,582
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	Additional Tier 1 capital recognized for capital adequacy	-	-
21	Tier 1 Capital (CET1 + admissible AT1) (11+20)	6,328,709	6,123,016
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23	Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-
27	Revaluation Reserves (net of taxes)	-	-
28	of which: Revaluation reserves on fixed assets	-	-
29	of which: Unrealized gains/losses on AFS	163,968	(138,171)
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed/Other Reserves (if any)	-	-
32	T2 before regulatory adjustments	-	-
33	Total regulatory adjustment applied to T2 capital (Note 39.3.3)	530,728	371,496
34	Tier 2 capital (T2) after regulatory adjustments	-	-
35	Tier 2 capital recognized for capital adequacy	-	-
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	Total Tier 2 capital admissible for capital adequacy	-	-
38	TOTAL CAPITAL (T1 + admissible T2) (21+37)	6,328,709	6,123,016
39	Total Risk Weighted Assets (RWA) {for details refer Note 39.6}	20,222,209	16,638,073
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	CET1 to total RWA	31.30%	36.80%
41	Tier-1 capital to total RWA	31.30%	36.80%
42	Total capital to total RWA	31.30%	36.80%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
44	of which: capital conservation buffer requirement	-	-
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
	National minimum capital requirements prescribed by SBP		
48	CET1 minimum ratio	5.5%	5.0%
49	Tier 1 minimum ratio	7.0%	6.5%
50	Total capital minimum ratio	10.0%	10.0%

Regulatory Adjustments and Additional Information	2014		2013	
	Amount	Amounts subject to Pre - Basel III treatment	Amount	Amounts subject to Pre - Basel III treatment

Rupees in '000

Note 39.3.1 Common Equity Tier 1 capital: Regulatory adjustments

1	Goodwill (net of related deferred tax liability)				
2	All other intangibles (net of any associated deferred tax liability)	305	-	635	-
3	Shortfall in provisions against classified assets	-	-	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
5	Defined-benefit pension fund net assets	-	-	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-	-
7	Cash flow hedge reserve	-	-	-	-
8	Investment in own shares/ CET1 instruments	-	-	-	-
9	Securitization gain on sale	-	-	-	-
10	Capital shortfall of regulated subsidiaries	-	-	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	138,171	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	6,548	32,742	-	3,810
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	39,076	195,378	-	28,172
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
15	Amount exceeding 15% threshold	-	1,269,733	-	164,115
16	of which: significant investments in the common stocks of financial entities	-	881,816	-	97,153
17	of which: deferred tax assets arising from temporary differences	-	387,917	-	66,962
18	National specific regulatory adjustments applied to CET1 capital	-	-	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	218,432	218,432	285,708	-
20	Any other deduction specified by SBP (mention details)	-	-	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	833,975	-	753,224	-
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	1,098,336	-	1,177,738	-

Note 39.3.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-	-
24	Investment in own AT1 capital instruments	-	-	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	467,216	-	371,496	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	366,759	24,761	371,086	295,388
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	833,975	-	742,582	-

Regulatory Adjustments and Additional Information	2014		2013	
	Amount	Amounts subject to Pre - Basel III treatment	Amount	Amounts subject to Pre - Basel III treatment
Rupees in '000				

Note 39.3.3 Tier 2 Capital: regulatory adjustments

31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	467,216	-	371,496	-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
33	Investment in own Tier 2 capital instrument	-	-	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	63,512	317,560	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	530,728	-	371,496	-

Note 39.3.4 Additional Information

2014	2013
Rupees in '000	

Risk Weighted Assets subject to pre-Basel III treatment

37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	Amounts below the thresholds for deduction (before risk weighting)	-	-
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2	-	-
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

39.4 Capital Structure Reconciliation

Table: 39.4.1

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	As at period end		
	Rupees in '000		
Assets	(1)	(2)	(3)
Cash and balances with treasury banks		99,935	99,935
Balanced with other banks		269,621	269,621
Lending to financial institutions		614,177	614,177
Investments		12,223,083	12,223,083
Advances		9,070,314	9,070,314
Operating fixed assets		69,705	69,705
Deferred tax assets		325,115	325,115
Other assets		710,553	710,553
Total assets		23,382,503	23,382,503
Liabilities & Equity			
Bills payable		-	-
Borrowings		8,868,730	8,868,730
Deposits and other accounts		6,295,986	6,295,986
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		488	488
Deferred tax liabilities		-	-
Other liabilities		496,589	496,589
Total liabilities		15,661,793	15,661,793
Share capital/ Head office capital account		6,150,000	6,150,000
Reserves		722,810	722,810
Unappropriated/ Unremitted profit/ (losses)		544,142	544,142
Minority Interest		10,959	10,959
Surplus on revaluation of assets		292,799	292,799
Total liabilities & equity		23,382,503	23,382,503

Table: 39.4.2

Assets	(1)	(2)	(3)	(4)
Cash and balances with treasury banks		99,935	99,935	
Balanced with other banks		269,621	269,621	
Lending to financial institutions		614,177	614,177	
Investments		12,223,083	12,223,083	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>				<i>a</i>
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>				<i>b</i>
<i>of which: Mutual Funds exceeding regulatory threshold</i>				<i>c</i>
<i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i>				<i>d</i>
<i>of which: others (mention details)</i>				<i>e</i>
Advances		9,070,314	9,070,314	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>				<i>f</i>
<i>general provisions reflected in Tier 2 capital</i>				<i>g</i>

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	As at period end		
	Rupees in '000		
Fixed Assets	69,705	69,705	
Deferred Tax Assets	570,270	570,270	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>			<i>h</i>
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>			<i>i</i>
Other assets	710,553	710,553	
<i>of which: Goodwill</i>			<i>j</i>
<i>of which: Intangibles</i>			<i>k</i>
<i>of which: Defined-benefit pension fund net assets</i>			<i>l</i>
Total assets	23,627,658	23,627,658	
Liabilities & Equity			
Bills payable	-	-	
Borrowings	8,868,730	8,868,730	
Deposits and other accounts	6,295,986	6,295,986	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>			<i>m</i>
<i>of which: eligible for inclusion in Tier 2</i>			<i>n</i>
Liabilities against assets subject to finance lease	488	488	
Deferred tax liabilities	245,155	245,155	
<i>of which: DTLs related to goodwill</i>			<i>o</i>
<i>of which: DTLs related to intangible assets</i>			<i>p</i>
<i>of which: DTLs related to defined pension fund net assets</i>			<i>q</i>
<i>of which: other deferred tax liabilities</i>			<i>r</i>
Other liabilities	496,589	496,589	
Total liabilities	15,906,948	15,906,948	
Share capital	6,150,000	6,150,000	
<i>of which: amount eligible for CET1</i>	6,150,000	6,150,000	<i>s</i>
<i>of which: amount eligible for AT1</i>			<i>t</i>
Reserves	722,810	722,810	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	722,810	722,810	<i>u</i>
<i>of which: portion eligible for inclusion in Tier 2</i>			<i>v</i>
Unappropriated profit/ (losses)	544,142	544,142	<i>w</i>
Minority Interest	10,959	10,959	
<i>of which: portion eligible for inclusion in CET1</i>		-	<i>x</i>
<i>of which: portion eligible for inclusion in AT1</i>			<i>y</i>
<i>of which: portion eligible for inclusion in Tier 2</i>			<i>z</i>
Surplus on revaluation of assets	292,799	292,799	
<i>of which: Revaluation reserves on Fixed Assets</i>			<i>aa</i>
<i>of which: Unrealized Gains/Losses on AFS</i>	292,799	292,799	
<i>In case of Deficit on revaluation (deduction from CET1)</i>			<i>ab</i>
Total liabilities & Equity	23,627,658	23,627,658	

Basel III Disclosure Template (with added column)

Table: 39.4.3

		Component of regulatory capital reported by bank	Source based on reference number from step 2
		Rupees in '000	
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,150,000	(s)
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	722,810	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	544,142	(w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8	CET 1 before Regulatory Adjustments		
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	305	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13	Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	-	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	6,548	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	39,076	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	218,432	
28	of which: Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	833,975	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	<u>1,098,336</u>	
31	Common Equity Tier 1	6,318,616	
	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	(t)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	AT1 before regulatory adjustments	-	

	Component of regulatory capital reported by bank	Source based on reference number from step 2
	Rupees in '000	
	Additional Tier 1 Capital: regulatory adjustments	-
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-
39	Investment in own AT1 capital instruments	-
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	6,548 (ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	39,076 (ad)
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	467,216
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	366,759
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	879,599
46	Additional Tier 1 capital	-
47	Additional Tier 1 capital recognized for capital adequacy	-
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	6,318,616
	Tier 2 Capital	
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	- (n)
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	- (z)
52	of which: instruments issued by subsidiaries subject to phase out	-
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	- (g)
54	Revaluation Reserves	-
55	of which: Revaluation reserves on fixed assets	- portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	163,968
57	Foreign Exchange Translation Reserves	- (v)
58	Undisclosed/Other Reserves (if any)	-
59	T2 before regulatory adjustments	-
	Tier 2 Capital: regulatory adjustments	
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-
61	Reciprocal cross holdings in Tier 2 instruments	-
62	Investment in own Tier 2 capital instrument	-
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	63,512 (ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	- (af)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	63,512
66	Tier 2 capital (T2)	-
67	Tier 2 capital recognized for capital adequacy	-
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-
69	Total Tier 2 capital admissible for capital adequacy	-
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	6,318,616

39.5 Main Features Template of Regulatory Capital Instruments

1	Issuer	Pak Oman Investment Company Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	Not Applicable
3	Governing law(s) of the instrument	SECP
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group & solo	Group and stand alone
7	Instrument type	Common shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	6,150,000
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholder Equity
11	Original date of issuance	23-Jul-01
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No maturity
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not Applicable
18	Coupon rate and any related index/ benchmark	Not Applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not Applicable
23	Convertible or non-convertible	Not Convertible
24	If convertible, conversion trigger (s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	Not Applicable
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not Applicable

39.6 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:

	Capital Requirements		Risk Weighted Assets	
	2014	2013	2014	2013
Rupees in '000				
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Public Sector entities	6,154	100,057	61,541	1,000,570
Banks	33,267	13,061	332,674	130,607
Corporate	725,654	472,543	7,256,535	4,725,426
Retail	891	839	8,905	8,392
Residential Mortgages	3,902	3,825	39,015	38,253
Past Due loans	10,858	9,675	108,581	96,750
Operating Fixed Assets	6,940	5,201	69,400	52,007
Other assets	152,334	177,970	1,523,339	1,779,704
Off-Balance sheet				
Non-market related	110,252	102,195	1,102,520	1,021,950
Equity Exposure Risk in the Banking Book	184,763	228,984	1,847,633	2,289,839
Total Credit Risk	<u>1,235,015</u>	<u>1,114,350</u>	<u>12,350,143</u>	<u>11,143,498</u>
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	372,233	243,558	4,652,912	3,044,461
Equity position risk	109,621	56,332	1,370,263	704,153
Total Market Risk	<u>481,854</u>	<u>299,890</u>	<u>6,023,175</u>	<u>3,748,614</u>
Operational Risk				
Capital Requirement for operational risks	147,911	139,677	1,848,891	1,745,961
TOTAL	<u>1,864,780</u>	<u>1,553,917</u>	<u>20,222,209</u>	<u>16,638,073</u>
Capital Adequacy Ratios				
	2014		2013	
	Required	Actual	Required	Actual
CET1 to total RWA	10.00%	31.30%	10.00%	36.80%
Tier-1 capital to total RWA	10.00%	31.30%	10.00%	36.80%
capital to total RWA	10.00%	31.30%	10.00%	36.80%



The Group has set up objectives and policies to manage the risks that arise in connection with financial instruments. The risk management framework and policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in operations of the holding Group. The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies. In achieving the objective of maximizing returns to shareholders, the board of directors takes cognizance of the risk elements that the Group is confronted with in its operations. In view of the multi-faceted risks inherent in the financial sector, the Group places great emphasis on the importance of risk management and has put in place clear and comprehensive risk management mechanisms and strategies to identify, monitor, manage and control the relevant risk factors.

Risk management organisation

Risk Management Department ensures that risks remain within the boundaries as defined by the board, comply with the risk parameters and prudential limits, establish systems and procedures and work out remedial measures.

Credit Committee implements credit risk policy and monitors credit risk in light with credit policy and Prudential Regulations.

The Group's risk management, compliance and internal audit department support the risk management function. The compliance department ensures that all the directives and guidelines issued by SBP are being complied with. Internal audit department reviews the compliance of internal control procedures with internal and regulatory standards.

40.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Exposure to credit risks for the Group arises primarily from lending activities and investments in fixed income securities.

A multi-tiered approach is being followed in the management of credit risk with the organizational structure, roles and responsibilities clearly outlined in the Credit Policy Manual. The Board is responsible for final approval of overall risk tolerance, limits for sectors and pricing strategies. Various business units responsible for undertaking risks are expected to comply with the credit policy and adhere to the independent risk management function. This is ensured through the implementation of a credit approval and documentation process adopted by the Group.

The Group uses both external and internal ratings to evaluate risk. The Group obtains external ratings from PACRA and JCR-VIS whereas a comprehensive risk assessment matrix model is used for internal ratings.

Exposures	JCR-VIS	PACRA	Other (specify)
Corporate	Yes	Yes	x
Banks	Yes	Yes	x
Sovereigns	x	x	x
SME's	x	x	x
Securitized	x	x	x
Others (Specify)	x	x	x

Credit exposures subject to Standardised Approach

Exposures	Rating Category	2014			2013		
		Rupees in '000					
		Amount Outstanding	Deduction CRM*	Net amount	Amount Outstanding	Deduction CRM*	Net amount
Corporate	0	-	289,177	289,177	-	-	-
	1	200,000	-	200,000	496,195	423,083	919,278
	2	3,537,525	(289,177)	3,248,348	1,154,857	(11,800)	1,143,057
	3-4	286,250	-	286,250	190,000	-	190,000
	5-6	-	-	-	-	-	-
	Unrated	4,473,170	-	4,473,170	4,191,325	(411,283)	3,780,042
		<u>8,496,945</u>	<u>-</u>	<u>8,496,945</u>	<u>6,032,377</u>	<u>-</u>	<u>6,032,377</u>
Banks	0	-	100,000	100,000	-	-	-
	1	294,621	(100,000)	194,621	403,034	-	403,034
	2-3	587,500	-	587,500	100,000	-	100,000
	Unrated	-	-	-	-	-	-
		<u>882,121</u>	<u>-</u>	<u>882,121</u>	<u>503,034</u>	<u>-</u>	<u>503,034</u>

Sovereigns etc.

Unrated

*CRM= Credit Risk Mitigation

The accounting policies and methods used by the Group are in accordance with the requirements of the prudential regulations of the SBP. These policies are disclosed in note 5 to these financial statements. Reconciliation in the provision against non-performing advances has been disclosed in note 10.5 of these consolidated financial statements.

40.2 Segmental information

40.2.1 Segment by class of business

	2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Financial institution	1,272,661	12.77	2,888,748	45.88	1,202,936	37.66
Agribusiness	-	-	-	-	-	-
Textile	1,628,350	16.34	-	-	270,000	8.45
Transportation and communication	435,206	4.37	23,621	0.38	294,575	9.22
Power	1,153,159	11.57	125,000	1.99	686,116	21.48
Electronics	132,496	1.33	-	-	-	-
Food and beverage	1,265,143	12.70	-	-	158,770	4.97
Services	392,395	3.94	140,000	2.22	89,111	2.79
Engineering and allied products	295,873	2.97	-	-	13,614	0.43
Chemical and pharmaceuticals	267,289	2.68	-	-	69,090	2.16
Automobiles	158,633	1.59	-	-	-	-
Fuel and energy	553,226	5.55	207,000	3.29	114,935	3.60
Construction	55,250	0.55	-	-	-	-
Cement	7,860	0.08	-	-	-	-
Sugar	1,589,375	15.95	-	-	-	-
Paper and board /packaging	214,322	2.15	-	-	285,100	8.93
Healthcare	220,000	2.21	-	-	-	-
Individual	123,344	1.24	481,124	7.64	-	-
Others	199,646	2.00	2,430,493	38.60	10,000	0.31
	9,964,228	100.00	6,295,986	100.00	3,194,247	100.00

	2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Financial institution	85,161	1.01	607,747	13.71	1,296,945	50.34
Agribusiness	1,950,000	23.12	-	-	-	-
Textile	1,377,118	16.33	1,395	0.03	753,105	29.23
Transportation and communication	214,968	2.55	345,588	7.79	-	-
Power	1,010,572	11.98	60,000	1.35	366,726	14.24
Electronics	151,075	1.79	-	-	-	-
Food and beverage	1,053,225	12.49	-	-	111,750	4.34
Services	197,601	2.34	221,000	4.98	-	-
Engineering and allied products	122,598	1.45	-	-	7,000	0.27
Chemical and pharmaceuticals	300,723	3.57	-	-	-	-
Automobiles	213,957	2.54	-	-	-	-
Fuel and energy	571,833	6.78	-	-	6,180	0.24
Construction	55,250	0.66	-	-	-	-
Cement	26,907	0.32	-	-	-	-
Sugar	565,329	6.70	-	-	-	-
Paper and board /packaging	134,850	1.60	-	-	-	-
Healthcare	140,000	1.66	-	-	-	-
Individual	120,483	1.43	445,771	10.05	-	-
Others	140,907	1.67	2,752,347	62.09	34,510	1.34
	8,432,557	100.00	4,433,848	100.00	2,576,216	100.00

40.2.2 Segment by sector

	2014					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	486,839	4.89	660,000	10.48	104,815	3.28
Private	9,477,389	95.11	5,635,986	89.52	3,089,432	96.72
	<u>9,964,228</u>	<u>100.00</u>	<u>6,295,986</u>	<u>100.00</u>	<u>3,194,247</u>	<u>100.00</u>

	2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	2,310,491	27.40	260,000	5.86	6,180	0.24
Private	6,122,066	72.60	4,173,848	94.14	2,570,036	99.76
	<u>8,432,557</u>	<u>100.00</u>	<u>4,433,848</u>	<u>100.00</u>	<u>2,576,216</u>	<u>100.00</u>

40.2.3 Details of non-performing advances and specific provisions by class of business segment

	2014		2013	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Automobile	158,633	158,633	213,957	213,957
Cement	7,860	7,860	26,907	26,907
Textile	428,060	377,027	438,151	380,585
Chemical and pharmaceuticals	32,093	27,889	34,854	30,649
Construction	55,250	53,675	55,250	53,675
Engineering and allied products	74,073	74,073	80,073	80,073
Electronics	50,000	13,178	50,000	2,819
Fuel and energy	84,194	84,194	89,194	60,907
Food and beverages	16,434	15,934	16,434	15,934
Financial institution	5,161	5,161	5,161	5,161
Power	68,200	68,200	68,200	68,200
Others	57,950	8,090	54,185	-
	<u>1,037,908</u>	<u>893,914</u>	<u>1,132,366</u>	<u>938,867</u>

40.2.4 Details of non-performing advances and specific provisions by sector

Public / Government	-	-	-	-
Private	1,037,908	893,914	1,132,366	938,867
	<u>1,037,908</u>	<u>893,914</u>	<u>1,132,366</u>	<u>938,867</u>

40.2.5 Geographical segment analysis

	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	542,692	23,381,486	7,720,710	3,194,247
Middle East	-	1,017	-	-
	<u>542,692</u>	<u>23,382,503</u>	<u>7,720,710</u>	<u>3,194,247</u>

40.3 Market risk

Market risk is the risk that the value of on and off-balance sheet positions of a financial institution will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates and equity prices. The board of directors is responsible for reviewing and recommending all market risk policies.

The market risk management framework of the Group comprises of business unit actually undertaking the risk, the Risk Management Department, Asset and Liability Committee and the Investment Committee.

40.3.1 Interest rate risk

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The lending, funding and investment activities of the Group are exposed to interest rate risk. The Group is using a 16band reprising model for measurement of interest rate risk. Furthermore, stress testing, technique is also used to evaluate the potential effects on the financial condition of a specific event and movements in a set of financial variables. The Group has also developed value-at-risk (VAR) model internally.

40.3.2 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to change in foreign currency rates. However, the Group is not exposed to major foreign currency risk as its assets and liabilities are primarily denominated in Pakistani rupees.

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupees	23,381,840	15,661,793	-	7,720,047
United States Dollar	73	-	-	73
Omani Riyal	590	-	-	590
	<u>23,382,503</u>	<u>15,661,793</u>	<u>-</u>	<u>7,720,710</u>

40.3.3 Equity position risk

Equity position risk refers to the risk arising from taking long or short positions, in the trading book, in equities and all instruments that exhibit market behaviour similar to equities. The Group is exposed to such risk due to investment activities undertaken on a day-to-day basis. The Group has established a Capital Market Review Committee to monitor the equity portfolio and the future strategy pertaining thereto. As per Standardized Approach 8% charge has to be created on both Specific and General Equity Position Risk Management calculation.

40.3.4 Liquidity risk

Liquidity risk is the potential for loss arising from either inability to meet obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses.

Large off-balance sheet exposures or heavy reliance on large corporate deposits gives rise to relatively high level of liquidity risk. Rapid growth in assets also increases the liquidity risk. Objectives of liquidity management in the Group are that:

- A reasonable amount of liquid assets are maintained at all times.
- Measurement and projection of funding requirements during various scenarios.
- Excess funds are profitably deployed.

Beside the Board which will be responsible for formulation of over all policy, the following will be involved in Liquidity Risk Management Process with roles and responsibilities defined hereunder:

- Risk Management Department
- Finance Department
- Treasury Department
- Asset Liability Committee (ALCO)

The ALCO will be responsible for monitoring of the tolerance limits.

40.3.5 Mismatch of interest rate sensitive assets and liabilities for the year ended December 31, 2014

Effective yield/interest rate	Exposed to Yield / interest risk										
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial Instruments

Rupees in '000

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks		99,935	-	-	-	-	-	-	-	-	99,935
Balances with other banks	10.49%	269,621	259,219	-	-	-	-	-	-	-	10,402
Lending to financial institutions	10.16%	614,177	414,177	200,000	-	-	-	-	-	-	-
Investments	11.83%	12,223,083	587,526	1,120,265	959,866	422,464	399,926	1,013,027	2,615,764	3,225,918	1,878,327
Advances	12.49%	9,070,314	1,786,686	4,754,427	1,619,447	155,549	272,466	229,447	174,085	46,881	11,873
Other assets		597,608	-	-	-	-	-	-	-	-	597,608
		22,874,738	3,047,608	6,074,692	2,579,313	578,013	672,392	1,242,474	2,789,849	3,272,799	19,453
											2,598,145

Liabilities

Borrowings from financial institutions	10.03%	8,868,730	7,234,379	677,017	313,263	115,161	204,240	178,454	139,987	6,229	-
Deposits and other accounts	9.96%	6,295,986	568,336	3,255,550	1,418,239	1,035,579	16,182	2,100	-	-	-
Liabilities against assets subject to finance leases	10.58%	488	31	62	96	299	-	-	-	-	-
Other liabilities		491,772	-	-	-	-	-	-	-	-	491,772
		15,656,976	7,802,746	3,932,629	1,731,598	1,151,039	220,422	180,554	139,987	6,229	491,772
		7,217,762	(4,755,138)	2,142,063	847,715	(573,026)	451,970	1,061,920	2,649,862	3,266,570	19,453

On-balance sheet gap

Non-financial assets	507,765
Non-financial liabilities	4,817
Total Net Assets	7,720,710

Total yield / profit risk sensitivity gap (4,755,138) 2,142,063 847,715 (573,026) 451,970 1,061,920 2,649,862 3,266,570 19,453

Cumulative yield / profit risk sensitivity gap (4,755,138) (2,613,075) (1,765,360) (2,338,386) (1,886,416) (824,496) 1,825,366 5,091,936 5,111,389

Mismatch of interest rate sensitive assets and liabilities for the year ended December 31, 2013

Effective yield/interest rate	Exposed to Yield / interest risk										
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial Instruments

Rupees in '000

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks		78,034	-	-	-	-	-	-	-	-	78,034
Balances with other banks	10.87%	227,034	204,796	20,387	-	-	-	-	-	-	1,851
Lending to financial institutions	10.31%	1,206,521	1,195,277	1,203	-	10,041	-	-	-	-	-
Investments	11.36%	7,652,050	704,398	1,336,889	1,167,583	763	51,432	958,061	1,039,464	993,223	1,383,310
Advances	12.06%	7,493,690	2,438,390	3,371,710	526,223	150,714	302,991	256,050	346,013	77,397	11,189
Other assets		426,431	-	-	-	-	-	-	-	-	426,431
		17,083,760	4,542,861	4,730,189	1,693,806	161,518	354,423	1,214,111	1,385,477	1,070,620	29,940
											1,900,815

Liabilities

Borrowings from financial institutions	9.76%	5,721,831	3,013,445	1,336,547	479,166	119,070	268,930	196,652	270,634	37,387	-
Deposits and other accounts	9.64%	4,433,848	1,351,652	2,126,059	845,289	110,223	625	-	-	-	-
Liabilities against assets subject to finance leases	13.49%	5,605	379	922	1,236	2,580	488	-	-	-	-
Other liabilities		369,249	-	-	-	-	-	-	-	-	369,249
		10,530,533	4,365,476	3,463,528	1,325,691	231,873	270,043	196,652	270,634	37,387	369,249
		6,553,227	177,385	1,266,661	368,115	(70,355)	84,380	1,017,459	1,114,843	1,033,233	29,940

On-balance sheet gap

Non-financial assets	666,891
Non-financial liabilities	4,876
Total Net Assets	7,215,242

Total yield / profit risk sensitivity gap 177,385 1,266,661 368,115 (70,355) 84,380 1,017,459 1,114,843 1,033,233 29,940

Cumulative yield / profit risk sensitivity gap 177,385 1,444,046 1,812,161 1,741,806 1,826,186 2,843,645 3,958,488 4,991,721 5,021,661

40.3.6 Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

40.3.7 Profit rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market profit rates. The Group is not exposed to any major profit rate risk as it mainly invests in equity securities.

40.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Operational risk is inherent in the Group's business and operational activities.

The Group has instituted sound internal controls through policies, plans and processes effected by the board of directors for controlling and mitigating potential operational risk. The system of internal controls include financial, operational and compliance controls and is performed on continuous basis by the senior management and all levels of employees within the Group.

The objectives of internal controls include the safeguarding of assets from inappropriate use or from loss and fraud, ensuring that liabilities are identified and managed and that the quality of internal and external reporting is maintained. The Group monitors its Key Risk Indicators (KRI) and Loss Data reporting through an operational risk software.

The Group has also formulated a business continuity plan, a disaster recovery plan and guidelines for information security, employee conduct and for prevention of fraud and forgery to ensure smooth functioning of the Group's operations.

40.4.1 Maturities of assets and liabilities - Based on contractual maturity of assets and liabilities

Maturities of assets and liabilities as at December 31, 2014

	2014									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	99,935	99,935	-	-	-	-	-	-	-	-
Balances with other banks	269,621	269,621	-	-	-	-	-	-	-	-
Lending to financial institutions	614,177	414,177	200,000	-	-	-	-	-	-	-
Investments	12,223,083	301,545	79,801	337,844	524,978	1,064,845	1,362,299	4,611,248	3,940,523	-
Advances	9,070,314	440,922	261,212	868,478	1,335,060	2,088,949	1,614,762	1,995,636	419,104	46,191
Other assets	710,553	325,661	197,555	181,798	1,626	-	-	3,913	-	-
Operating fixed assets	69,705	4,447	4,780	7,281	9,752	17,606	11,797	4,212	9,830	-
Deferred tax assets	325,115	(61,669)	(19,325)	(18,825)	(205,800)	(78,639)	(24,979)	734,371	(1,443)	1,424
	23,382,503	1,794,639	724,023	1,376,576	1,665,616	3,092,761	2,963,879	7,349,380	4,368,014	47,615
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	8,868,730	7,234,379	443,683	179,930	265,161	420,907	178,454	139,987	6,229	-
Deposits and other accounts	6,295,986	568,336	3,255,550	1,418,239	1,035,579	16,182	2,100	-	-	-
Liabilities against assets subject to										
finance leases	488	31	62	96	299	-	-	-	-	-
Other liabilities	496,589	120,270	198,485	38,187	24,276	39,412	31,730	44,229	-	-
Deferred taxation	-	-	-	-	-	-	-	-	-	-
	15,661,793	7,923,016	3,897,780	1,636,452	1,325,315	476,501	212,284	184,216	6,229	-
Net assets	7,720,710	(6,128,377)	(3,173,757)	(259,876)	340,301	2,616,260	2,751,595	7,165,164	4,361,785	47,615
Share capital	6,150,000									
Reserves	722,810									
Unappropriated profit	544,142									
	7,416,952									
Surplus on revaluation of investment										
-net of tax	292,799									
Non controlling interest	10,959									
	7,720,710									

Maturities of assets and liabilities as at December 31, 2013

	2013									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	78,034	78,034	-	-	-	-	-	-	-	-
Balances with other banks	227,034	227,034	-	-	-	-	-	-	-	-
Lending to financial institutions	1,206,521	1,195,277	1,203	-	10,041	-	-	-	-	-
Investments	7,652,050	645,906	482,364	372,342	178,328	606,687	1,206,006	2,690,226	1,453,264	16,927
Advances	7,493,690	376,014	672,281	1,313,704	1,621,813	1,072,695	975,971	1,131,142	317,057	13,013
Other assets	547,998	214,991	155,426	149,587	2,386	2,099	1,067	22,442	-	-
Operating fixed assets	52,642	2,848	5,048	5,587	8,207	12,698	2,106	4,212	10,532	1,404
Deferred tax assets	492,682	(67,904)	(24,158)	(18,305)	25,024	(53,560)	(37,553)	669,727	(1,679)	1,090
	17,750,651	2,672,200	1,292,164	1,822,915	1,845,799	1,640,619	2,147,597	4,517,749	1,779,174	32,434
Liabilities										
Borrowings from financial institutions	5,721,831	3,013,445	969,880	179,166	269,070	568,930	413,319	270,634	37,387	-
Deposits and other accounts	4,433,848	1,351,652	2,126,059	845,289	110,223	625	-	-	-	-
Liabilities against assets subject to finance leases	5,605	379	922	1,236	2,580	488	-	-	-	-
Other liabilities	374,125	105,117	147,684	31,848	12,550	10,794	39,060	27,072	-	-
	10,535,409	4,470,593	3,244,545	1,057,539	394,423	580,837	452,379	297,706	37,387	-
Net assets	7,215,242	(1,798,393)	(1,952,381)	765,376	1,451,376	1,059,782	1,695,218	4,220,043	1,741,787	32,434
Share capital	6,150,000									
Reserves	646,091									
Unappropriated profit	482,442									
	7,278,533									
Deficit on revaluation of investment - net of tax	(85,512)									
Non controlling interest	22,221									
	7,215,242									

The contractual maturities of assets and liabilities do not significantly differ with the expected maturities except operating fixed assets and deferred tax assets which do not have any contractual maturities. The maturities of operating fixed assets and deferred tax assets have been reported based on their pattern of usage and recoverability of the underlying assets on which deferred tax asset has been recorded.

40.4.2 Maturities of assets and liabilities - Based on the working prepared by the Asset and Liabilities Management Committee (ALCO)

Maturities of assets and liabilities as at December 31, 2014

	2014									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	99,935	99,935	-	-	-	-	-	-	-	-
Balances with other banks	269,621	269,621	-	-	-	-	-	-	-	-
Lending to financial institutions	614,177	414,177	200,000	-	-	-	-	-	-	-
Investments	12,223,083	301,545	79,801	337,844	524,978	1,064,845	1,362,299	4,611,248	3,940,523	-
Advances	9,070,314	440,922	261,212	868,478	1,335,060	2,088,949	1,614,762	1,995,636	419,104	46,191
Other assets	710,553	325,661	197,555	181,798	1,626	-	-	3,913	-	-
Operating fixed assets	69,705	4,447	4,780	7,281	9,752	17,606	11,797	4,212	9,830	-
Deferred tax assets	325,115	(61,669)	(19,325)	(18,825)	(205,800)	(78,639)	(24,979)	734,371	(1,443)	1,424
	23,382,503	1,794,639	724,023	1,376,576	1,665,616	3,092,761	2,963,879	7,349,380	4,368,014	47,615
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	8,868,730	7,234,379	443,683	179,930	265,161	420,907	178,454	139,987	6,229	-
Deposits and other accounts	6,295,986	568,336	3,255,550	1,418,239	1,035,579	16,182	2,100	-	-	-
Liabilities against assets subject to finance leases	488	31	62	96	299	-	-	-	-	-
Other liabilities	496,589	120,270	198,485	38,187	24,276	39,412	31,730	44,229	-	-
Deferred taxation	-	-	-	-	-	-	-	-	-	-
	15,661,793	7,923,016	3,897,780	1,636,452	1,325,315	476,501	212,284	184,216	6,229	-
Net assets	7,720,710	(6,128,377)	(3,173,757)	(259,876)	340,301	2,616,260	2,751,595	7,165,164	4,361,785	47,615
Share capital	6,150,000									
Reserves	722,810									
Unappropriated profit	544,142									
	7,416,952									
Surplus on revaluation of investment - net of tax	292,799									
Non controlling interest	10,959									
	7,720,710									

Maturities of assets and liabilities as at December 31, 2013

	2013									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
Assets										
Cash and balances with treasury banks	78,034	78,034	-	-	-	-	-	-	-	-
Balances with other banks	227,034	227,034	-	-	-	-	-	-	-	-
Lending to financial institutions	1,206,521	1,195,277	1,203	-	10,041	-	-	-	-	-
Investments	7,652,050	645,906	482,364	372,342	178,328	606,687	1,206,006	2,690,226	1,453,264	16,927
Advances	7,493,690	376,014	672,281	1,313,704	1,621,813	1,072,695	975,971	1,131,142	317,057	13,013
Other assets	547,998	214,991	155,426	149,587	2,386	2,099	1,067	22,442	-	-
Operating fixed assets	52,642	2,848	5,048	5,587	8,207	12,698	2,106	4,212	10,532	1,404
Deferred tax assets	492,682	(67,904)	(24,158)	(18,305)	25,024	(53,560)	(37,553)	669,727	(1,679)	1,090
	17,750,651	2,672,200	1,292,164	1,822,915	1,845,799	1,640,619	2,147,597	4,517,749	1,779,174	32,434
Liabilities										
Borrowings from financial institutions	5,721,831	3,013,445	969,880	179,166	269,070	568,930	413,319	270,634	37,387	-
Deposits and other accounts	4,433,848	1,351,652	2,126,059	845,289	110,223	625	-	-	-	-
Liabilities against assets subject to finance leases	5,605	379	922	1,236	2,580	488	-	-	-	-
Other liabilities	374,125	105,117	147,684	31,848	12,550	10,794	39,060	27,072	-	-
	10,535,409	4,470,593	3,244,545	1,057,539	394,423	580,837	452,379	297,706	37,387	-
Net assets	<u>7,215,242</u>	<u>(1,798,393)</u>	<u>(1,952,381)</u>	<u>765,376</u>	<u>1,451,376</u>	<u>1,059,782</u>	<u>1,695,218</u>	<u>4,220,043</u>	<u>1,741,787</u>	<u>32,434</u>
Share capital	6,150,000									
Reserves	646,091									
Unappropriated Profit	482,442									
	7,278,533									
Deficit on revaluation of investment										
- net of tax	(85,512)									
Non controlling interest	22,221									
	<u>7,215,242</u>									

The contractual maturities of assets and liabilities do not significantly differ with the expected maturities except operating fixed assets and deferred tax assets which do not have any contractual maturities. The maturities of operating fixed assets and deferred tax assets have been reported based on their pattern of usage and recoverability of the underlying assets on which deferred tax asset has been recorded.

41

TRUST ACTIVITIES

- 41.1** The holding company is acting as trustee to Term Finance Certificates issued by Pakistan Refinery Limited, Askari Bank Limited and Standard Chartered Bank (Pakistan) Limited. The Company is holding the trust properties in fiduciary capacity on behalf of the relevant beneficiaries. In this behalf, the Company is fulfilling all its obligations and duties in accordance with the provisions of the respective trust documents.
- 41.2** Currently, POAMCL is not managing any advisory portfolios (2013: five discretionary portfolio and three non-discretionary portfolio amounting to Rs. 79.522 million and Rs. 101.023 million respectively. The market value of the said portfolio are Rs. 82.735 million and Rs. 108.917 million respectively).



42

POST BALANCE SHEET EVENTS

The Board of Directors of the holding company in their meeting held on February 26, 2015 have:

- proposed 4% cash dividend amounting to Rs. 246 million subject to the approval of the members at the annual general meeting.

These consolidated financial statements do not recognise the aforementioned appropriation as this has been proposed and approved subsequent to the statement of financial position date.

43

GENERAL

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

Amounts in these consolidated financial statements have been rounded off to the nearest thousand rupee except stated otherwise.

Comparative figures have been re-arranged and re-classified for better presentation, the effect of which is considered immaterial.

44

DATE OF AUTHORISATION

These financial statements were authorised on February 26, 2015 by the Board of Directors of the holding company.

company information

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

LEGAL ADVISOR

Mandviwalla & Zafar
Mohsin Tayebaly & Co.
Ijaz Ahmed & Associates

TAX CONSULTANT

A.F. Ferguson & Co.
Chartered Accountants
Member Firm of Price
Waterhouse Coopers

For more information please
visit our website

www.pakoman.com

Registered Head Office:

First Floor, Tower A
Finance & Trade Center
Shahra-e-Faisal, Karachi
PABX : (92-21) 35630971 to 75
Fax : (92-21) 35630969
email : info@pakoman.com

Lahore Branch:

Office # 10, 1st Floor
Park Lane Towers
172, Tufail Road, Lahore Cantt.
Lahore
PABX : (92-42) 36622452-54
FAX : (92-42) 36622457
email : info.lahore@pakoman.com

Islamabad Office:

11th Floor, Block "B" Saudi Pak Towers
61-A, Jinnah Avenue, Blue Area
Islamabad
PABX : (92-51) 2800105-106
FAX : (92-51) 2800107
email : islamabad@pakoman.com

Muscat Office:

Office # 505, P – Floor, Fahd Plaza
Ruwi, P. O. Box # 2218, P.C. 112
Sultanate of Oman
PABX : 00-968-248 18523
FAX : 00-968-248 12565
email : muscat@pakoman.com

Gwadar Office:

Port Road West Bay, Gwadar
PABX : 92-864-212 020
email : gwadar@pakoman.com

www.pakoman.com

