



ANNUAL REPORT 2015

PAK OMAN INVESTMENT COMPANY LIMITED

Board and Sub Committees

Board of Directors

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

Mr. Bahauddin Khan
Managing Director & Chief Executive Officer

Mr. Hamed Sloom Mubarak Al Athobi
Director

Mr. Muhammad Zubair Motiwala
Director

Mr. Mustafa Bin Ali Sulaiman
Director

Mr. Awais Manzur Sumra
Director

Audit Committee

Mr. Hamed Sloom Mubarak Al Athobi
Chairman

Mr. Muhammad Zubair Motiwala
Member

Mr. Mustafa Bin Ali Sulaiman
Member

Mr. Awais Manzur Sumra
Member

Executive Committee

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

Mr. Bahauddin Khan
Member

Mr. Muhammad Zubair Motiwala
Member

Mr. Awais Manzur Sumra
Member

Mr. Mustafa Bin Ali Sulaiman
Member

Remuneration & Compensation Committee

Mr. Muhammad Zubair Motiwala
Chairman

Mr. Hamed Sloom Mubarak Al Athobi
Member

Mr. Bahauddin Khan
Member

Mr. Mustafa Bin Ali Sulaiman
Member

Chairman's Review

I am pleased to report that your Company delivered another set of good results. Our performance has shown that we are in the right markets, with the right strategy to deliver consistent value for our shareholders.

- Alhamdulillah, your Company has recorded a profit after tax of Rs 602 million (US\$ 5.8 million) compared to a profit after tax of Rs 384 million (US\$ 3.7 million) in 2014 in a challenging environment. As at December 31, 2015, Company's total assets stood at Rs 27 billion (US\$ 259.6 million).
- It continued to focused on its core business of lending
- 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

The revival of growth in economy that started in 2013-14 has accelerated in 2014-15 and has resulted in Gross Domestic Product (GDP) growth of 4.24% which accelerated from 4.03%. Major successes include increase in economic growth, low inflation, rise in foreign exchange buffers, growth in remittances and proceeds from privatization. Other positives for the economy included the decrease in the policy rate to 6%, improvement in country's rating by international rating agencies, historical agreement with the Chinese Government on China Pak Economic Corridor (CPEC), successfully reviews with IMF, issuance of Ijara Sukuk Bond after a period of 9 years and decline in unemployment rate from 6.2% to 6.0%. However, despite all these positives, the challenge of energy shortage remains.

The growth in FY2015 was led by the Services sector as growth in manufacturing slowed. Industrial growth was affected by a slowdown in Large-Scale Manufacturing to 3.3% owing to continued power shortages and weaker external demand. The resilience of small-scale manufacturing and construction sustained industrial growth at 3.6%. Agriculture growth remained modest at 2.9%. Private fixed investment slipped to equal 9.7% of Gross Domestic Product (GDP) from 10% a year earlier because of continuing energy constraints.

In 2015, Corporate Banking Department continued its approach of booking select quality customers in key growth areas. This was successfully achieved with

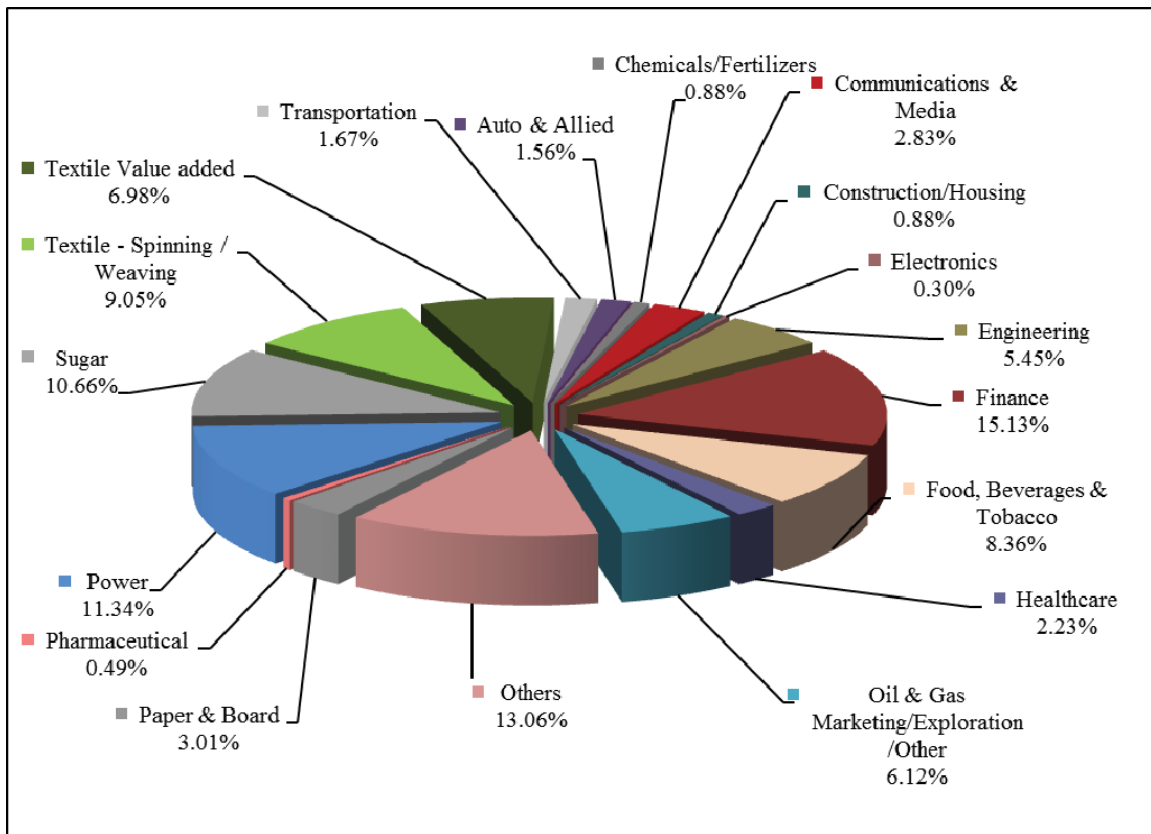
advances of Rs 4.8 billion made during 2015 thereby maintaining its portfolio as largest amongst the DFIs.

Major advances during the year were made to Food & Beverages, Finance, Oil & Gas Marketing and Textile sectors. While Textile continued to remain the dominant sector of the portfolio, comprising 16.03% of the total loan portfolio; Finance, Power and Sugar sectors followed with exposures of 15.13%, 11.34% and 10.66% of the overall portfolio respectively.

In 2015, medium term finance constituted the largest share of the portfolio with long term finance in close pursuit.

Focus on recoveries continued to pay dividends as the Company was able to affect reversals of Rs 95 million during the year. In the process, ten flagged (watch list) accounts were also fully settled as the company continued to closely monitor such accounts. One litigation account was also in final stage of settlement / negotiations.

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



Investment Banking

In 2015, Pak Oman appointed to act as Advisor & Arranger to Transworld Associated (Pvt.) Ltd. for raising Rs 900 million long term finance facility for partly financing its share in SEA-ME-WE 5 - a submarine fibre optic cable system and successfully closed the Rs 1,000 million Privately Placed TFC issue of Pak Libya Holding Company (Pvt.) Ltd. as Advisor. It also underwrote ordinary shares of Amreli Steels Ltd., Al Shaheer Corporation Ltd. and The Searle Company Ltd. In addition, Pak Oman is also acting as Trustee to various TFC/sukuk issues.

Treasury

Treasury department continued to play an important role in generating healthy profits for the company. It not only managed the liquidity requirements of the company but also took advantage of the decline in policy rate of 350 basis points. The treasury book was aligned in such a manner that the department not only booked a capital gain of approximately Rs 457 million on Government and corporate debt instruments but also earned net interest income of Rs 248 million.

Another significant achievement was securing of low cost funds from Islamic Banks which reduced the company's reliance on high cost deposits.

Company's corporate sales desk is also very active and trade government and corporate debt securities with its corporate clients. The corporate sales team also provides investment advisory services to its client.

Pak Oman 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.

Treasury department is well aligned to capitalize on stable interest rate outlook in 2016 via its money market and corporate sales desk.

Risk Management

The Company's constantly endeavours to follow the best practices for risk management framework resulting in stringent and robust risk management policies and procedures. This is further reflected in 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.

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 ongoing 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 also extended financial support to Patients' Aid Foundation of Jinnah Postgraduate Medical Centre. The foundation, 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.

2016 and Beyond

We remain cautious on the economic outlook in view of the energy shortage and the law and order situation in Pakistan. Further, going forward the financial sector is likely to face greater challenges and pressure due to stiff competition and increasing complexities in the financial market. However, monetary policies remained supportive of growth. Development under the China Pakistan Economic Corridor (CPEC) is expected to be a boost for Pakistan's economy. We believe that we are well positioned to capitalize on growth opportunities in the coming year to the benefit of our shareholders, employees and customers.

The process to increase the equity in Pak Oman Asset Management Company Limited (POAMCL) to meet SECP requirement has been completed. However, your Board has now decided for injecting further equity into POAMCL to ensure successful operations through its restructuring and re-organisation.

Your company has taken certain steps to improve the performance of Pak Oman Microfinance Bank Limited, which are expected to result in better performance thus increasing the value of shareholders.

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

Lahore: February 20, 2016

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the Fourteenth Annual Report and Financial Statements of your Company, along with the Consolidated Audited Financial Statements for the year ended December 31, 2015, together with Auditors' Report thereon.

Economy

Pakistan's macroeconomic situation is gradually improving. Country's fiscal accounts has further improved after disbursement made by IMF under its extended fund facility. Current account deficit has narrowed due to declining oil price which has substantially reduced the oil import payments, robust workers' remittances and the realization of Coalition Support Fund. Large-scale Manufacturing also increased to 4.4 percent during July – November 2015 as compared to 3.1 percent in the same period of 2014. Further boost is expected from construction activities as per planned development spending monetary easing and improving energy supply at the back of recent LNG imports. A marginal increase in inflation in the coming months is expected when a high base effect kicks in. However, the average inflation would remain below the 2016 target of 6 percent. Considering the macroeconomic variables and growing foreign exchange reserves, SBP has reduced its policy rate to 6%. Although private sector uptake remains constrained due to energy issues, it is expected to pick up in future. Plans to build an economic corridor linking Kashgar in the People's Republic of China to the Pakistani port of Gwadar were announced in April, and this megaproject would significantly boost private investments and growth in the coming years.

However, broadening of tax base, reducing the energy crises, increasing FDI, restructuring / privatization of State Owned Enterprises and divert funds to more productive developments will remain major challenges for 2016.

Operational Review

Alhamdulillah, growth of your Company's core business has been strong. During the year, SBP reduced its policy rate to 6% showing a reduction of 350 basis points since January 2015, which resulted in a decline in

average spreads. In this back drop, Pak Oman has recorded a profit before tax of Rs 975 million (US\$ 9.3 million) as compared to a profit before tax of Rs 545 million (US\$ 5.2 million) in 2014. Your company also took advantage of decreasing yield on Government securities by booking gains of Rs 438 million on the sale of such Government securities in the secondary market.

In 2015, total revenue from operations increased by 20% and recorded at Rs 3,031million (US\$ 28.9 million). After accounting for mark-up and interest expense of Rs 1,356 million (US\$ 12.9 million) and total administrative and other expenses of Rs 504 million (US\$ 4.8 million), your company achieved a profit before provisions of Rs 1,171 million (US\$ 11.2 million). However, during the year total provisions on loans / investments- net were of Rs 196 million (US\$ 1.9 million). As a result the company achieved profit before tax of Rs 975 million (US\$ 9.3 million) [2014: Rs 545 million (US\$ 5.2 million)]. However, the company has booked a one time additional tax expense of Rs 87 million (US\$ 0.8 million) has been recorded which included super tax of Rs 24 million (US\$ 0.2 million) enforced through finance act 2015 and reversal of Rs 63 million (US\$ 0.6 million) in deferred tax assets due to a reduction of 4% in corporate tax rates. Therefore, after accounting for the tax liability profit after tax was Rs 602 million (US\$ 5.8 million) [2014: Rs 384 million (US\$ 3.7 million)].

During 2015, 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, 2015, Company's Total Assets stood at Rs 27 billion (US\$ 259.6 million).

Financial Results

<i>For the Year ended 2015</i>		
	<i>Rs million</i>	<i>US\$ million</i>
Total Assets	27,195	259.6
Advances	9,993	95.4
Investments	14,073	134.4
Profit after taxation	602	5.8
Earning per Share (basic & diluted) of Rs 10/- each	Rs 0.98	US\$ 0.0094

Appropriations

The Board has recommended following appropriations:

	<i>For the Year ended 2015</i>	
	<i>Rs million</i>	<i>US\$ million</i>
To Statutory Reserve	120.5	1.15
Cash Dividend @ Rs 0.60 per share	369	3.52

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 2015-2016.

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;

	2015	2014
Operational branches	16	16
Service Centre	8	8
Borrowers since inception	83,045	68,702
Borrowers for the year	16,684	6,186
Disbursement since inception	Rs 2,084,740,000	Rs 1,479,855,000
Average loan size since inception	Rs 25,105	Rs 21,540
Disbursement for the year	605,285,000	317,245,000
Average loan size for the year	42,405	52,000
Deposits	Rs 25,064,734	Rs 22,803,319
Deposit Holders	17,235	18,532

Pak Oman Asset Management Company

Pak Oman Asset Management Company Limited is managing four open-end funds. The process to increase the equity in Pak Oman Asset Management Company Limited (POAMCL) to meet SECP requirement has been completed. New Managing Director has been appointed. Pak Oman

Investment Company Limited has now decided for injecting further equity into POAMCL to 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 risk management framework has stringent but adaptable parameters 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:

- 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.

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	Meeting Held 2
H.E. Yahya Bin Said Bin Abdullah Al-Jabri	5	5	*	*
Mr. M. Zubair Motiwala	4	4	3	1
Mr. Mustafa Bin Ali Sulaiman	5	5	4	2
Mr. Hamed Sloom Mubarak Al Athobi	5	*	4	2
Mr. Yusuf Khan	2	2	2	*
Mr. Awais Manzur Sumra	3	2	1	*
Mr. Bahauddin Khan	2	2	*	**
Mr. Agha Ahmed Shah	3	3	*	1

* Not member.

** Not member on the day of meeting.

Leave of absence was granted to Directors who could not attend the Board Meeting.

There was a change in Board of Directors, during the year Mr. Awais Manzur Sumra joined as a nominee of the Government of Pakistan in place

of Mr. Yusuf Khan. Further, w.e.f. October 01, 2015, Mr. Bahauddin Khan joined as Managing Director & Chief Executive Officer of the Company in place of Mr. Agha Ahmed Shah.

Statement of Investments of Provident & Gratuity funds

Investments of Provident & Gratuity funds as at December 31, 2015 according to their un-audited financial statements were Rs 157.5 million and Rs 106.6 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, 2016 for consideration and approval at the Annual General Meeting.

Pattern of Shareholding

<i>Government of Pakistan:</i>	Ministry of Finance	49.99%
	Secretary - Economic Affairs Division	0.01%
<i>Sultanate of Oman:</i>	Ministry of Finance	49.99%
	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.

Bahauddin Khan

Managing Director
& Chief Executive

Lahore: February 20, 2016

Pak Oman Investment Company Limited

Six Years Financial Summary

	Rupees in '000					
	2015	2014	2013	2012	2011	2010
December 31						
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Cash and balances with treasury and other banks	1,680,681	369,085	284,645	260,159	275,705	731,123
Lendings to financial institutions	362,824	614,177	1,206,521	833,119	1,321,745	2,454,610
Investments	14,073,356	12,179,521	7,629,301	10,229,027	10,589,968	9,143,686
Advances	9,993,263	9,070,314	7,493,690	6,347,059	5,767,026	5,947,929
Operating fixed assets	82,316	68,669	51,086	58,725	63,811	65,082
Other assets	1,002,189	1,063,857	1,062,467	849,852	798,082	832,559
Total assets	27,194,629	23,365,623	17,727,710	18,577,941	18,816,337	19,174,989
LIABILITIES						
Borrowings	14,479,440	8,868,730	5,721,831	6,546,367	6,648,716	6,145,349
Deposits and other accounts	4,009,860	6,295,986	4,433,848	4,351,000	4,695,693	5,561,165
Other liabilities	540,243	488,736	371,186	519,504	626,355	731,585
Total Liabilities	19,029,543	15,653,452	10,526,865	11,416,871	11,970,764	12,438,099
NET ASSETS	8,165,086	7,712,171	7,200,845	7,161,070	6,845,573	6,736,890
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	1,620,203	1,268,725	1,134,203	1,008,022	794,918	692,896
	7,770,203	7,418,725	7,284,203	7,158,022	6,944,918	6,842,896
Surplus / (deficit) on revaluation of assets - net of deferred tax	394,883	293,446	(83,358)	3,048	(99,345)	(106,006)
	8,165,086	7,712,171	7,200,845	7,161,070	6,845,573	6,736,890
PROFITABILITY						
Mark-up/Return/Interest earned	2,242,063	2,117,169	1,564,799	2,048,783	2,264,147	2,224,130
Mark-up/Return/Interest expensed	(1,356,296)	(1,360,752)	(892,690)	(1,304,300)	(1,513,542)	(1,462,002)
Net mark-up/interest income	885,767	756,417	672,109	744,483	750,605	762,128
Fee, commission and brokerage income	39,488	29,699	9,900	13,969	11,185	22,013
Capital gain & dividend income	750,484	371,072	270,560	331,868	119,437	181,968
Other income	-	1,903	1,039	1,978	2,355	2,332
Total non markup/interest income	789,972	402,674	281,499	347,815	132,977	206,313
Gross Income	1,675,739	1,159,091	953,608	1,092,298	883,582	968,441
Administrative expenses and other charges	(504,340)	(392,775)	(339,705)	(311,967)	(269,204)	(248,755)
Profit before provisions	1,171,399	766,316	613,903	780,331	614,378	719,686
Provisions	(196,135)	(221,033)	(126,139)	(174,808)	(35,085)	(337,929)
Profit before taxation	975,264	545,283	487,764	605,523	579,293	381,757
Taxation	(372,793)	(161,690)	(112,224)	(177,169)	(231,271)	(103,781)
Profit after taxation	602,471	383,593	375,540	428,354	348,022	277,976
CASH FLOW STATEMENT - SUMMARY						
Cash flow from operating activities	3,080,661	4,768,958	(1,839,497)	2,533,492	(2,451,484)	1,810,305
Cash flow from investing activities	(1,549,550)	(4,684,421)	2,390,954	(2,324,966)	2,251,437	(1,733,597)
Cash flow from financing activities	(244,515)	(251,097)	(250,971)	(224,072)	(255,371)	(9,915)
Cash and cash equivalents at the beginning of the year	394,085	560,645	260,159	275,705	731,123	664,330
* Cash and cash equivalents at the end of the year	1,680,681	394,085	560,645	260,159	275,705	731,123
Financial Ratios						
Return on Equity	7.9%	5.2%	5.2%	6.1%	5.0%	4.1%
Return on Assets	2.4%	1.9%	2.1%	2.3%	1.8%	1.4%
Profit before tax ratio	58.2%	47.0%	51.1%	55.4%	65.6%	39.4%
Gross spread ratio	39.5%	35.7%	43.0%	36.3%	33.2%	34.3%
Total Assets to shareholders' fund	3.33	3.03	2.46	2.59	2.75	2.85
Weighted average cost of debt	8.06%	10.75%	8.48%	11.73%	13.13%	11.62%
Capital adequacy ratio (CAR)	35.62%	31.17%	36.60%	41.45%	41.72%	37.48%
Share Information						
Cash dividend per share	6%	4%	4%	4%	3.5%	4%
Basic and diluted earnings per share	0.98	0.62	0.61	0.70	0.57	0.45
Breakup value per shares - Without surplus on revaluation of assets	12.63	12.06	11.84	11.64	11.29	11.13
Breakup value per shares - With surplus on revaluation of assets	13.28	12.54	11.71	11.64	11.13	10.95

* 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.



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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 31 December 2015

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 31 December 2015 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 31 December 2015.

Date: 20 February 2016

Karachi

KPMG Taseer Hadi & Co.
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, 2015

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. Bahauddin Khan, 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. Awais Manzur Sumra

2. During the year two casual vacancies were occurred on the Board and were filled up immediately.
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:

Committee	Name of Chairman / Members
Audit Committee	Mr. Hamed Sloom Mubarak Al Athobi - Chairman Mr. M. Zubair Motiwala – Member Mr. Mustafa Bin Ali Sulaiman – Member Mr. Awais Manzur Sumra – Member
Executive Committee	H.E. Yahya Bin Said Bin Abdullah Al-Jabri - Chairman Mr. Bahauddin Khan – Member Mr. M. Zubair Motiwala– Member Mr. Mustafa Bin Ali Sulaiman – Member Mr. Mr. Awais Manzur Sumra – Member
Remuneration & Compensation Committee	Mr. M. Zubair Motiwala - Chairman Mr. Bahauddin Khan – 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, 2015. 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

Bahauddin Khan
Managing Director & Chief Executive Officer

Lahore: February 20, 2016

STATEMENT OF INTERNAL CONTROLS

For the year ended December 31, 2015

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 over 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

Lahore: February 20, 2016



KPMG Taseer Hadi & Co.
Chartered Accountants

**Pak Oman Investment Company
Limited**

Unconsolidated Interim
Financial Statements
For the year ended
31 December 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 31 December 2015 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 except for the change disclosed in note 5.1 to the accompanying financial statements, with which we concur;
 - 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 31 December 2015 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).

Date: 20 February 2016

Karachi

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

Pak-Oman Investment Company Limited
 Unconsolidated Statement of Financial Position
 As at 31 December 2015

2015 (US Dollar in '000)	2014		Note	2015 (Rupees in '000)	2014
ASSETS					
895	954	Cash and balances with treasury banks	6	93,725	99,912
15,151	2,570	Balances with other banks	7	1,586,956	269,173
3,464	5,864	Lendings to financial institutions	8	362,824	614,177
134,363	116,282	Investments	9	14,073,356	12,179,521
95,409	86,598	Advances	10	9,993,263	9,070,314
786	656	Operating fixed assets	11	82,316	68,669
3,621	3,628	Deferred tax assets	12	379,314	380,028
5,947	6,528	Other assets	13	622,875	683,829
<u>259,636</u>	<u>223,080</u>			<u>27,194,629</u>	<u>23,365,623</u>
LIABILITIES					
-	-	Bills payable		-	-
138,240	84,673	Borrowings	14	14,479,440	8,868,730
38,284	60,110	Deposits and other accounts	15	4,009,860	6,295,986
-	-	Sub-ordinated loans		-	-
19	5	Liabilities against assets subject to finance lease	16	1,973	488
-	-	Deferred tax liabilities		-	-
5,139	4,661	Other liabilities	17	538,270	488,248
<u>181,682</u>	<u>149,449</u>			<u>19,029,543</u>	<u>15,653,452</u>
<u>77,954</u>	<u>73,631</u>	NET ASSETS		<u>8,165,086</u>	<u>7,712,171</u>
REPRESENTED BY					
58,716	58,716	Share capital	18	6,150,000	6,150,000
8,051	6,901	Reserves	19	843,304	722,810
7,417	5,212	Unappropriated profit		776,899	545,915
<u>74,184</u>	<u>70,829</u>			<u>7,770,203</u>	<u>7,418,725</u>
3,770	2,802	Surplus on revaluation of assets - net of deferred tax	20	394,883	293,446
<u>77,954</u>	<u>73,631</u>			<u>8,165,086</u>	<u>7,712,171</u>
CONTINGENCIES AND COMMITMENTS 21					

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

KPMG



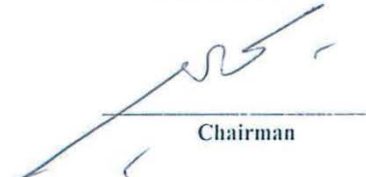
Chief Financial Officer



Managing Director
and Chief Executive



Managing Director
and Chief Executive



Chairman

Pak-Oman Investment Company Limited
 Unconsolidated Profit and Loss Account
 For the year ended 31 December 2015

2015 (US Dollar in '000)	2014		Note	2015 (Rupees in '000)	2014
21,406	20,213	Mark-up / return / interest earned	22	2,242,063	2,117,169
12,949	12,992	Mark-up / return / interest expensed	23	1,356,296	1,360,752
8,457	7,221	Net mark-up / interest income		885,767	756,417
196	(429)	Provision / (reversal) against non-performing advances	10.6	20,548	(44,953)
1,676	2,539	Provision for diminution in the value of investments	9.3	175,587	265,986
-	-	Bad debts written off directly		-	-
1,872	2,110			196,135	221,033
6,585	5,111	Net mark-up / interest income after provisions		689,632	535,384
NON MARK-UP / INTEREST INCOME					
377	284	Fec, commission and brokerage income		39,488	29,699
1,365	1,023	Dividend income		143,009	107,157
-	-	Income from dealing in foreign currencies		-	-
5,901	2,518	Gain on sale of securities	24	618,126	263,713
(102)	2	Unrealised (loss) / gain on revaluation of investments classified as held-for-trading		(10,651)	202
-	18	Other income	25	-	1,903
7,541	3,845	Total non mark-up / interest income		789,972	402,674
14,126	8,956			1,479,604	938,058
NON MARK-UP / INTEREST EXPENSES					
4,470	3,559	Administrative expenses	26	468,230	372,736
-	19	Other provisions / write offs	13.2	-	1,966
345	173	Other charges	27	36,110	18,073
4,815	3,751	Total non mark-up / interest expenses		504,340	392,775
9,311	5,205			975,264	545,283
-	-	Extra ordinary / unusual items		-	-
9,311	5,205	PROFIT BEFORE TAXATION		975,264	545,283
Taxation					
3,417	2,061	- current	28	357,943	215,914
226	-	- prior years		23,718	-
(85)	(518)	- deferred		(8,868)	(54,224)
3,558	1,543			372,793	161,690
5,753	3,662	PROFIT AFTER TAXATION		602,471	383,593
5,212	4,660	Unappropriated profit brought forward		545,915	488,112
10,965	8,322	Profit available for appropriation	10.2	1,148,386	871,705
(US \$)		(Rupees)			
0.0094	0.0060	Basic and diluted earnings per share	29	0.98	0.62

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


 Chief Financial Officer


 Managing Director
 and Chief Executive


 Managing Director
 and Chief Executive


 Chairman

Pak-Oman Investment Company Limited
 Unconsolidated Statement of Comprehensive Income
 For the year ended 31 December 2015

2015 (US Dollar in '000)	2014		Note	2015 (Rupees in '000)	2014
5,753	3,662	Profit after taxation		602,471	383,593
		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:			
(70)	(44)	Remeasurement of defined benefit obligation	32.9	(7,343)	(4,583)
23	14	Related tax impact		2,350	1,512
(47)	(30)			(4,993)	(3,071)
<u>5,706</u>	<u>3,632</u>	Comprehensive income for the year transferred to equity		<u>597,478</u>	<u>380,522</u>
		Component of comprehensive income for the year not transferred to equity			
1,060	5,676	Surplus / (deficit) on revaluation of 'available for sale' investments		111,019	594,492
(91)	(2,078)	Related tax impact		(9,582)	(217,688)
969	3,598			101,437	376,804
<u>6,675</u>	<u>7,230</u>	Total comprehensive income		<u>698,915</u>	<u>757,326</u>

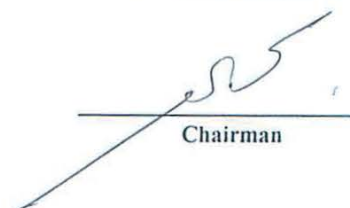
The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

KEPMA


 Chief Financial Officer


 Managing Director
 and Chief Executive


 Managing Director
 and Chief Executive


 Chairman

Pak-Oman Investment Company Limited
Unconsolidated Cash Flow Statement
For the year ended 31 December 2015

2015 (US Dollar in '000)	2014		Note	2015 (Rupees in '000)	2014
CASH FLOWS FROM OPERATING ACTIVITIES					
9,311	5,205	Profit before taxation		975,264	545,283
<u>(1,365)</u>	<u>(1,023)</u>	Less: Dividend income		<u>(143,009)</u>	<u>(107,157)</u>
7,946	4,182			832,255	438,126
Adjustments:					
185	160	Depreciation	11.1	19,383	16,715
2	5	Amortization of intangible assets	11.2	190	574
102	(2)	Unrealised loss / (gain) on revaluation of investments classified as held-for-trading		10,651	(202)
12	(18)	Loss / (gain) on sale of property and equipment	27 & 25	1,242	(1,903)
196	(429)	Provision / (reversal) against non-performing advances	10.6	20,548	(44,953)
1,676	2,539	Provision for diminution in the value of investments	9.3	175,587	265,986
-	1	Finance charges on leased assets	26	16	140
-	(35)	Provision / (reversal) held against other assets		-	(3,698)
<u>2,173</u>	<u>2,221</u>			<u>227,617</u>	<u>232,659</u>
10,119	6,403			1,059,872	670,785
(Increase) / decrease in operating assets					
2,161	3,259	Landings to financial institutions		226,353	341,344
(2,748)	4,907	Net investments in held-for-trading securities		(287,840)	513,980
(9,008)	(14,623)	Advances - net		(943,497)	(1,531,671)
63	(1,352)	Other assets		6,621	(141,566)
<u>(9,532)</u>	<u>(7,809)</u>			<u>(998,363)</u>	<u>(817,913)</u>
Increase / (decrease) in operating liabilities					
53,567	30,045	Borrowings		5,610,710	3,146,899
(21,826)	17,779	Deposits and other accounts		(2,286,126)	1,862,138
408	1,128	Other liabilities (excluding taxation)		42,679	118,112
<u>32,149</u>	<u>48,952</u>			<u>3,367,263</u>	<u>5,127,149</u>
32,736	47,546			3,428,772	4,980,021
-	(2)	Finance charges paid on leased assets		(16)	(188)
(3,323)	(2,013)	Income tax paid		(348,095)	(210,875)
<u>29,413</u>	<u>45,531</u>	Net cash from operating activities		<u>3,080,661</u>	<u>4,768,958</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
(14,824)	(43,841)	Net investments in available-for-sale securities		(1,552,684)	(4,591,992)
969	(1,370)	Sale of / (investments in) associates		101,470	(143,500)
(2,196)	-	Investment in subsidiary		(230,000)	-
1,586	802	Dividend income received		166,126	84,040
(413)	(346)	Purchase of operating fixed assets		(43,248)	(36,218)
84	31	Sale proceeds on sale of property and equipment		8,786	3,249
<u>(14,794)</u>	<u>(44,724)</u>	Net cash used in investing activities		<u>(1,549,550)</u>	<u>(4,684,421)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
14	(49)	Investment in / (payments) of finance lease obligations		1,485	(5,097)
(2,349)	(2,349)	Dividend paid		(246,000)	(246,000)
<u>(2,335)</u>	<u>(2,398)</u>	Net cash used in financing activities		<u>(244,515)</u>	<u>(251,097)</u>
12,284	(1,591)	Increase / (decrease) in cash and cash equivalents		1,286,596	(166,560)
3,762	5,353	Cash and cash equivalents at beginning of the year		394,085	560,645
<u>16,046</u>	<u>3,762</u>	Cash and cash equivalents at end of the year	30	<u>1,680,681</u>	<u>394,085</u>

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


 Chief Financial Officer


 Managing Director
 and Chief Executive


 Managing Director
 and Chief Executive


 Chairman

Pak-Oman Investment Company Limited
 Unconsolidated Statement of Changes in Equity
 For the year ended 31 December 2015

	Issued, subscribed and paid-up capital	(Reserves)		Unappropriated profit	Total
		Statutory reserve	General reserve		
(Rupees in '000)					
Balance as at 1 January 2014	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
Total comprehensive income					
Profit for the year ended 31 December 2015	-	-	-	602,471	602,471
Other comprehensive income - net of tax	-	-	-	(4,993)	(4,993)
Total comprehensive income for the year	-	-	-	597,478	597,478
Transfers					
Transfer to statutory reserve - 20% of the profit for the year	-	120,494	-	(120,494)	-
Transaction with owners recognised directly in equity					
Dividend for the year ended 31 December 2014 (Re. 0.4 per share)	-	-	-	(246,000)	(246,000)
Balance as at 31 December 2015	6,150,000	831,674	11,630	776,899	7,770,203

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


 Chief Financial Officer


 Managing Director
 and Chief Executive


 Managing Director
 and Chief Executive


 Chairman

Pak-Oman Investment Company Limited
Notes to the Unconsolidated Financial Statements
For the year ended 31 December 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

Pak-Oman Investment Company Limited (the Company) was incorporated as a private limited company on 23 July 2001. Subsequently, on 17 March 2004 the Company was converted into a public 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. 104.7410 to 1 US Dollar has been used for 2015 and 2014 as it was the prevalent rate as on 31 December 2015.

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

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, SECP has deferred the implementation of IFRS 7 Financial Instruments : Disclosures through SRO 411(1) / 2008 dated 28 April 2008. 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.

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

The principal accounting policies applied in the preparation of these financial statements are stated below:

5.1 Standards, interpretations and amendments effective in current year

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year, except for the following standards, which became effective during the year:

- IFRS 10 'Consolidated Financial Statements' replaces the current guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements. It introduces a single model of assessing control whereby an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. IFRS 10 also includes specific guidance on de-facto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which influence the assessment of control. the application of IFRS 10 did not result in any investee being in control of the Company.
- IFRS 11 'Joint Arrangements' replaces IAS 31 'Interests in Joint Ventures' it requires all joint ventures to be equity accounted

hereby removing the option in IAS 31 for proportionate consolidation. It also removes the IAS 31 concept to jointly controlled assets. The application of IFRS 11 did not result in identification of any associate as joint venture.

- IFRS 12 'Disclosure of Interests in Other Entities' prescribes additional disclosures around significant judgments and assumptions meet in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interest in unconsolidated structured entities. The application of IFRS 12 does not have an impact on the unconsolidated financial statements of the Company.
- IFRS 13 'Fair Value Measurement' consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exact price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 does not have an impact on the unconsolidated financial statements of the Company except for certain disclosures as mentioned in note 35.

5.2 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 2016:

- 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 amortization 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.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's 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. The amendments are not likely to have an impact on Company's financial statements.

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 on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. 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.

The above amendments are not likely to have an impact on Company's financial statements.

5.3 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.

5.4 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.

5.5 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 Mutual Funds Association of Pakistan (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.

5.6 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.

5.7 Advances and net investment in finance lease

5.7.1 Advances

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

5.7.2 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.

5.7.3 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.

5.8 Operating fixed assets

5.8.1 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.

5.8.2 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.

5.8.3 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.

5.8.4 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.

5.9 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.

5.10 Taxation

5.10.1 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.

5.10.2 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.

5.11 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.

5.12 Staff retirement benefits

5.12.1 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 2015.

5.12.2 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.

5.13 Compensated absences

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

5.14 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.

5.15 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.

5.16 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.

5.17 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.

5.18 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.

5.19 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 2015.

5.20 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.

5.21 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 on a time proportion basis.

5.22 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.

	<i>Note</i>	2015	2014
		(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS			
Cash in hand:			
local currency		106	90
foreign currency		150	143
Balances with State Bank of Pakistan in local currency - current account	<i>6.1</i>	93,469	99,679
		93,725	99,912

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 accounts		1,685	9,882
deposit accounts	<i>7.1</i>	1,585,031	258,771
		1,586,716	268,653
Outside Pakistan - current accounts		240	520
		1,586,956	269,173

7.1 These include term deposit receipts (TDRs) of Rs. 1,350 million (2014: Rs. 250 million) maturing between January 2016 to February 2016. These carry mark-up rates ranging from 6.75 to 7.25 (2014: 10.40 to 10.75) percent per annum.

	<i>Note</i>	2015	2014
		(Rupees in '000)	
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Placements	<i>8.1</i>	-	25,000
Repurchase agreement lendings	<i>8.2 & 8.5</i>	362,824	389,177
Certificate of investments (COIs)	<i>8.3</i>	-	200,000
		362,824	614,177

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

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 6.55 to 7.25 (2014: 9.6 to 9.85) percent per annum and will mature in January 2016 (2014: January 2015).

8.3 COIs are due for maturity within NIL (2014: January 2015 to March 2015). The rate of return on COIs is NIL (2014: 10.95) percent per annum.

8.4 Particulars of lendings

In local currency	362,824	614,177
In foreign currency	-	-
	362,824	614,177

8.5 Securities held as collateral against lendings to financial institutions

	2015			2014		
	Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
<i>Note</i>	----- (Rupees in '000) -----					
Market Treasury Bills	-	142,824	142,824	289,177	-	289,177
Pakistan Investment Bonds	-	220,000	220,000	-	100,000	100,000
<i>8.5.1</i>	-	362,824	362,824	289,177	100,000	389,177

8.5.1 Market value of these securities amount to Rs. 370 million (2014: Rs. 393 million).

9 INVESTMENTS

	Note	2015			2014		
		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	181,573	243,056	424,629	132,289	7,815	140,104
Market Treasury Bills (T-Bills)	9.4 & 9.5.1	247,051	215,250	462,301	514,762	-	514,762
Listed ordinary shares	9.5.2.1	110,705	-	110,705	54,929	-	54,929
		539,329	458,306	997,635	701,980	7,815	709,795
Available-for-sale securities							
Pakistan Investment Bonds (PIBs)	9.4 & 9.5.1	111,455	7,513,935	7,625,390	760,494	5,861,428	6,621,922
Ijara Sukuks	9.4 & 9.5.1	300,000	-	300,000	-	-	-
Market Treasury Bills (T-Bills)	9.4 & 9.5.1	74,201	144,555	218,756	-	-	-
Listed ordinary shares	9.5.2.2	682,716	-	682,716	608,691	-	608,691
Unlisted ordinary shares	9.5.3	121,333	226,000	347,333	131,333	226,000	357,333
Term finance certificates (TFCs)	9.5.4 & 9.5.5	2,233,215	-	2,233,215	2,119,506	-	2,119,506
Sukuk certificates	9.5.6	966,619	-	966,619	1,158,039	-	1,158,039
		4,489,539	7,884,490	12,374,029	4,778,063	6,087,428	10,865,491
Associates							
Japan Power Generation Limited	9.5.7	51,921	70,726	122,647	51,921	70,726	122,647
Pak Oman Microfinance Bank Limited		384,708	-	384,708	384,708	-	384,708
Pak Oman Advantage Fund		-	-	-	262,828	-	262,828
Pak Oman Advantage Islamic Income Fund		65,025	-	65,025	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		249,000	-	249,000	60,000	-	60,000
		927,146	70,726	997,872	1,028,616	70,726	1,099,342
Subsidiary							
Pak Oman Asset Management Company Limited	9.5.8	398,300	-	398,300	168,300	-	168,300
Investments at cost		6,354,314	8,413,522	14,767,836	6,676,959	6,165,969	12,842,928
Less: Provision for diminution in the value of investments	9.3	1,198,160	59,271	1,257,431	1,066,719	59,271	1,125,990
Investments - net of provisions		5,156,154	8,354,251	13,510,405	5,610,240	6,106,698	11,716,938
(Deficit) / surplus on revaluation of held-for-trading securities	9.6	(7,325)	782	(6,543)	3,948	160	4,108
Surplus on revaluation of available-for-sale securities	20	15,335	554,159	569,494	16,384	442,091	458,475
Total investments		5,164,164	8,909,192	14,073,356	5,630,572	6,548,949	12,179,521

	Note	2015 (Rupees in '000)	2014
9.2 Investments by segments			
Federal Government Securities			
Pakistan Investment Bonds (PIBs)	9.4, 9.5 & 9.6	8,050,019	6,762,026
Ijara Sukuk	9.4, 9.5 & 9.6	300,000	-
Market Treasury Bills (MTBs)	9.4, 9.5 & 9.6	681,057	514,762
		9,031,076	7,276,788
Fully paid up ordinary shares			
Listed companies	9.5.2	793,421	663,620
Unlisted companies	9.5.3	347,333	357,333
		1,140,754	1,020,953
Term finance certificates (TFCs)			
Listed	9.5.4	1,210,499	1,370,351
Unlisted	9.5.5	1,022,716	749,155
		2,233,215	2,119,506
Sukuk certificates - unlisted	9.5.6	966,619	1,158,039
Investment in associates	9.5.7	997,872	1,099,342
Investments in subsidiary	9.5.8	398,300	168,300
Total investments at cost		14,767,836	12,842,928
Less: Provision for diminution in the value of investments	9.3	1,257,431	1,125,990
Investments (net of provisions)		13,510,405	11,716,938
(Deficit) / surplus on revaluation of held-for-trading securities	9.6	(6,543)	4,108
Surplus on revaluation of available-for-sale securities	20	569,494	458,475
Total investments		14,073,356	12,179,521
9.3 Particulars of provision for diminution in the value of investments			
Opening balance		1,125,990	877,474
Charge for the year		265,013	283,015
Reversals for the year		(89,426)	(17,029)
		175,587	265,986
Transfer to capital gain due to disposal of relevant investments		(44,146)	(17,470)
Closing balance	9.3.1	1,257,431	1,125,990

2015 2014
(Rupees in '000)

9.3.1 Particulars of provision in respect of types and segments

Available-for-sale securities

Shares		
- Listed	73,076	82,743
- Unlisted	104,426	98,568
Term Finance Certificates		
- Listed	466,435	361,702
- Unlisted	179,455	149,419
Sukuk-unlisted	173,881	173,881
Investment in Mutual Funds	-	-
	997,273	866,313
Associate	102,783	102,783
Subsidiary	157,375	156,894
	1,257,431	1,125,990

9.4 The rates of return on PIBs maturing between May 2016 to July 2022 (2014: July 2015 to July 2024), range from 6.50 to 13.20 (2014: 10.80 to 13.20) percent per annum. The rates of return on Ijara Sukuk maturing in December 2018 (2014: NIL) is 5.89 (2014: NIL) percent per annum. The rate of return on market treasury bills maturing between January 2016 to September 2016 (2014: January 2015 to October 2015), range from 6.37 to 6.49 (2014: 9.96 to 9.99) 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

	2015		2014	
	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	114,824	Unrated	142,692	Unrated
5 years	76,360	Unrated	-	Unrated
3 years	235,063	Unrated	-	Unrated
	426,247		142,692	
Market Treasury Bills (MTBs)				
3 months	19,931	Unrated	144,730	Unrated
6 months	195,490	Unrated	-	-
12 months	246,899	Unrated	371,359	Unrated
	462,320		516,089	

9.5.1.2 Available-for-sale

Pakistan Investment Bonds (PIBs)

20 years	-		19,307	Unrated
15 years	466,028	Unrated	327,151	Unrated
10 years	3,904,909	Unrated	3,991,576	Unrated
5 years	1,601,972	Unrated	2,307,215	Unrated
3 years	2,208,512	Unrated	468,211	Unrated
	8,181,421		7,113,460	

Ijara Sukuk

303,390	Unrated	-	-
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Market Treasury Bills (MTBs)

6 months	19,643	Unrated	-	-
12 months	199,118	Unrated	-	-
	218,761		-	
	9,592,139		7,772,241	

9.5.2 Listed shares	Rating	No. of shares held		Cost		Market value	
		2015	2014	2015	2014	2015	2014
9.5.2.1 Held-for-trading							
Chemical							
Engro Corporation Limited	AA / A1+	45,500	20,000	13,782	4,232	12,712	4,430
Fauji Fertilizer Company Limited	Unrated	-	39,500	-	4,699	-	4,626
Electricity							
Kot Addu Power Company Limited	AA+/A1+	61,000	-	5,365	-	4,941	-
Cable & Electrical Goods							
Pak Elektron Limited	A/A1	225,000	-	15,541	-	14,072	-
TPL Trakker Limited	A-/A2	875,000	-	14,470	-	13,064	-
Technology and Communication							
Systems Limited	Unrated	200,000	-	13,669	-	12,606	-
Oil and Gas							
Attock Petroleum Limited	Unrated	-	3,000	-	1,597	-	1,619
Hascol Petroleum Limited	A+/A-1	70,000	-	11,124	-	10,098	-
Mari Petroleum Company Limited	Unrated	9,100	-	6,407	-	6,343	-
Oil & Gas Development Company Limited	Unrated	-	1,000	-	205	-	205
Pakistan Oilfields Limited	Unrated	-	2,000	-	975	-	759
Pakistan Petroleum Limited	Unrated	-	10,000	-	1,770	-	1,765
Construction and materials (Cement)							
Attock Cement Limited	Unrated	-	45,300	-	8,810	-	8,841
D.G.Khan Cement Company Limited	Unrated	25,000	-	3,700	-	3,690	-
Lafarge Pakistan Cement Limited	Unrated	-	500,000	-	8,673	-	8,675
Lucky Cement Limited	Unrated	50,500	-	26,647	-	24,999	-
Commercial Banks							
Faysal Bank Limited	AA / A1+	-	35,000	-	624	-	637
MCB Bank Limited	AAA / A1+	-	15,000	-	4,446	-	4,585
United Bank Limited	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
				110,705	54,929	102,525	55,122

9.5.2.2 Available-for-sale

Construction and materials (Cement)							
Attock Cement Limited	Unrated	-	105,700	-	19,328	-	20,630
Cherat Cement Limited	A/A1	103,000	180,000	9,256	11,665	9,288	12,362
Fauji Cement Company Limited	Unrated	200,000	-	6,825	-	7,364	-
Kohat Cement Limited	Unrated	15,500	-	3,102	-	3,733	-
Lucky Cement Limited	Unrated	-	5,000	-	2,426	-	2,501
Maple Leaf Cement Factory Limited	A/A1	100,000	-	7,075	-	7,458	-
Electricity							
HUB Power Company Limited	AA+ / A1+	200,000	-	20,391	-	20,520	-
Kot Addu Power Company Limited	AA+/A1+	285,000	75,000	22,573	4,737	23,085	5,921
Lalpir Power Limited	AA / A1+	903,000	200,000	27,522	4,402	26,855	5,980
Nishat Chunian Power Limited	A+/A2	650,000	-	35,911	-	35,782	-
Nishat Power Limited	A+ / A1	402,500	750,000	22,502	34,984	21,606	34,200
Chemical							
Agri-tech Limited (Note 9.5.5.2)	Unrated	1,629,911	1,629,911	57,046	57,046	15,240	12,632
Engro Corporation Limited	AA/ A1+	30,000	20,000	8,498	4,430	8,382	4,430
Engro Fertilizer Company Limited	AA-/A1+	120,000	-	10,172	-	10,096	-
Fauji Fertilizer Company Limited	Unrated	300,000	535,000	39,395	63,076	35,394	62,654
Commercial Banks							
Allied Bank Limited	AA+ / A1+	215,000	250,000	24,839	28,883	20,265	28,395
Habib Bank Limited	AAA/A1+	140,000	-	29,384	-	28,017	-
Habib Metro Bank Limited	AA+/A1+	1,000,000	-	36,407	-	30,470	-
JS Bank Limited	A+ / A1+	1,850,000	7,137,500	12,833	49,523	14,337	50,962
United Bank Limited	AA+ / A1+	315,700	10,000	50,310	1,698	48,918	1,767
Financial Services							
Next Capital Limited	Unrated	-	808,400	-	8,084	-	4,648
Refinery / Oil & Gas							
Attock Petroleum Limited	Unrated	22,050	-	11,372	-	11,138	-
Oil & Gas Development Company Limited	Unrated	50,000	201,700	9,024	53,955	5,867	41,524
Pak Refinery Limited	A-/A2	437,000	-	25,131	-	19,757	-
Pakistan Oilfield Limited	Unrated	30,000	121,000	10,553	61,617	8,040	45,902
Pakistan Petroleum Limited	Unrated	-	202,000	-	45,823	-	35,657
Pakistan State Oil Company Limited	AA+ / A1+	80,000	188,050	28,585	73,685	26,062	67,305
Sui Northern Gas Company Limited	AA+/A1	294,500	-	9,904	-	7,080	-
Sui Southern Gas Company Limited	AA-/A1	500,000	-	22,058	-	18,675	-
Paper and Board							
Century Paper & Board	A+/A1	200,500	100,000	12,503	6,553	10,263	5,421
Cherat Packaging Limited	Unrated	50,000	-	13,091	-	15,155	-
Food Producers							
Farhan Sugar Mills Limited	Unrated	-	60,000	-	2,532	-	2,369
Textile							
Nishat Mills Limited	AA/ A1+	140,000	435,900	17,649	58,647	13,282	52,740
Technology and Communication							
Systems Limited	Unrated	1,465,000	-	70,941	-	92,339	-
Equity Investments Instruments							
PICIC Growth Fund	Unrated	462,000	-	12,668	-	10,409	-
PICIC Investment Fund	Unrated	407,500	-	5,198	-	4,658	-
Industrial Transportation							
Pakistan International Bulk Terminal Limited	Unrated	435,500	604,000	9,998	15,597	12,181	14,912
				682,716	608,691	621,716	512,912
				793,421	663,620	724,241	568,034

9.5.3 Particulars of investments held in shares of unlisted companies

9.5.3.1 Available-for-sale

	Number of shares held		Cost		Share holding %	Break-up / carrying value per share (Rupees)	Latest available financial statements	Name of the Chief Executive
	2015	2014	2015	2014				
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	-	10,000	2.18	24.63	31-Dec-2014*	Mr. Asif Peer
Pakistan Textile City Limited	5,000,000	5,000,000	50,000	50,000	4.00	3.38	30-Jun-2015*	Mr. Mohammad Hanif Kasbati
Techlogix International Limited	1,872,197	1,872,197	21,333	21,333	1.84	3.02	31-Dec-2014**	Mr. Kewan Qadre Khawaja / Mr. Salman Akhter (Co CEOs)
Orient Power Company (Private) Limited (Note 21.2)	22,600,000	22,600,000	226,000	226,000	5.43	20.26	30-Jun-2015*	Mr. Nadeem Baber
			347,333	357,333				

*Audited financial statements

**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	
					2015	2014	2015	2014
Commercial banks / DFIs								
Allied Bank Limited II	6 month Kibor + 0.85%	Half yearly	28-Aug-19	AA	-	13,962	-	68,157
Askari Bank Limited III	6 month Kibor + 2.5%	Half yearly	18-Nov-19	AA-	-	50,949	-	249,339
Bank Al-Falah Limited V	6 month Kibor + 1.25%	Half yearly	20-Feb-21	AA-	29,500	29,500	150,042	146,366
NIB Bank Limited	6 month Kibor + 1.15%	Half yearly	19-Jun-22	A+	35,000	30,000	173,146	147,845
Summit Bank Limited	6 month Kibor + 3.25%	Half yearly	27-Oct-18	A (SO)	10,000	10,000	51,197	42,714
Soneri Bank Limited	6 month Kibor + 1.35%	Half yearly	8-Jul-23	A+	60,000	-	293,915	-
Technology and communication								
Telecard Limited	3 month Kibor + 5.04%	Half yearly	27-May-15	Unrated	-	56,716	-	-
WorldCall Telecom Limited	6 month Kibor + 1.6%	Half yearly	7-Oct-21	Unrated	108,623	108,623	-	162,836
Personal goods								
Azgard Nine Limited	6 month Kibor + 2.4%	Half yearly	20-Sep-17	Unrated	15,000	15,000	-	2,662
Electricity								
KESC AZM Certificate	14.75%	Quarterly	3-Jul-15	AA	-	10,000	-	49,587
Miscellaneous								
Pace (Pakistan) Limited	6 month Kibor + 2%	Half yearly	15-Feb-17	Unrated	60,230	60,230	72,273	108,409
							740,573	977,915

9.5.4.2 The face value of each certificate held in listed TFCs is Rs. 5,000 (2014: Rs. 5,000) per certificate as at issue date.

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	
					2015	2014	2015	2014
Commercial banks								
Faysal Bank Limited - PPTFC	6 month Kibor + 2.25%	Half yearly	27-Dec-17	AA-	30,000	30,000	153,068	156,691
Bank Al-Falah Limited - IV	6 month Kibor + 2.5%	Half yearly	2-Dec-17	AA-	33,000	33,000	167,192	170,405

	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificates held		Market value	
					2015	2014	2015	2014
					(Rupees in '000)			
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	6,646	20,025
Pak-Libya Holding Co. (Pvt) Limited - PPTFC	3 month Kibor + 1.5%	Quarterly	23-Feb-20	AA	60,000	-	300,000	-
Chemical								
Engro Fertilizers Limited - PPTFC	6 month Kibor + 1.70%	Half yearly	18-Mar-18	AA	44,500	44,500	220,769	220,748
Agritech Limited (Note 9.5.5.2)	6 month Kibor + 1.75%	Half yearly	29-Nov-19	Unrated	20,000	20,000	-	27,819
Agritech Limited (Note 9.5.5.2)	Zero coupon	Half yearly	1-Jan-15	Unrated	4,309	4,309	-	-
Personal goods								
Nishat (Chunain) Limited - PPTFC	3 month Kibor + 2.25%	Quarterly	30-Sep-15	A	-	10,000	-	12,500
Azgard Nine Limited - III	6 month Kibor + 2.25%	Half yearly	4-Dec-17	Unrated	2,000	2,000	-	473
Azgard Nine Limited - IV	3 month Kibor + 1%	Quarterly	18-Nov-15	Unrated	5,000	5,000	-	1,744
Azgard Nine Limited - V	Zero coupon	Half yearly	31-Mar-17	Unrated	5,687	5,687	-	-
Leasing								
Security Leasing Corporation Limited	-	-	29-Jan-22	Unrated	12,000	12,000	-	-
							847,675	610,405

9.5.5.2 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 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 Sukuks

9.5.6.1 Available-for-sale

	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificates held		Market value/Cost	
					2015	2014	2015	2014
					(Rupees in '000)			
Personal Goods								
Amtex Limited	3 month Kibor + 2%	Quarterly	12-Oct-12	Unrated	22,000	22,000	20,450	20,450
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	207,466	237,940
K-Electric Limited	3 month Kibor + 2.25%	Quarterly	19-Mar-17	AA	8,000	8,000	40,717	41,400
Chemical								
Engro Fertilizers Limited	6 months Kibor +1.75%	Half yearly	9-Jul-19	AA-	-	15,800	-	80,406
Banks								
Al- Baraka Bank (Pakistan) Limited	6 months Kibor +1.25%	Half yearly	25-Sep-21	A	500	500	425,341	500,000
Miscellaneous								
Al-Razi HealthCare (Private) Limited	6 month Kibor + 2.5%	Monthly	4-Feb-21	Unrated	30,000	30,000	95,833	104,000
New Allied Electronic Industries (Private) Limited	3 month Kibor + 2.6%	Quarterly	25-Jul-12	Unrated	272,000	272,000	-	-
							789,807	984,196

9.5.6.2 The face value of each certificate held in unlisted Sukuks is Rs. 5,000 (2014: 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 (2014: Rs. 312.5) and Al-Baraka Bank (Pakistan) Limited having face value of Rs 1 million.

9.5.7 Investment in associates

9.5.7.1 The Company holds investment in ordinary shares of Rs. 10 each in the following entity:

9.5.7.2 Quoted	2015	2014	2015	2014	Holding	Break-up value per share / unit (Rupees)	Latest available unaudited financial	Name of the chief executive
	Number of shares / units		(Rupees in '000)					
Japan Power Generation Limited (JPGL) (Note 9.5.7.3 and 21.1)	30,560,189	30,560,189	122,647	122,647	19.59%	(33.38)	30-Sep-15*	Mr. Amjad Awan
Pak Oman Advantage Fund	-	27,109,000	-	262,828	-	10.39	30-Jun-15**	Mr. Adeel Ahmad Khan
Pak Oman Islamic Asset Allocation Fund	2,000,000	2,000,000	92,414	92,414	99.96%	56.08	31-Dec-15**	Mr. Adeel Ahmad Khan
Pak Oman Advantage Asset Allocation Fund	2,000,000	2,000,000	84,078	84,078	99.98%	51.59	31-Dec-15**	Mr. Adeel Ahmad Khan
Pak Oman Advantage Islamic Income Fund	1,395,374	2,003,976	65,025	92,667	72.13%	52.40	31-Dec-15**	Mr. Adeel Ahmad Khan
Pak Oman Government Securities Fund	23,660,643	5,872,795	249,000	60,000	99.09%	10.62	31-Dec-15**	Mr. Adeel Ahmad Khan
Unquoted								
Pak Oman Microfinance Bank Limited	38,470,788	38,470,788	384,708	384,708	33.40%	9.33	31-Dec-15	Mr. Munawar Suleman
			997,872	1,099,342				

**Reviewed financial statements.

* Unaudited financial statements

9.5.7.3 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.

9.5.7.4 The above associates are incorporated in Pakistan.

9.5.7.5 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 ***
(Rupees in '000)							
Assets	-	105,077	116,128	107,109	407,710	10,820,082	1,155,013
Liabilities	-	3,705	3,931	3,919	1,959	16,029,223	79,831
Total income	49,355	7,301	18,022	13,287	10,335	401,027	191,666
Profit / (loss) before taxation	38,095	1,816	11,614	7,113	11,493	(580,693)	10,260
Profit / (loss) after taxation	38,095	1,816	11,614	7,113	11,493	(580,693)	6,669

* Audited financial statements

**Reviewed financial statements.

*** Unaudited financial statements

9.5.8 Investments in Subsidiary

9.5.8	2015	2014	2015	2014	Percentage of holding	Break-up value per share / units	Latest available unaudited financial statements	Name of the chief executive
	Number of shares / units		(Rupees in '000)					
Pak Oman Asset Management Company Limited (Note 9.5.10)	356,208,200	16,830,000	398,300	168,300	95.66%	0.626	31-Dec-15	Mr. Adeel Ahmad Khan

9.5.9 Investment in Pak Oman Asset Management Company Limited 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.

9.5.10 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 (Deficit) / surplus on revaluation of held-for-trading securities	<i>Note</i>	2015	2014
		(Rupees in '000)	
Federal Government Securities			
- Market Treasury Bills		19	1,327
- Pakistan Investment Bonds		1,618	2,588
		<u>1,637</u>	<u>3,915</u>
Shares - listed		<u>(8,180)</u>	<u>193</u>
		<u>(6,543)</u>	<u>4,108</u>

10 ADVANCES

In Pakistan

Loans, cash credits, running finances, etc.		9,021,789	8,565,685
Net investment in finance leases	<i>10.3</i>	1,751,575	1,268,825
Advance against leases		8,138	6,373
Staff loans	<i>10.4</i>	126,223	123,345
Advances - Gross	<i>10.1</i>	<u>10,907,725</u>	<u>9,964,228</u>
Less: Provision for non-performing loans and advances	<i>10.6</i>	914,462	893,914
Advances - net of provision		<u>9,993,263</u>	<u>9,070,314</u>

10.1 Particulars of advances (Gross)

10.1.1 In local currency	<i>10.1.3</i>	<u>10,907,725</u>	<u>9,964,228</u>
10.1.2 In foreign currency		<u>-</u>	<u>-</u>
10.1.3 Short term (for upto one year)		3,619,297	3,718,994
Long term (for over one year)		7,288,428	6,245,234
		<u>10,907,725</u>	<u>9,964,228</u>

10.2 In accordance with Prudential Regulations 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 2015, the Company has availed total accumulated FSV benefit amounting to Rs. 99.391 million (net of tax Rs. 68.580 million). Accordingly, accumulated profit of Rs. 68.580 million (net of transfer to statutory reserves Rs. 54.864 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 are as follows:

	2015			2014		
	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	795,324	895,471	1,690,795	587,169	694,071	1,281,240
Residual value	63,784	213,736	277,520	43,679	152,218	195,897
Minimum lease payments	859,108	1,109,207	1,968,315	630,848	846,289	1,477,137
Financial charges for future periods	(114,789)	(101,951)	(216,740)	(95,052)	(113,260)	(208,312)
Present value of minimum lease payments	744,319	1,007,256	1,751,575	535,796	733,029	1,268,825

10.3.1.1 In respect of the aforementioned finance leases the Company holds an aggregate sum of Rs. 219.218 million (2014: Rs. 155.246 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 2022 and are subject to finance income at rates ranging between 8.03 to 16.11 (2014: 11.13 to 16.11) percent per annum. Maximum amount of lease outstanding as at 31 December 2015 amounts to Rs. 379 million (2014: Rs. 179 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 (2014: 5) percent per annum, while no mark-up is charged on personal loans.

10.4.1 Staff loans include an amount of Rs. NIL (2014: Rs. 10.033 million) advanced to the Company's Chief Executive.

10.5 Particulars of classification

10.5.1 Advances include Rs. 1,193.866 million (2014: Rs. 1,037.908 million) which have been placed under the non-performing status as detailed below:

	2015								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	310,823	-	310,823	75,135	-	75,135	75,135	-	75,135
Doubtful	-	-	-	-	-	-	-	-	-
Loss	883,043	-	883,043	839,327	-	839,327	839,327	-	839,327
	1,193,866	-	1,193,866	914,462	-	914,462	914,462	-	914,462
	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
	1,037,908	-	1,037,908	893,914	-	893,914	893,914	-	893,914

10.6 Particulars of provision against non-performing advances

	Note	2015			2014		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		893,914	-	893,914	938,867	-	938,867
Charge during the year		115,664	-	115,664	48,269	-	48,269
Reversal during the year		(95,116)	-	(95,116)	(93,222)	-	(93,222)
Net charge		20,548	-	20,548	(44,953)	-	(44,953)
Less: Amounts written off during the year	10.7	-	-	-	-	-	-
Closing balance		914,462	-	914,462	893,914	-	893,914

10.6.1 Particulars of provisions against non-performing advances

	2015			2014		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	914,462	-	914,462	893,914	-	893,914
In foreign currencies	-	-	-	-	-	-
	914,462	-	914,462	893,914	-	893,914

2015 2014
(Rupees in '000)

10.7 Particulars of write offs

Against provisions
Directly charged to profit and loss account

-	-
-	-
-	-

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 31 December 2015.

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	Coastal Refinery Limited Address: 10-C, Bukhari Commercial Lane 3, Phase VI, DHA, Karachi.	Lt Gen (R) Amjad Shuaib Mr. Ali Faizan Syed Mr. Ali Salman Syed Syed Ashfaq Hussain	37405-0296136-7 42301-3270649-7 42301-6981568-1 42301-4051598-3	Mr. Abdul Hamid Syed Ashfaq Hussain Syed Ashfaq Hussain Syed Sher Shah	44,595	13,753	14,957	73,305	-	13,753	15,696	29,449
2	Dewan Automotive Engineering Limited Address: Block A, 7th Floor, FTC Building, Shahrah-e-Faisal, Karachi	Mr. Haroon Iqbal Mr. Waseem-ul-Haque Ansari Mr. Manzoor Ahmed Syed Maqbool Ali Mr. Ishtiaq Ahmed Mr. Mohammad Baqar Jafferri Mr. Aziz-ul-Haque	42301-9916370-5 42000-0384884-7 42201-1209367-3 42201-7761421-7 42201-0301293-3 33202-1194635-9 42301-8514003-5	Mian M. Sharif Mr. Tehsin ul Haque Ansari Mr. Rehmat Ali Syed Mahfooz Ali Mr. Abdul Rashid Mr. Faiz Muhammad Mr. Noor-ul-Haq	6,000	5,199	10,850	22,049	-	5,199	10,850	16,049
3	Dewan Cement Limited Address: Block A, 7th Floor, FTC Building, Shahrah-e-Faisal, Karachi	Mr. Dewan Muhammad Yousuf Farooqui Syed Muhammad Anwar Mr. Haroon Iqbal Mr. Dewan Abdul Rehman Farooqui Mr. Ghazanfar Baber Siddiqui Mr. Aziz-ul-Haque Mr. Ishtiaq Ahmed	42301-6948978-9 42101-5101100-1 42301-9916370-5 42301-0862043-3 42101-4251145-9 42301-8514003-5 42201-0301293-3	Mr. Dewan M. Umer Farooque Syed Muhammad Aijaz Mian M. Sharif Mr. M. Salman Farooqui Mr. Nizam uddin Mr. Noor-ul-Haq Mr. Abdul Rashid	7,860	21,503	21,316	50,679	-	10,316	21,316	31,632
4	Marvi Pharmaceuticals (Pvt.) Ltd. Address: Plot 70, Sector 24, Korangi Industrial Area Karachi	Mr. Nizar Fazwani Ms. Samina	501-40-213808 501-089-800662	Mr. Mohammad Ali Mr. Nadir S. Fazwani	2,607	779	-	3,386	-	665	-	665
				61,062	41,234	47,123	149,419	-	29,933	47,862	77,795	

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

Note 2015 2014
(Rupees in '000)

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

Balance at beginning of the year	123,345	120,483
Loans granted during the year	43,118	33,332
Repayments	(40,240)	(30,470)
Balance at end of the year	126,223	123,345

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

Balance at beginning of the year	278,654	303,278
Loans granted during the year	-	-
Repayments	(28,024)	(24,624)
Balance at end of the year	250,630	278,654

10.8.1 376,853 401,999

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 2015.

10.9 Maximum total amount of advances including temporary advances granted during the year amounts to Rs. 404 million (2014: Rs. 421 million). The maximum amount has been calculated by reference to month end balance.

11 OPERATING FIXED ASSETS

Property and equipments	11.1	78,646	66,611
Intangible assets	11.2	115	305
Advance for capital expenditure		3,555	1,753
		82,316	68,669

11.1 Property and equipments

	Cost			Depreciation			Net book value as at 31 December 2015	Rate %
	As at 1 January 2015	Additions / (deletions) during the year	As at 31 December 2015	As at 1 January 2015	During the year / (on disposals)	As at 31 December 2015		
----- (Rupees in '000) -----								
Owned								
Office premises*	42,126	-	42,126	21,763	2,106	23,869	18,257	5
Improvements	12,805	411	13,216	8,295	1,198	9,493	3,723	20
		-			-			
Office equipments	9,943	2,356 (2,069)	10,230	8,485	510 (1,846)	7,149	3,081	20
Computer equipments	17,909	4,398 (338)	21,969	15,849	1,867 (328)	17,388	4,581	33.33
Furniture and fixtures	12,514	1,826 (1,400)	12,940	11,085	600 (995)	10,690	2,250	20
Vehicles	66,025	30,483 (24,819)	71,689	29,522	12,782 (15,429)	26,875	44,814	20
Assets subject to finance lease								
Vehicles	1,727	1,972 (1,727)	1,972	1,439	320 (1,727)	32	1,940	20
2015	163,049	41,446 (30,353)	174,142	96,438	19,383 (20,325)	95,496	78,646	
----- (Rupees in '000) -----								
	Cost			Depreciation			Net book value As at 31 December 2014	Rate %
	As at 1 January 2014	Additions / **transfers / (deletions) during the year	As at 31 December 2014	As at 1 January 2014	During the year / **transfers / (on disposals)	As at 31 December 2014		
----- (Rupees in '000) -----								
Owned								
Office premises*	42,126	-	42,126	19,657	2,106	21,763	20,363	5
Improvements	9,863	3,208 (266)	12,805	7,836	724 (265)	8,295	4,510	20
Office equipments	9,270	931 (258)	9,943	8,114	539 (168)	8,485	1,458	20
Computer equipments	18,098	1,664 (1,853)	17,909	16,246	1,456 (1,853)	15,849	2,060	33.33
Furniture and fixtures	12,593	200 (279)	12,514	10,729	635 (279)	11,085	1,429	20
Vehicles	17,788	28,218 33,342 ** (13,323)	66,025	5,635	10,910 25,045 ** (12,068)	29,522	36,503	20
Assets subject to finance lease								
Vehicles	35,069	- (33,342) **	1,727	26,139	345 (25,045) **	1,439	288	20
2014	144,807	34,221 (15,979)	163,049	94,356	16,715 (2,565)	96,438	66,611	

* 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 equipments 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							
Toyota Corolla	1,389	1,389	-	367	367	Company policy	Mr. Mohammad Shoaib (Executive)
Honda Civic	1,629	1,629	-	343	343	Company policy	Mr. Zalmi R. Khan (Executive)
Honda Civic	1,631	1,631	-	317	317	Company policy	Mr. Khurram Faizyab (Executive)
Suzuki Cultus	917	917	-	233	233	Company policy	Syed Muhammad Farhan Jaffer (Executive)
Suzuki Cultus	917	917	-	250	250	Company policy	Touseef Hayat (Executive)
Toyota Corolla	1,337	1,203	134	617	483	Company policy	Mr. Mohammad Naeem Saeed (Former Executive) (Executive)
Honda Civic	1,629	1,629	-	295	295	Company policy	Syed Mohammad Shoaib Omair (Executive)
Suzuki Cultus	970	598	372	715	343	Negotiations	M/S Auto One (3/29, Khalid Bin Waleed Road, Karachi)
Suzuki Cultus	917	917	-	233	233	Company policy	Mr. Hassan Iqbal (Executive)
Mitsubishi Lancer	969	969	-	535	535	Negotiations	Mr. Muhammad Ibrahim Khan S/O Aulia Khan CNIC No. 16202-1856939-1
Toyota Camry	1,727	1,727	-	305	305	Company policy	Mr. Noaman Abdul Majid (Executive)
	14,032	13,526	506	4,210	3,704		
Mercedes	10,715	3,035	7,680	3,840	(3,840)	As per BOD Approval	Mr. Agha Ahmed Shah (Former Chief executive officer)
Toyota Corolla	1,763	559	1,204	602	(602)		
Office Equipment	1,095	1,011	84	-	(84)		
Computer Equipments	253	253	-	-	-		
Furniture and fixtures	1,300	975	325	-	(325)		
	15,126	5,833	9,293	4,442	(4,851)		
Others	1,195	966	229	134	(95)		
	30,353	20,325	10,028	8,786	(1,242)		

11.2 Intangible assets

	Cost		As at 31 December 2015	Amortization		As at 31 December 2015	Net book value	Rate
	As at 1 January 2015	Addition during the year		As at 1 January 2015	During the year		As at 31 December 2015	
----- (Rupees in '000) -----								
Software licences	11,670	-	11,670	11,365	190	11,555	115	33.33
----- (Rupees in '000) -----								
	Cost		As at 31 December 2014	Amortization		As at 31 December 2014	Net book value	Rate
	As at 1 January 2014	Addition during the year		As at 1 January 2014	During the year		As at 31 December 2014	
----- (Rupees in '000) -----								
Software licences	11,426	244	11,670	10,791	574	11,365	305	33.33

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

	Note	2015 (Rupees in '000)	2014
Improvements		6,851	6,851
Office equipments		6,369	7,754
Computer equipments		12,675	14,146
Furniture and fixtures		8,440	9,470
Vehicles		2,494	4,854
Intangible assets		11,426	11,071
		<u>48,255</u>	<u>54,146</u>

12. DEFERRED TAX ASSETS

Deferred tax assets arising in respect of:

Provision for diminution in the value of investments	319,793	311,670
Assets subject to finance leases	10	70
Provision against other assets	-	-
Amortisation of premium on Federal Government Securities	7,281	573
Provision against non-performing advances	283,483	312,870
	<u>610,567</u>	<u>625,183</u>

Less: Deferred tax liabilities arising in respect of:

Accelerated tax depreciation allowances	204	(21)
Revaluation on investments classified as available-for-sale	(174,611)	(165,029)
Revaluation on investments classified as held-for-trading	720	(1,394)
Net investment in finance leases	(57,566)	(76,399)
Dividend receivable	-	(2,312)
	<u>(231,253)</u>	<u>(245,155)</u>
	<u>12.1 379,314</u>	<u>380,028</u>

12.1 Movement of deferred tax

1 January 2014	Recognized in		31 December 2014	Recognized in		31 December 2015
	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	233,751	77,919	-	311,670	8,123	-	319,793
Assets subject to finance leases	(1,170)	1,240	-	70	(60)	-	10
Provision against other assets	1,294	(1,294)	-	-	-	-	-
Amortisation of premium on Federal Government Securities	778	(205)	-	573	6,708	-	7,281
Provision against non-performing advances	328,603	(15,733)	-	312,870	(29,387)	-	283,483
	563,256	61,927	-	625,183	(14,616)	-	610,567

Less: deferred tax liabilities arising in respect of:

Accelerated tax depreciation allowances	601	(622)	-	(21)	225	-	204
Revaluation on investments classified as available-for-sale	52,659	-	(217,688)	(165,029)	-	(9,582)	(174,611)
Revaluation on investments classified as held-for-trading	(1,402)	8	-	(1,394)	2,114	-	720
Net Investment in finance leases	(71,622)	(4,777)	-	(76,399)	18,833	-	(57,566)
Dividend receivable	-	(2,312)	-	(2,312)	2,312	-	-
	(19,764)	(7,703)	(217,688)	(245,155)	23,484	(9,582)	(231,253)
	<u>543,492</u>	<u>54,224</u>	<u>(217,688)</u>	<u>380,028</u>	<u>8,868</u>	<u>(9,582)</u>	<u>379,314</u>

13 OTHER ASSETS	Note	2015 (Rupees in '000)	2014
Mark-up / return / interest receivable in local currency		428,704	435,238
Dividend income receivable		-	23,117
Mark-up / profit receivable on purchase of securities		107,734	111,345
Security deposits		3,938	3,913
Prepayments		10,432	9,486
Receivable against sale of investments		16,240	18,107
Taxation		19,311	50,527
Non-banking assets acquired in satisfaction of claims	13.1	32,096	32,096
Others		4,420	-
		<u>622,875</u>	<u>683,829</u>
Less: Provision held against other assets	13.2	<u>-</u>	<u>-</u>
		<u>622,875</u>	<u>683,829</u>
13.1 Market value of non-banking assets acquired in satisfaction of claims		<u>37,760</u>	<u>37,760</u>
13.2 Provision against other assets			
Opening balance		-	3,698
Charge for the year		-	5,664
Reversals		-	(3,698)
		-	1,966
Amount written off		-	(5,664)
Closing balance		<u>-</u>	<u>-</u>
14 BORROWINGS			
In Pakistan		14,479,440	8,868,730
Outside Pakistan		-	-
		<u>14,479,440</u>	<u>8,868,730</u>
14.1 Particulars of borrowings with respect to currencies			
In local currency		14,479,440	8,868,730
In foreign currencies		-	-
		<u>14,479,440</u>	<u>8,868,730</u>
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	226,709	777,096
- Financing facility for storage of agricultural produce (FFSAP)	14.3	10,031	13,375
Repurchase agreement borrowings	14.4	9,006,240	5,979,208
Long term borrowings	14.5	1,550,000	516,667
Short term running finance	14.6	187,460	112,980
		<u>10,980,440</u>	<u>7,414,230</u>
Unsecured			
Placements	14.7	799,000	1,454,500
Murabaha financing	14.8	2,700,000	-
		<u>14,479,440</u>	<u>8,868,730</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 6.25 to 10.10 (2014: 5 to 10.10) percent per annum. These are repayable within 7 years (2014: 6 years).
- 14.4** The rate of return on these repurchase agreement borrowings, maturing in January 2016 (2014: January 2015), ranges between 6.20 to 6.45 (2014: 9.5 to 10.30) percent per annum. Securities having cost of Rs 8,479.620 million (2014: Rs 5,969.243 million) have been pledged against these borrowings.
- 14.5** The rate of return on these long-term borrowings ranges from 6.83 to 7.54 (2014: 9.98 to 10.44) percent per annum. The above facilities are secured against advances receivable.
- 14.6** The rate of return on these short-term running finance facility is three months KIBOR + 0.25% (2014: three months KIBOR + 0.25%). The above facility are secured against loan and advances receivable.
- 14.7** The rates of return on these placements, maturing between January 2016 to February 2016 (2014: January 2015 to April 2015) ranges between 6.10 to 7 (2014: 9.50 to 10.15) percent per annum.
- 14.8** The rates of return on these murabaha financing, maturing in January 2016 (2014: NIL) ranges between 6.25 to 6.35 (2014: NIL) percent per annum.

15 DEPOSITS AND OTHER ACCOUNTS

2015 **2014**
(Rupees in '000)

Certificates of investment - remunerative (in local currency):

Financial institutions	985,726	2,888,748
Others	3,024,134	3,407,238
	<u>4,009,860</u>	<u>6,295,986</u>

15.1 Particular of deposits

In local currency	4,009,860	6,295,986
In foreign currency	-	-
	<u>4,009,860</u>	<u>6,295,986</u>

- 15.2** The rate of return on deposits maturing between January 2016 to May 2017 (2014: January 2015 to July 2017) ranges between 6.05 to 12 (2014: 9 to 12) 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. 5.36 million (2014: NIL).
- 15.4** These include Certificate of Investments purchased by Pak Oman Microfinance Bank Limited (associate) of the Company amounting to Rs. 536 million (2014: 733 million).

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2015			2014		
	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	431	130	301	504	16	488
Later than one year but not later than five years	1,921	249	1,672	-	-	-
	<u>2,352</u>	<u>379</u>	<u>1,973</u>	<u>504</u>	<u>16</u>	<u>488</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 7.90 (2014: 10.58) percent 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	<i>Note</i>	2015 (Rupees in '000)	2014
	Mark-up / return / interest payable in local currency		127,724	190,110
	Accrued expenses		81,559	68,151
	Staff gratuity	32.2	8,961	4,817
	Security deposits against investment in finance leases	10.3.1.1	219,218	155,246
	Payable against purchase of investments		11,566	36,259
	Others		89,242	33,665
			538,270	488,248

18 SHARE CAPITAL

18.1 Authorized Capital

2015 (Number of shares)	2014		2015	2014
1,000,000,000	1,000,000,000	Ordinary shares of Rs.10 each	10,000,000	10,000,000

18.2 Issued, subscribed and paid-up

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

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 (2014: 307,495,900) ordinary shares of the Company, while 4,100 (2014: 4,100) ordinary shares each are held by the Secretary - Economic Affairs Division, Government of Pakistan and Ministry of Commerce and Industry, Sultanate of Oman.

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 ON REVALUATION OF ASSETS - net of deferred tax

20.1 Surplus on revaluation of available-for-sale securities

Federal Government Securities			
- Pakistan Investment Bonds (PIBs)		556,031	491,538
- Ijara Sukuk		3,390	-
- Treasury Bills (T-Bills)		5	-
		559,426	491,538
Shares - listed		12,076	(13,036)
Term Finance Certificates			
- Listed		(3,491)	(30,734)
- Unlisted		4,414	10,669
		923	(20,065)
Sukuks - unlisted		(2,931)	38
		569,494	458,475
Deferred tax recognized	12	(174,611)	(165,029)
		394,883	293,446

21	CONTINGENCIES AND COMMITMENTS	Note	2015 (Rupees in '000)	2014
	Transaction related contingent liability:			
	Guarantees		-	10,000
	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
	Purchase of shares under put option		10,385	-
	Commitments for advances and net investment in finance leases		1,412,393	1,684,585
	Commitments for operating fixed assets		5,000	-
21.1	Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2014: 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		866,754	808,872
	Financial institutions		152,530	93,671
			<u>1,019,284</u>	<u>902,543</u>
	On investments in:			
	Available-for-sale securities		831,580	832,904
	Held-for-trading securities		232,689	253,808
			<u>1,064,269</u>	<u>1,086,712</u>
	On securities purchased under resale agreements		126,943	94,033
	On deposit with financial institutions		21,851	15,724
	On placements		520	17,848
	On certificate of investments		9,196	309
			<u>2,242,063</u>	<u>2,117,169</u>
23	MARK-UP / RETURN / INTEREST EXPENSED			
	On secured borrowings:			
	On securities sold under resale agreements		584,450	558,258
	Long-term borrowings		138,861	149,582
	Short-term borrowings		5,150	3,989
			<u>728,461</u>	<u>711,829</u>
	On unsecured borrowings and deposits:			
	Placements		106,164	165,015
	Murabaha financing		54,354	-
	Certificate of investments		467,317	483,908
			<u>627,835</u>	<u>648,923</u>
			<u>1,356,296</u>	<u>1,360,752</u>

24	GAIN ON SALE OF SECURITIES	<i>Note</i>	2015	2014
			(Rupees in '000)	
	Federal Government Securities			
	- Market Treasury Bills		47,232	5,656
	- Pakistan Investment Bonds		390,658	138,029
			<u>437,890</u>	<u>143,685</u>
	Term Finance Certificates and sukuk certificates		(16,329)	2,389
	Mutual funds		13,120	11,759
	Shares:			
	- Listed		183,445	96,778
	- Unlisted		-	9,102
			<u>618,126</u>	<u>263,713</u>
25	OTHER INCOME			
	Gain on sale of property and equipment		-	1,903
			<u>-</u>	<u>1,903</u>
26	ADMINISTRATIVE EXPENSES			
	Salaries, allowances and employees' benefits		221,883	188,489
	Contribution to defined contribution plan		14,375	12,216
	Charge for defined benefit plan	32.8	14,250	11,325
	Non-executive directors' fee / remuneration	34	19,028	17,897
	Chief executive's remuneration	34	75,971	33,392
	Traveling and accommodation		11,272	10,017
	Rent, rates and taxes		18,628	17,892
	Utilities		3,538	2,997
	Communications		7,789	7,289
	Professional training		2,801	1,419
	Advertisement and business promotion		1,668	347
	Membership and subscriptions		2,195	2,224
	Printing, stationery and periodicals		4,527	2,515
	Depreciation	11.1	19,383	16,715
	Amortization of intangible assets	11.2	190	574
	Auditors' remuneration	26.1	2,909	2,250
	Legal and professional charges		13,219	8,449
	Repairs and maintenance		8,998	8,211
	Transportation		10,237	13,477
	Insurance		8,713	7,552
	Finance charges on leased assets		16	140
	Entertainment and canteen expenses		3,495	2,926
	Donations	26.2	1,180	2,356
	Others		1,965	2,067
			<u>468,230</u>	<u>372,736</u>
26.1	Auditors' remuneration			
	Audit fee		508	462
	Half yearly review		177	161
	Special certifications and others		2,003	1,573
	Out of pocket expenses		221	54
			<u>2,909</u>	<u>2,250</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:

<i>Note</i>	2015	2014
	(Rupees in '000)	
The Cardiovascular Foundation	-	1,000
The Kidney Centre Post Graduation Training Institute	-	500
The Citizen Foundation	154	200
Al-Mehrab Tibbi Imdad	140	105
Burns Centre	140	105
Patients' Aid Foundation of Jinnah Post Graduate Medical Centre	550	-
	984	1,910

27 OTHER CHARGES

Fees, commission and others	34,768	16,505
Loss on sale of fixed assets	1,242	-
SBP penalties	100	1,568
	36,110	18,073

28 TAXATION

For the year

Current	357,943	215,914
Prior	23,718	-
Deferred	(8,868)	(54,224)
	372,793	161,690

28.1 Relationship between tax expense and accounting profit

Profit before taxation	975,264	545,283
Tax at the applicable rate of 32% (2014: 33%)	312,084	179,943
Tax effect due to change in tax rate	62,559	-
Tax effect of income taxed at different rate	(18,169)	(19,256)
Tax effect of capital loss / (gain) on listed shares and mutual funds	(20,229)	(11,808)
Tax effect of provision for diminution in the value of listed shares and mutual funds	13,470	14,310
Prior year	23,718	-
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge	(640)	(1,499)
	372,793	161,690

28.2 Tax contingencies

The Income tax Department has amended the deemed assessment orders for the tax years 2004, 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.

28.3 Taxation - prior

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

29 EARNINGS PER SHARE		2015	2014
Profit after taxation	<i>Rupees in '000</i>	<u>602,471</u>	<u>383,593</u>
Weighted average number of ordinary shares in issue	<i>Numbers in '000</i>	<u>615,000</u>	<u>615,000</u>
Basic and diluted earnings per share	<i>Rupees</i>	<u>0.98</u>	<u>0.62</u>

29.1 There were no convertible dilutive potential ordinary shares outstanding on 31 December 2015 and 2014.

30 CASH AND CASH EQUIVALENTS	<i>Note</i>	2015 (Rupees in '000)	2014
Cash and balances with treasury banks	6	93,725	99,912
Balances with other banks	7	1,586,956	269,173
Placements	8	-	25,000
		<u>1,680,681</u>	<u>394,085</u>

31 STAFF STRENGTH		(Number)	
Permanent		68	66
Temporary / contractual		3	6
Company's own staff strength at end of the year		<u>71</u>	<u>72</u>
Outsourced		27	26
Total staff strength		<u>98</u>	<u>98</u>

32 DEFINED BENEFIT PLAN

32.1 General Description

General description of the defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 5.12.1 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 2015 using the Projected Unit Credit Method (PUCM). The following significant assumptions were used for the actuarial valuation:

	2015 (Percent per annum)	2014
Discount rate	10.00	11.25
Expected rate of increase in salary levels	10.00	11.25
Expected rate of return on plan assets	10.00	11.25

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.

32.2 Reconciliation of amount payable to defined benefit plan	<i>Note</i>	2015 (Rupees in '000)	2014
Present value of defined benefit obligation	32.3	111,643	93,349
Fair value of plan assets	32.5	(102,682)	(88,532)
	32.4	<u>8,961</u>	<u>4,817</u>

	<i>Note</i>	2015 (Rupees in '000)	2014
32.3 Movement in the defined benefit obligation:			
Present value of obligation as at 1 January		93,349	68,821
Current service cost		14,690	11,729
Interest cost		9,730	8,842
Benefits paid		(13,721)	(1,608)
Actuarial loss on remeasurement of obligation		7,595	5,565
Present value of obligation as at 31 December		<u>111,643</u>	<u>93,349</u>
32.4 Movement in payable to defined benefit plan:			
Opening liability		4,817	4,876
Expense for the year	32.8	14,250	11,325
Other Comprehensive Income		7,343	4,583
Contributions to the fund		(17,449)	(15,967)
Closing liability		<u>8,961</u>	<u>4,817</u>
32.5 Movement in the fair value of plan assets:			
Fair value of plan assets as at 1 January		88,532	63,945
Expected return on plan assets		10,170	9,246
Contributions		17,449	15,967
Benefits paid		(13,721)	(1,608)
Actuarial gain on remeasurement of plan assets		252	982
Fair value of plan assets as at 31 December	32.7	<u>102,682</u>	<u>88,532</u>

32.6 Actual return on plan assets during the year was Rs. 10.422 million (2014: Rs. 10.228 million).

32.7 The plan assets are comprised as follows:

Particulars	<i>Note</i>	2015		2014	
		Rating	Rating	(Rupees in '000)	(Rupees in '000)
Market Treasury Bills		Unrated	Unrated	-	3,030
Pakistan Investment Bonds		Unrated	Unrated	39,086	37,827
Special Saving Certificates (SSCs)		Unrated	Unrated	60,239	46,547
Term Finance Certificates					
- WorldCall Telecom Limited		D	D	747	885
Certificate of Investments	32.7.1	Unrated	Unrated	2,223	-
Bank balance		Unrated	Unrated	387	243
				<u>102,682</u>	<u>88,532</u>
				<u>100.00</u>	<u>100.00</u>

32.7.1 These include Certificate of Investment held with the Company. These carry mark-up at rates ranging from 6.35 to 6.50 (2014: NIL) percent per annum.

	2015 (Rupees in '000)	2014
32.8 The amount recognised in the profit and loss account is as follows:		
Current service cost	14,690	11,729
Net Interest	(440)	(404)
Expected return on plan assets	-	-
Actuarial loss	-	-
	<u>14,250</u>	<u>11,325</u>

		2015	2014
		(Rupees in '000)	
32.9 Actuarial (losses) / gains			
Net unrecognised actuarial (losses) / gains as at 1 January		-	-
Actuarial loss on remeasurement of obligation	32.9.1	(7,595)	(5,565)
Actuarial (loss) / gain on remeasurement of plan assets	32.9.1	252	982
		<u>(7,343)</u>	<u>(4,583)</u>
Actuarial loss recognised in:			
Other comprehensive income		7,343	4,583
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:

	2015	2014	2015	2014
	Actuarial (loss) / gain on remeasurement of		Plan assets	
	Obligation		Plan assets	
	(Rupees in '000)		(Rupees in '000)	
Demographic assumptions	-	(156)	-	-
Financial loss	4,748	-	(2,278)	(3,176)
Experience adjustment	2,847	5,721	2,026	2,194
	<u>7,595</u>	<u>5,565</u>	<u>(252)</u>	<u>(982)</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	(10,801)	12,647
Salary growth rate	1	13,087	(11,353)

32.11 Maturity profile of defined benefit obligation

Benefit payments	2015	2014
Distribution of timing of benefit payments	(Rupees in '000)	
Years		
1	4,745	10,982
2	4,588	4,101
3	4,394	17,280
4	16,977	3,550
5	17,909	3,489
6 to 10	26,410	37,034
11 and above	357,832	369,037

32.12 The expected gratuity contribution for the next year ending 31 December 2016 works out to Rs. 16.809 million.

32.13 The average duration of the benefit obligation at 31 December 2015 is 10.50 years (2014: 12.86 years).

33 DEFINED CONTRIBUTION PLAN

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

	2015	2014
	(Rupees in '000)	
33.2 Contribution made during the year		
Contribution from the Company	14,375	12,216
Contribution from employees	14,375	12,216
	<u>28,750</u>	<u>24,432</u>

34 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Non-Executive Directors		Executives	
	2015	2014	2015	2014	2015	2014
----- (Rupees in '000) -----						
Fees / remuneration	-	-	19,028	17,897	-	-
Managerial remuneration	73,809	31,931	-	-	195,338	163,503
Charge for defined benefit plan	2,395	1,138	-	-	11,671	9,905
Contribution to defined contribution plan	2,085	1,737	-	-	12,209	10,149
Medical	763	400	-	-	-	-
Utilities	979	626	-	-	258	251
Membership fee	156	100	-	-	44	33
Others	264	335	-	-	638	597
	80,451	36,267	19,028	17,897	220,158	184,438
Number of persons	2	1	5	5	65	63

34.1 This includes an amount of Rs 30.998 million being compensation package in addition to the remuneration of Rs 40.704 million paid till 9 October 2015 to ongoing Chief Executive Officer.

34.2 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.

35 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 5.5 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 5.7.2.

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

	2015		2014	
	Book value	Fair value	Book value	Fair value
----- (Rupees in '000) -----				
Assets				
Cash and balances with treasury banks	93,725	93,725	99,912	99,912
Balances with other banks	1,586,956	1,586,956	269,173	269,173
Lendings to financial institutions	362,824	362,824	614,177	614,177
Investments	14,073,356	14,182,538	12,179,521	12,306,799
Advances	9,993,263	9,993,263	9,070,314	9,070,314
Other assets	561,036	561,036	591,720	591,720
	26,671,160	26,780,342	22,824,817	22,952,095
Liabilities				
Borrowings from financial institutions	14,479,440	14,479,440	8,868,730	8,868,730
Deposits and other accounts	4,009,860	4,009,860	6,295,986	6,295,986
Liabilities against assets subject to finance lease	1,973	1,973	488	488
Other liabilities	529,309	529,309	483,431	483,431
	19,020,582	19,020,582	15,648,635	15,648,635
	7,650,578	7,759,760	7,176,182	7,303,460

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Federal Government Securities	PKRV rates (Reuters page)
Listed securities	Market prices
Mutual funds	Net asset values
Unlisted equity investments	Break - up value as per latest available audited financial statements.

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the accounting policies of the company.

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.

35.3 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On balance sheet financial instruments

31 December 2015

Note							Fair value				Total	
	HFT	Available for sale	HTM	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3		
----- (Rupees in '000) -----												
Financial assets measured at fair value												
- Investments												
Government Securities	888,567	8,703,572	-	-	-	-	9,592,139	-	9,592,139	-	9,592,139	
Listed Term Finance Certificates	-	740,573	-	-	-	-	740,573	-	740,573	-	740,573	
Unlisted Term Finance Certificates	-	847,675	-	-	-	-	847,675	-	847,675	-	847,675	
Sukuk Certificates	-	789,807	-	-	-	-	789,807	-	789,807	-	789,807	
Listed shares	102,525	621,716	-	-	-	-	724,241	724,241	-	-	724,241	
- Associates												
Listed shares	-	-	-	-	19,864	-	19,864	121,018	-	-	121,018	
Mutual funds	-	-	-	-	490,517	-	490,517	539,798	-	-	539,798	
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks	35.3.1	-	-	-	93,725	-	-	93,725	-	-	-	
- Balances with other banks	35.3.1	-	-	-	1,586,956	-	-	1,586,956	-	-	-	
- Lending to financial instruments	35.3.1	-	-	-	362,824	-	-	362,824	-	-	-	
- Unlisted shares	35.3.1	-	242,907	-	-	-	-	242,907	-	-	-	
- Associates - unlisted shares	35.3.1	-	-	-	-	384,708	-	384,708	-	-	-	
- Subsidiary - unlisted shares	35.3.1	-	-	-	-	240,925	-	240,925	-	-	-	
- Advances	35.3.1	-	-	-	9,993,263	-	-	9,993,263	-	-	-	
- Other assets	35.3.1	-	-	-	-	561,036	-	561,036	-	-	-	
		991,092	11,946,250	-	12,036,768	1,697,050	-	26,671,160	1,385,057	11,970,194	-	13,355,251
Financial liabilities not measured at fair value												
- Borrowings from financial institutions	35.3.1	-	-	-	-	-	14,479,440	14,479,440	-	-	-	
- Deposits and other accounts	35.3.1	-	-	-	-	-	4,009,860	4,009,860	-	-	-	
- Liabilities against assets subject to finance lease	35.3.1	-	-	-	-	-	1,973	1,973	-	-	-	
- Other liabilities	35.3.1	-	-	-	-	-	529,309	529,309	-	-	-	
		-	-	-	-	-	19,020,582	19,020,582	-	-	-	
		991,092	11,946,250	-	12,036,768	1,697,050	(19,020,582)	7,650,578	1,385,057	11,970,194	-	13,355,251

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On balance sheet financial instruments

		31 December 2014											
		Fair value											
Note	HFT	Available for sale	HTM	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total		
----- (Rupees in '000) -----													
Financial assets measured at fair value													
- Investments													
	Government Securities	658,781	7,113,460	-	-	-	7,772,241	-	7,772,241	-	7,772,241		
	Listed Term Finance Certificates	-	977,915	-	-	-	977,915	-	977,915	-	977,915		
	Unlisted Term Finance Certificates	-	610,405	-	-	-	610,405	-	610,405	-	610,405		
	Sukuk Certificates	-	984,196	-	-	-	984,196	-	984,196	-	984,196		
	Listed shares	55,122	512,912	-	-	-	568,034	568,034	-	-	568,034		
- Associates													
	Listed shares	-	-	-	-	19,864	19,864	105,433	-	-	105,433		
	Mutual funds	-	-	-	-	591,987	591,987	658,702	-	-	658,702		
Financial assets not measured at fair value													
	- Cash and bank balances with treasury banks	35.3.1	-	-	99,912	-	99,912	-	-	-	-		
	- Balances with other banks	35.3.1	-	-	269,173	-	269,173	-	-	-	-		
	- Lending to financial instruments	35.3.1	-	-	614,177	-	614,177	-	-	-	-		
	- Unlisted shares	35.3.1	-	258,765	-	-	258,765	-	-	-	-		
	- Associates - unlisted shares	35.3.1	-	-	-	384,708	384,708	-	-	-	-		
	- Subsidiary - unlisted shares	35.3.1	-	-	-	11,406	11,406	-	-	-	-		
	- Advances	35.3.1	-	-	9,070,314	-	9,070,314	-	-	-	-		
	- Other assets	35.3.1	-	-	-	591,720	591,720	-	-	-	-		
			713,903	10,457,653	-	10,053,576	1,599,685	-	22,824,817	1,332,169	10,344,757	-	11,676,926
Financial liabilities not measured at fair value													
	- Borrowings from financial institutions	35.3.1	-	-	-	-	8,868,730	8,868,730	-	-	-	-	
	- Deposits and other accounts	35.3.1	-	-	-	-	6,295,986	6,295,986	-	-	-	-	
	- Liabilities against assets subject to finance lease	35.3.1	-	-	-	-	488	488	-	-	-	-	
	- Other liabilities	35.3.1	-	-	-	-	483,431	483,431	-	-	-	-	
			-	-	-	-	15,648,635	15,648,635	-	-	-	-	
			713,903	10,457,653	-	10,053,576	1,599,685	(15,648,635)	7,176,182	1,332,169	10,344,757	-	11,676,926

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

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) -----		
2015			
Total income	15,026	1,989,646	1,027,363
Total expenses	73,365	1,147,109	836,297
Net (loss) / income	(58,339)	842,537	191,066
Segment assets (gross)	-	18,061,190	11,305,332
Segment non-performing advances	-	-	1,193,866
Investments provided for	-	1,773,913	-
Segment provision required *	-	1,257,431	914,462
Segment liabilities	-	11,528,129	7,501,414
Segment return on net assets (%)	-	15.97%	6.61%
Segment return on assets (ROA) (%)	-	5.01%	1.84%
Segment cost of funds (%)	-	5.50%	5.64%
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%

* 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

Japan Power Generation Limited
Pak Oman Microfinance Bank Limited
Pak Oman Advantage Fund
Pak Oman Advantage Islamic Income Fund
Pak Oman Islamic Asset Allocation Fund
Pak Oman Advantage Asset Allocation Fund
Pak Oman Government Securities Fund

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	2015				2014			
	As at 1 January 2015	Given during the year	Repaid during the year	As at 31 December 2015	As at 1 January 2014	Given during the year	Repaid during the year	As at 31 December 2014
----- (Rupees in '000) -----								
Investments								
Subsidiary	168,300	230,000	-	398,300	168,300	-	-	168,300
Associates	1,099,342	193,500	(294,970)	997,872	955,842	143,500	-	1,099,342
Other related parties	226,000	-	-	226,000	226,000	-	-	226,000
	<u>1,493,642</u>	<u>423,500</u>	<u>(294,970)</u>	<u>1,622,172</u>	<u>1,350,142</u>	<u>143,500</u>	<u>-</u>	<u>1,493,642</u>
Advances								
Associates	68,200	-	-	68,200	68,200	-	-	68,200
Key Management personnel	49,859	19,973	(20,607)	49,225	63,303	5,246	(18,690)	49,859
Other related parties	210,454	-	(28,025)	182,429	235,078	-	(24,624)	210,454
	<u>328,513</u>	<u>19,973</u>	<u>(48,632)</u>	<u>299,854</u>	<u>366,581</u>	<u>5,246</u>	<u>(43,314)</u>	<u>328,513</u>
Deposits								
Associates	732,747	592,926	(789,747)	535,926	575,747	1,530,568	(1,373,568)	732,747
Key Management personnel	4,988	19,198	(22,037)	2,149	11,311	39,469	(45,792)	4,988
Retirement benefit funds	-	36,555	(31,197)	5,358	10,018	5,898	(15,916)	-
	<u>737,735</u>	<u>648,679</u>	<u>(842,981)</u>	<u>543,433</u>	<u>597,076</u>	<u>1,575,935</u>	<u>(1,435,276)</u>	<u>737,735</u>
							2015	2014
							(Rupees in '000)	
Dividend receivable from								
Other related party							-	22,600
Other payable								
Gratuity fund							8,961	4,817
Mark-up income								
Key management personnel							2,471	2,560
Other related parties							21,317	28,858
Dividend income								
Associates							71,874	51,610
Other related parties							33,900	22,600
Mark-up expense on deposits								
Associates							50,236	63,785
Key management personnel							379	931
Retirement benefit fund							589	364
Expenses for the year								
Remuneration to key management personnel							171,693	114,653
Non-executive director's fee / remuneration							19,028	17,897
Charge for defined contribution plan							14,375	12,216
Charge for defined benefit plan							14,250	11,325
Other comprehensive income								
Remeasurement of defined benefit obligation							7,343	4,583
Outright sale of Government Securities								
Subsidiary							277,381	-
Associates							10,840	-
Key management personnel							-	4,037
Retirement benefit fund							439,787	145,316
Outright purchase of Government Securities								
Subsidiary							79,467	-
Retirement benefit fund							425,697	80,968
Capital gain on Government Securities								
Associates							93	-
Retirement benefit fund							81	185
Capital gain on Mutual Funds								
Associates							13,120	-

38 CAPITAL ADEQUACY

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 2015.

38.2 The Company's CAR as at 31 December 2015 was 35.62% 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 35.62% 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	2015	2014
		(Rupees in '000)	
		Amount	Amount
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	843,304	722,810
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	776,899	545,915
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	7,770,203	7,418,725
10	Total regulatory adjustments applied to CET1 (Note 38.3.1)	631,839	1,044,930
11	Common Equity Tier 1	7,138,364	6,373,795
	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)	460,474	786,342
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)	7,138,364	6,373,795
	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)	-	
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	221,134	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)	340,804	507,136
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)	7,138,364	6,373,795
39	Total Risk Weighted Assets (RWA) {for details refer Note 38.6}	20,039,488	20,448,383
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	CET1 to total RWA	35.62%	31.17%
41	Tier-1 capital to total RWA	35.62%	31.17%
42	Total capital to total RWA	35.62%	31.17%
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	6.0%	5.5%
49	Tier 1 minimum ratio	7.5%	7.0%
50	Total capital minimum ratio	10.25%	10.0%

(Rupees in '000)

Regulatory Adjustments and Additional Information		Amount	Amounts subject to Pre- Basel III treatment*	Amount	Amounts subject to Pre- Basel III treatment*
Note 38.3.1	Common Equity Tier 1 capital: Regulatory adjustment:				
1	Goodwill (net of related deferred tax liability)				
2	All other intangibles (net of any associated deferred tax liability)	115		305	
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	-			
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
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
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)				
15	Amount exceeding 15% threshold		1,371,192		1,276,737
16	of which: significant investments in the common stocks of financial entities				842,981
17	of which: deferred tax assets arising from temporary differences		1,371,192		433,756
18	National specific regulatory adjustments applied to CET1 capital				
19	Investments in TFCs of other banks exceeding the prescribed limit	171,250	171,250	219,286	219,286
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	460,474		786,342	
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	631,839		1,044,930	

Note 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-BaseI III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	340,804		443,536	
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	119,670		342,806	24,554
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	460,474		786,342	

Note 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-BaseI III treatment which, during transitional period, remain subject to deduction from tier-2 capital	340,804		443,536	
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
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)	340,804		507,136	

2015

2014

(Rupees in '000)

Additional Information		Amount	Amount
Note 38.3.4	Risk Weighted Assets subject to pre-BaseI III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-BaseI 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	-	-

Capital Structure Reconciliation

Table: 38.4.1		Balance sheet of the published financial statements	Under regulatory scope of consolidation
(in thousand PKR)		As at period end	As at period end
Assets	(1)	(2)	(3)
Cash and balances with treasury banks		93,725	93,725
Balanced with other banks		1,586,956	1,586,956
Lending to financial institutions		362,824	362,824
Investments		14,073,356	14,073,356
Advances		9,993,263	9,993,263
Operating fixed assets		82,316	82,316
Defered tax assets		379,314	379,314
Other assets		622,875	622,875
Total assets		27,194,629	27,194,629
Liabilities & Equity			
Bills payable		-	-
Borrowings		14,479,440	14,479,440
Deposits and other accounts		4,009,860	4,009,860
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		1,973	1,973
Defered tax liabilities		-	-
Other liabilities		538,270	538,270
Total liabilities		19,029,543	19,029,543
Share capital/ Head office capital account		6,150,000	6,150,000
Reserves		843,304	843,304
Unappropriated/ Unremittd profit/ (losses)		776,899	776,899
Minority Interest		-	-
Surplus on revaluation of assets		394,883	394,883
Total liabilities & equity		27,194,629	27,194,629

Table: 38.4.2		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
Assets	(1)	(2)	(3)	(4)
Cash and balances with treasury banks		93,725	93,725	
Balanced with other banks		1,586,956	1,586,956	
Lending to financial institutions		362,824	362,824	
Investments		14,073,356	14,073,356	
<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		9,993,263	9,993,263	
<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		82,316	82,316	
Defered Tax Assets		610,567	610,567	
<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		622,875	622,875	
<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		27,425,882	27,425,882	
Liabilities & Equity				
Bills payable		-	-	
Borrowings		14,479,440	14,479,440	
Deposits and other accounts		4,009,860	4,009,860	
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		1,973	1,973	
Defered tax liabilities		231,253	231,253	
<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		538,270	538,270	
Total liabilities		19,260,796	19,260,796	
Share capital		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
Reserves		843,304	843,304	
<i>of which: portion eligible for inclusion in CET1(provide breakup)</i>		843,304	843,304	u
<i>of which: portion eligible for inclusion in Tier 2</i>				v
Unappropriated profit/ (losses)		776,899	776,899	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		394,883	394,883	
<i>of which: Revaluation reserves on Fixed Assets</i>				
<i>of which: Unrealized Gains/Losses on AFS</i>		394,883	394,883	aa
<i>In case of Deficit on revaluation (deduction from CET1)</i>				ab
Total liabilities & Equity		27,425,882	27,425,882	

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
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,150,000
2	Balance in Share Premium Account	- (s)
3	Reserve for issue of Bonus Shares	-
4	General/ Statutory Reserves	843,304 (u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-
6	Unappropriated/unremitted profits/ (losses)	776,899 (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)	115 (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)	- (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)	- (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	171,250
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	460,474
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	631,839
31	Common Equity Tier 1	7,138,364
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	340,804
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	119,670
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	460,474
46	Additional Tier 1 capital	-
47	Additional Tier 1 capital recognized for capital adequacy	-
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	7,138,364
Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	- (n)
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	-
56	of which: Unrealized Gains/Losses on AFS	221,134 portion of (aa)
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)	- (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)	-
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)	7,138,364

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	
	2015	2014	2015	2014
<i>Credit Risk</i>				
----- (Rupees in '000) -----				
On-Balance sheet				
<u>Portfolios subject to standardized approach</u> (Simple or Comprehensive)				
Public Sector entities	3,595	6,154	35,949	61,541
Banks	137,575	33,259	1,375,751	332,585
Corporate	853,205	725,654	8,532,049	7,256,535
Retail	1,016	891	10,163	8,905
Residential Mortgages	3,944	3,902	39,436	39,015
Past Due loans	25,755	10,858	257,546	108,581
Operating Fixed Assets	8,220	6,836	82,201	68,364
Other assets	157,116	163,390	1,571,160	1,633,897
Off-Balance sheet				
Non-market related	96,280	110,252	962,801	1,102,520
Equity Exposure Risk in the Banking Book	133,465	204,505	1,334,653	2,045,048
Total Credit Risk	1,420,171	1,265,701	14,201,709	12,656,991
<i>Market Risk</i>				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	192,757	372,233	2,409,458	4,652,915
Equity position risk	115,879	109,863	1,448,488	1,373,292
Total Market Risk	308,636	482,096	3,857,946	6,026,207
<i>Operational Risk</i>				
<u>Capital Requirement for operational risks</u>	158,387	141,215	1,979,833	1,765,185
TOTAL	1,887,194	1,889,012	20,039,488	20,448,383
Capital Adequacy Ratios				
	2015		2014	
	Required	Actual	Required	Actual
CET1 to total RWA	10.00%	35.62%	10.00%	31.17%
Tier-1 capital to total RWA	10.00%	35.62%	10.00%	31.17%
Total capital to total RWA	10.00%	35.62%	10.00%	31.17%
Leverage Ratio	3.00%	24.68%	3.00%	24.02%

39. RISK MANAGEMENT

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	2015			2014		
		Amount Outstanding	Deduction CRM*	Net amount	Amount Outstanding	Deduction CRM*	Net amount
----- (Rupees in '000) -----							
Corporate	0	-	-	-	-	289,177	289,177
	1	876,589	362,824	1,239,413	200,000	-	200,000
	2	3,754,116	(292,824)	3,461,292	3,537,525	(289,177)	3,248,348
	3-4	-	-	-	286,250	-	286,250
	5-6	92,723	-	92,723	-	-	-
	Unrated	1,451,898	(70,000)	1,381,898	4,473,170	-	4,473,170
		<u>6,175,326</u>	<u>-</u>	<u>6,175,326</u>	<u>8,496,945</u>	<u>-</u>	<u>8,496,945</u>
Banks	0	-	-	-	-	100,000	100,000
	1	1,957,259	-	1,957,259	294,173	(100,000)	194,173
	2-3	1,768,598	-	1,768,598	587,500	-	587,500
	4-5	100,000	-	100,000	-	-	-
	Unrated	-	-	-	-	-	-
		<u>3,825,857</u>	<u>-</u>	<u>3,825,857</u>	<u>881,673</u>	<u>-</u>	<u>881,673</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

	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Financial institution	1,627,161	14.92	985,926	24.59	-	-
Textile	1,763,625	16.17	-	-	479,430	27.80
Transportation and communication	483,553	4.43	116,250	2.90	180,953	10.49
Power	1,219,465	11.18	-	-	372,226	21.58
Electronics	82,344	0.75	-	-	-	-
Food and beverage	829,473	7.60	-	-	-	-
Services	677,287	6.21	145,000	3.62	-	-
Engineering and allied products	259,149	2.38	-	-	50,000	2.90
Chemical and pharmaceuticals	165,820	1.52	-	-	35,000	2.03
Automobiles	113,309	1.04	-	-	-	-
Fuel and energy	927,098	8.50	-	-	308,000	17.86
Construction	467,162	4.28	-	-	-	-
Cement	-	-	-	-	-	-
Sugar	1,146,652	10.51	-	-	200,000	11.60
Paper and board /packaging	400,916	3.68	-	-	-	-
Healthcare	240,000	2.20	-	-	-	-
Individual	126,223	1.16	616,090	15.36	-	-
Others	378,488	3.47	2,146,594	53.53	98,895	5.74
	10,907,725	100.00	4,009,860	100.00	1,724,504	100.00

	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
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

39.2.2 Segment by sector

	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	391,299	3.59	640,000	15.96	-	-
Private	10,516,426	96.41	3,369,860	84.04	1,724,504	100.00
	10,907,725	100.00	4,009,860	100.00	1,724,504	100.00

	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
	9,964,228	100.00	6,295,986	100.00	3,194,247	100.00

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

	2015		2014	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	----- (Rupees in '000) -----			
Automobile	113,309	113,309	158,633	158,633
Cement	-	-	7,860	7,860
Textile	414,019	399,330	428,060	377,027
Chemical and pharmaceuticals	29,486	27,082	32,093	27,889
Construction	55,250	53,675	55,250	53,675
Engineering and allied products	68,073	68,073	74,073	74,073
Electronics	50,000	25,452	50,000	13,178
Fuel and energy	268,516	81,016	84,194	84,194
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
Services	12,437	3,109	-	-
Others	92,981	54,121	57,950	8,090
	1,193,866	914,462	1,037,908	893,914

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

	2015		2014	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	----- (Rupees in '000) -----			
Public / Government	-	-	-	-
Private	1,193,866	914,462	1,037,908	893,914
	1,193,866	914,462	1,037,908	893,914

39.2.5 Geographical segment analysis

	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
Pakistan	975,264	27,192,233	8,165,086	1,724,504
Middle East	-	2,396	-	-
	975,264	27,194,629	8,165,086	1,724,504

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 repricing 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.

Interest Rate Risk in Banking Book (Economic Approach)

S.No	Time Bands	Assets/Liabilities	Duration	Interest Rate	Duration	Interest Rate
			(Middle of time band)	Shock	Weighting factor	Shock (Stress)
		GAP				
1	Upto 1 Month	(9,677,798)	0.05%	4,839	0.08%	7,742
2	1 to 3 Months	4,494,498	0.20%	(8,989)	0.32%	(14,382)
3	3 to 6 Months	3,244,241	0.45%	(14,599)	0.72%	(23,359)
4	6 to 12 Months	1,138,999	0.90%	(10,251)	1.43%	(16,288)
5	1 to 2 Years	(228,219)	1.50%	3,423	2.77%	6,322
6	2 to 3 Years	2,017,576	2.50%	(50,439)	4.49%	(90,589)
7	3 to 4 Years	618,545	3.50%	(21,649)	6.14%	(37,979)
8	4 to 5 Years	547,389	4.50%	(24,633)	7.71%	(42,204)
9	5 to 7 Years	3,202,936	6.00%	(192,176)	10.15%	(325,098)
10	7 to 10 Years	25,293	8.50%	(2,150)	13.26%	(3,354)
11	Over 10 Years	23,029	12.50%	(2,879)	17.84%	(4,108)
		5,406,489		(319,503)		(543,297)

Interest Rate Risk in Banking Book (Earning Approach)

S.No	Time Bands	Assets/Liabilities	Duration	Interest Rate	Duration	Interest Rate
			(Middle of time band)	Shock	Weighting factor	Shock (Stress)
		GAP				
1	Upto 1 Month	(9,677,798)	0.05%	4,839	0.08%	7,742
2	1 to 3 Months	4,494,498	0.20%	(8,989)	0.32%	(14,382)
3	3 to 6 Months	3,244,241	0.45%	(14,599)	0.72%	(23,359)
4	6 to 12 Months	1,138,999	0.90%	(10,251)	1.43%	(16,288)
5	1 to 2 Years	(228,219)	1.50%	3,423	2.77%	6,322
		(1,028,279)		(25,577)		(39,965)

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	27,194,239	19,029,543	-	8,164,696
United States Dollar	71	-	-	71
Omani Riyal	319	-	-	319
	27,194,629	19,029,543	-	8,165,086

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 2015

	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 months 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
----- (Rupees in '000) -----												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		93,725	-	-	-	-	-	-	-	-	-	93,725
Balances with other banks	7.10%	1,586,956	1,435,031	150,000	-	-	-	-	-	-	-	1,925
Lending to financial institutions	6.77%	362,824	362,824	-	-	-	-	-	-	-	-	-
Investments	8.02%	14,073,356	852,844	1,411,278	641,948	2,251,026	205,386	2,309,831	1,110,572	3,187,309	-	2,103,162
Advances	8.95%	9,993,263	1,876,549	4,516,911	3,105,007	93,954	151,083	81,869	76,436	54,875	23,029	13,550
Other assets		561,036	-	-	-	-	-	-	-	-	-	561,036
		<u>26,671,160</u>	<u>4,527,248</u>	<u>6,078,189</u>	<u>3,746,955</u>	<u>2,344,980</u>	<u>356,469</u>	<u>2,391,700</u>	<u>1,187,008</u>	<u>3,242,184</u>	<u>23,029</u>	<u>2,773,398</u>
Liabilities												
Borrowings from financial institutions	6.38%	14,479,440	12,496,165	460,309	180,441	360,355	574,362	373,771	20,082	13,955	-	-
Deposits and other accounts	6.80%	4,009,860	1,708,857	1,123,333	322,198	845,472	10,000	-	-	-	-	-
Liabilities against assets subject to finance leases	7.91%	1,973	24	49	75	154	326	353	992	-	-	-
Other liabilities		529,309	-	-	-	-	-	-	-	-	-	529,309
		<u>19,020,582</u>	<u>14,205,046</u>	<u>1,583,691</u>	<u>502,714</u>	<u>1,205,981</u>	<u>584,688</u>	<u>374,124</u>	<u>21,074</u>	<u>13,955</u>	<u>-</u>	<u>529,309</u>
On-balance sheet gap		<u>7,650,578</u>	<u>(9,677,798)</u>	<u>4,494,498</u>	<u>3,244,241</u>	<u>1,138,999</u>	<u>(228,219)</u>	<u>2,017,576</u>	<u>1,165,934</u>	<u>3,228,229</u>	<u>23,029</u>	<u>2,244,089</u>
Non-Financial assets		523,469										
Non-Financial liabilities		8,961										
Total Net Assets		<u>8,165,086</u>										
Total yield/profit risk sensitivity gap			<u>(9,677,798)</u>	<u>4,494,498</u>	<u>3,244,241</u>	<u>1,138,999</u>	<u>(228,219)</u>	<u>2,017,576</u>	<u>1,165,934</u>	<u>3,228,229</u>	<u>23,029</u>	
Cumulative yield/profit risk sensitivity gap			<u>(9,677,798)</u>	<u>(5,183,300)</u>	<u>(1,939,059)</u>	<u>(800,060)</u>	<u>(1,028,279)</u>	<u>989,297</u>	<u>2,155,231</u>	<u>5,383,460</u>	<u>5,406,489</u>	

Mismatch of interest rate sensitive assets and liabilities as at 31 December 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 months 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
	----- (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	19,453	11,873
Other assets	591,720	-	-	-	-	-	-	-	-	-	591,720
	22,824,817	3,047,160	6,074,692	2,579,313	578,013	672,392	1,242,474	2,789,849	3,272,799	19,453	2,548,672
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
	15,648,635	7,802,746	3,932,629	1,731,598	1,151,039	220,422	180,554	139,987	6,229	-	483,431
On-balance sheet gap	7,176,182	(4,755,586)	2,142,063	847,715	(573,026)	451,970	1,061,920	2,649,862	3,266,570	19,453	2,065,241
Non - financial assets	540,806										
Non - financial liabilities	4,817										
Total Net Assets	7,712,171										
Total yield/profit risk sensitivity gap		(4,755,586)	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		(4,755,586)	(2,613,523)	(1,765,808)	(2,338,834)	(1,886,864)	(824,944)	1,824,918	5,091,488	5,110,941	

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.

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 years	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	-	-
	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	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
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									

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.

Maturities of assets and liabilities as at 31 December 2014

	Total	2014								
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months 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
----- (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	-	-
	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	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
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									

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, Standard Chartered Bank (Pakistan) Limited and Pakistan Mobile Communications 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 20 February 2016 have:

- proposed 6% cash dividend amounting to Rs. 369 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 20 February 2016 by the Board of Directors of the Company.

kmh



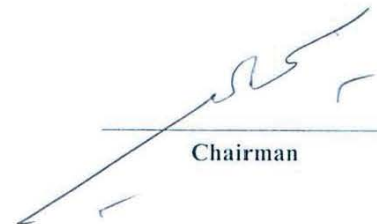
Chief Financial Officer



Managing Director
and Chief Executive



Managing Director
and Chief Executive



Chairman



KPMG Taseer Hadi & Co.
Chartered Accountants

**Pak Oman Investment Company
Limited**

**Consolidated Financial
Statements**

For the Year ended
31 December 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 consolidated financial statements comprising consolidated statement of financial position of **Pak Oman Investment Company Limited** and its subsidiary company (the Group) as at 31 December 2015 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 (Subsidiary Company) which were reviewed by other firm of auditor 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 auditor. 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 31 December 2015 and the results of their operations for the year then ended.

Date: 20 February 2016


Karachi

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

Pak-Oman Investment Company Limited
 Consolidated Statement of Financial Position
 As at 31 December 2015

2015 (US Dollar in '000)	2014 (US Dollar in '000)		Note	2015 (Rupees in '000)	2014 (Rupees in '000)
ASSETS					
895	954	Cash and balances with treasury banks	6	93,746	99,935
16,581	2,574	Balances with other banks	7	1,736,674	269,621
3,464	5,864	Lendings to financial institutions	8	362,824	614,177
132,675	116,698	Investments	9	13,896,511	12,223,083
95,439	86,598	Advances	10	9,996,425	9,070,314
794	665	Operating fixed assets	11	83,174	69,705
3,156	3,104	Deferred tax assets	12	330,528	325,115
6,224	6,785	Other assets	13	651,938	710,553
<u>259,228</u>	<u>223,242</u>			<u>27,151,820</u>	<u>23,382,503</u>
LIABILITIES					
-	-	Bills payable		-	-
138,240	84,673	Borrowings	14	14,479,440	8,868,730
38,284	60,110	Deposits and other accounts	15	4,009,860	6,295,986
-	-	Sub-ordinated loans		-	-
19	5	Liabilities against assets subject to finance lease	16	1,973	488
-	-	Deferred tax liabilities		-	-
5,235	4,742	Other liabilities	17	548,402	496,589
<u>181,778</u>	<u>149,530</u>			<u>19,039,675</u>	<u>15,661,793</u>
<u>77,450</u>	<u>73,712</u>	NET ASSETS		<u>8,112,145</u>	<u>7,720,710</u>
REPRESENTED BY					
58,716	58,716	Share capital	18	6,150,000	6,150,000
8,051	6,901	Reserves	19	843,304	722,810
6,815	5,195	Unappropriated profit		713,763	544,142
<u>73,582</u>	<u>70,812</u>			<u>7,707,067</u>	<u>7,416,952</u>
97	105	Non-controlling interest	20	10,119	10,959
<u>73,679</u>	<u>70,917</u>			<u>7,717,186</u>	<u>7,427,911</u>
3,771	2,795	Surplus on revaluation of assets - net of deferred tax	21	394,959	292,799
<u>77,450</u>	<u>73,712</u>			<u>8,112,145</u>	<u>7,720,710</u>
CONTINGENCIES AND COMMITMENTS					
			22		

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

KMS



Chief Financial Officer



Managing Director
and Chief Executive



Managing Director
and Chief Executive


Chairman

Pak-Oman Investment Company Limited
Consolidated Profit And Loss Account
For the year ended 31 December 2015

2015 (US Dollar in '000)		2014			Note	2015 (Rupees in '000)		2014	
21,504	20,223			Mark-up / return / interest earned	23	2,252,317	2,118,186		
12,949	12,992			Mark-up / return / interest expensed	24	1,356,296	1,360,752		
8,555	7,231			Net mark-up / interest income		896,021	757,434		
196	(429)			Provision / (reversal) against non-performing advances	10.6	20,548	(44,953)		
1,672	2,428			Provision for diminution in the value of investments	9.3	175,106	254,262		
-	-			Bad debts written off directly		-	-		
1,868	1,999					195,654	209,309		
6,687	5,232			Net mark-up / interest income after provisions		700,367	548,125		
NON MARK-UP / INTEREST INCOME									
494	497			Fee, commission and brokerage income		51,732	52,098		
679	530			Dividend income		71,135	55,547		
-	-			Income from dealing in foreign currencies		-	-		
5,792	2,521			Gain on sale of securities	25	606,690	264,054		
(110)	2			Unrealised (loss) / gain on revaluation of investments classified as held-for-trading		(11,480)	202		
346	577			Share of profit from associates - net of tax		36,264	60,401		
7	24			Other income	26	733	2,469		
7,208	4,151			Total non mark-up / interest income		755,074	434,771		
13,895	9,383					1,455,441	982,896		
NON MARK-UP / INTEREST EXPENSES									
4,830	4,005			Administrative expenses	27	505,848	419,510		
-	19			Other provisions / write offs	13.2	-	1,966		
402	179			Other charges	28	42,122	18,728		
5,232	4,203			Total non mark-up / interest expenses		547,970	440,204		
8,663	5,180					907,471	542,692		
-	-			Extra ordinary / unusual items		-	-		
8,663	5,180			PROFIT BEFORE TAXATION		907,471	542,692		
Taxation									
3,423	2,064			- current	29	358,482	216,197		
226	4			- prior years		23,716	388		
(143)	(479)			- deferred		(14,995)	(50,121)		
3,506	1,589					367,203	166,464		
5,157	3,591			PROFIT AFTER TAXATION		540,268	376,228		
PROFIT / (LOSS) ATTRIBUTABLE TO:									
5,165	3,699			Shareholders of the holding company		541,108	387,490		
(8)	(108)			Non-controlling interest		(840)	(11,262)		
5,157	3,591					540,268	376,228		
(US \$)						(Rupees)			
0.0084	0.0060			Basic and diluted earnings per share	30	0.88	0.63		

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

KMSH



Chief Financial Officer



Managing Director
and Chief Executive



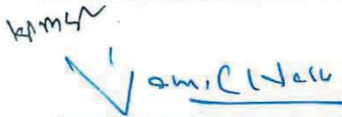
Managing Director
and Chief Executive


Chairman

Pak-Oman Investment Company Limited
 Consolidated Statement of Comprehensive Income
 For the year ended 31 December 2015

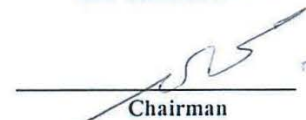
2015 (US Dollar in '000)	2014		Note	2015 (Rupees in '000)	2014
5,157	3,591	Profit after taxation		540,268	376,228
		Other comprehensive income for the year			
		Items that may be reclassified subsequently to profit and loss account			
		Items that will not be reclassified subsequently to profit and loss account:			
(70)	(44)	Remeasurement of defined benefit obligation	33.9	(7,343)	(4,583)
22	14	Related tax impact		2,350	1,512
(48)	(30)			(4,993)	(3,071)
<u>5,109</u>	<u>3,561</u>	Comprehensive income for the year transferred to equity attributable to:		<u>535,275</u>	<u>373,157</u>
5,117	3,669	Shareholders of the holding company		536,115	384,419
(8)	(108)	Non-controlling interest		(840)	(11,262)
<u>5,109</u>	<u>3,561</u>	Comprehensive income for the year transferred to equity		<u>535,275</u>	<u>373,157</u>
		Component of comprehensive income for the year not transferred to equity			
1,067	5,690	Surplus on revaluation of 'available for sale' investments		111,742	595,999
(91)	(2,078)	Related tax impact		(9,582)	(217,688)
976	3,612			102,160	378,311
<u>6,085</u>	<u>7,173</u>	Total comprehensive income		<u>637,435</u>	<u>751,468</u>

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


 Chief Financial Officer


 Managing Director
 and Chief Executive


 Managing Director
 and Chief Executive


 Chairman

Pak-Oman Investment Company Limited
Consolidated Cash Flow Statement
For the year ended 31 December 2015

2015 (US Dollar in '000)	2014 (US Dollar in '000)		Note	2015 (Rupees in '000)	2014 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES					
8,663	5,180	Profit before taxation		907,471	542,692
679	530	Less: Dividend income		71,135	55,547
7,984	4,650			836,336	487,145
Adjustments:					
189	164	Depreciation	11.1	19,821	17,214
2	5	Amortization of intangible assets	11.2	190	574
110	(2)	Unrealised gain / (loss) on revaluation of investments classified as held-for-trading		11,480	(202)
12	(24)	Loss / (gain) on sale of operating fixed assets	28 & 26	1,242	(2,469)
(346)	(577)	Share of profit from associates - net of tax		(36,264)	(60,401)
196	(429)	Provision / (reversal) against non-performing advances	10.6	20,548	(44,953)
1,672	2,428	Provision for diminution in the value of investments	9.3	175,106	254,262
-	(35)	Reversal held against other assets	13.2	-	(3,698)
8	1	Finance charges on leased assets	27	805	146
1,843	1,531			192,928	160,473
9,827	6,181			1,029,264	647,618
(Increase) / decrease in operating assets					
2,161	3,259	Lendings to financial institutions		226,353	341,344
(3,096)	4,917	Net investments in held-for-trading securities		(324,243)	514,997
(9,038)	(14,623)	Advances		(946,659)	(1,531,671)
51	(1,313)	Other assets		5,362	(137,558)
(9,922)	(7,760)			(1,039,187)	(812,888)
Increase / (decrease) in operating liabilities					
53,567	30,045	Borrowings		5,610,710	3,146,899
(21,826)	17,779	Deposits and other accounts		(2,286,126)	1,862,138
425	1,125	Other liabilities (excluding taxation)		44,470	117,929
32,166	48,949			3,369,054	5,126,966
32,071	47,370			3,359,131	4,961,696
(8)	(2)	Finance charges paid on leased assets		(805)	(194)
(3,339)	(2,036)	Income tax paid		(349,712)	(213,255)
28,724	45,332	Net cash from operating activities		3,008,614	4,748,247
CASH FLOWS FROM INVESTING ACTIVITIES					
(14,824)	(43,841)	Net investments in available-for-sale securities		(1,552,684)	(4,591,992)
1,575	(875)	Sale of / (investments in) associates		164,919	(91,698)
900	310	Dividend income received		94,252	32,430
(415)	(346)	Purchase of operating fixed assets		(43,508)	(36,243)
84	37	Sale proceeds on sale of property and equipments		8,786	3,861
(12,680)	(44,715)	Net cash used in investing activities		(1,328,235)	(4,683,642)
CASH FLOWS FROM FINANCING ACTIVITIES					
14	(49)	Investment in / (payments) of finance lease obligations		1,485	(5,117)
(2,349)	(2,349)	Dividend paid		(246,000)	(246,000)
(2,335)	(2,398)	Net cash used in financing activities		(244,515)	(251,117)
13,709	(1,781)	Increase / (decrease) in cash and cash equivalents		1,435,864	(186,512)
3,767	5,548	Cash and cash equivalents at beginning of the year		394,556	581,068
17,476	3,767	Cash and cash equivalents at end of the year	31	1,830,420	394,556

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

Amz 

Chief Financial Officer



Managing Director
and Chief Executive



Managing Director
and Chief Executive

Chairman

Pak-Oman Investment Company Limited
 Consolidated Statement Of Changes In Equity
 For the year ended 31 December 2015

	Issued, subscribed and paid-up capital	Attributable to the shareholders of the holding company ------(Reserves)-----		Unappro- priated profit	Sub total	Non- controlling interest	Total
		Statutory reserve	General reserve				
(Rupees in '000)							
Balance as at 1 January 2014	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. 0.40 per share)	-	-	-	(246,000)	(246,000)	-	(246,000)
Increase in share of non-controlling interest	-	-	-	-	-	-	-
Balance as at 31 December 2014	6,150,000	711,180	11,630	544,142	7,416,952	10,959	7,427,911
Comprehensive income							
Profit / (loss) for the year ended 31 December 2015	-	-	-	541,108	541,108	(840)	540,268
Other comprehensive income - net of tax	-	-	-	(4,993)	(4,993)	-	(4,993)
Total comprehensive income for the year	-	-	-	536,115	536,115	(840)	535,275
Transfers							
Transfer to statutory reserve - 20% of the holding company's profit for the year	-	120,494	-	(120,494)	-	-	-
Transaction with owners recognised directly in equity							
Dividend for the year ended 31 December 2014 (Re. 0.4 per share)	-	-	-	(246,000)	(246,000)	-	(246,000)
Balance as at 31 December 2015	6,150,000	831,674	11,630	713,763	7,707,067	10,119	7,717,186


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

Amr


 Chief Financial Officer


 Managing Director
 and Chief Executive


 Managing Director
 and Chief Executive


 Chairman

Pak-Oman Investment Company Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 23 July 2001. Subsequently, on 17 March 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 28 October 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 28 July 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 31 October 2006. The principal activities of the company includes investment advisory and asset management services.

1.2 The Group's associates are as follows:

Entity	Country of incorporation	Nature of business	Holding %	
			2015	2014
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
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.	96.50	72.48
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.	99.96	99.74
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	99.98
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.	99.09	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 31 December 2015 and the condensed interim financial information of the subsidiary (POAMCL) as on and for the half year ended 31 December 2015 which have only been subjected to a review but are not audited. The financial statements used for the equity accounting of associates are disclosed in Note 9.5.7.2.

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. 104.7410 to 1 US Dollar has been used for 2015 and 2014 as it was the prevalent rate as on 31 December 2015.

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 other 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 taxes and deferred 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 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

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 11 September 2002 till further instructions. Further, SECP has deferred the implementation of IFRS 7 Financial Instruments: Disclosures through SRO 411(1)/2008 dated 28 April 2008. 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 01 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 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.

The SECP through a notification no. SRO 56(1)/2016 dated 28 January 2016, directed that the requirements of consolidation under section 237 of the Companies Ordinance, 1984 and IFRS 10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust Structure. Accordingly, the aforesaid requirements have not been considered in the preparation of these consolidated financial statements.

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

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, except for the following standards, which became effective during the year:

5.1 Standards, interpretations and amendments effective in current year

- IFRS 10 'Consolidated Financial Statements' replaces the current guidance on consolidation in IAS 27 Consolidated and Separate Financial Statements. It introduces a single model of assessing control whereby an investor controls an investee when it has the power, exposure to variable returns and the ability to use its power to influence the returns of the investee. IFRS 10 also includes specific guidance on de-facto control, protective rights and the determination of whether a decision maker is acting as principal or agent, all of which influence the assessment of control. The application of IFRS 10 did not result in any investee being in control of the Group.

- IFRS 11 'Joint Arrangements' replaces IAS 31 'Interests in Joint Ventures' it requires all joint ventures to be equity accounted hereby removing the option in IAS 31 for proportionate consolidation. It also removes the IAS 31 concept to jointly controlled assets. The application of IFRS 11 did not result in identification of any associate as joint venture.
- IFRS 12 'Disclosure of Interests in Other Entities' prescribes additional disclosures around significant judgments and assumptions meet in determining whether an entity controls another entity and has joint control or significant influence over another entity. The standard also requires disclosures on the nature and risks associated with interest in unconsolidated structured entities. The application of IFRS 12 does not have an impact on the consolidated financial statements of the Group.
- IFRS 13 'Fair Value Measurement' consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exact price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 does not have an impact on the consolidated financial statements of the Group except for certain disclosures as mentioned in note 36.

5.2 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 2016:

- 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 amortization 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 the Group's consolidated financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on the Group's consolidated financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on the Group's consolidated financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on the Group's consolidated financial
- 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. The amendments are not likely to have an impact on the Group's consolidated financial statements.

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 on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. 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.

The above amendments are not likely to have an impact on the Group's consolidated financial statements.

5.3 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.

5.3.1 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.

5.4 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.

5.5 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.

5.6 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 13 July 2004, 04 August 2004 and 24 September 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.

5.7 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.

5.8 Advances and net investment in finance lease

5.8.1 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.

5.8.2 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.

5.8.3 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.

5.9 Operating fixed assets

5.9.1 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.

5.9.2 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.

5.9.3 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.

5.9.4 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.

5.10 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.

5.11 Taxation

5.11.1 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.

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

5.12 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.

5.13 Staff retirement benefits

5.13.1 Defined benefit plan

The holding company operates a funded-gratuity scheme for all its permanent employees. The scheme was established on 01 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 2015.

5.13.2 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 01 November 2002 and approved by the Commissioner of Income Tax with effect from 31 January 2003. Contributions from the holding company are charged to consolidated profit and loss account for the year.

5.13.3 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 01 July 2007 and approved by the Commissioner of Income Tax with effect from 01 May 2008. Contributions from the subsidiary company are charged to consolidated profit and loss account for the year.

5.13.4 Compensated absences

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

5.14 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.

5.15 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.

5.16 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.

5.17 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.

5.18 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.

5.19 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 31 December 2015.

5.20 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.

5.21 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.

5.22 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.

5.23 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).

	<i>Note</i>	2015 (Rupees in '000)	2014
6 CASH AND BALANCES WITH TREASURY BANKS			
Cash in hand :			
local currency		127	113
foreign currency		150	143
Balances with State Bank of Pakistan in local currency - current account	6.1	93,469	99,679
		<u>93,746</u>	<u>99,935</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 accounts		1,685	9,882
deposit accounts	7.1	1,734,749	259,219
		<u>1,736,434</u>	<u>269,101</u>

Outside Pakistan - current accounts

240	520
<u>1,736,674</u>	<u>269,621</u>

7.1 These include term deposit receipts (TDRs) of Rs. 1,350 million (2014: Rs. 250 million) maturing between January 2016 to February 2016. These carry mark-up rates ranging from 6.75 to 7.25 (2014: 10.40 to 10.75) percent per annum.

8 LENDINGS TO FINANCIAL INSTITUTIONS

Placements	8.1	-	25,000
Repurchase agreement lendings	8.2 & 8.5	362,824	389,177
Certificate of investments (COIs)	8.3	-	200,000
		<u>362,824</u>	<u>614,177</u>

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

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 6.55 to 7.25 (2014: 9.6 to 9.85) percent per annum and will mature in January 2016 (2014: January 2015).

8.3 COIs are due for maturity within NIL (2014: January 2015 to March 2015). The rate of return on COIs is NIL (2014: 10.95) percent per annum.

8.4 Particulars of lendings

In local currency	362,824	614,177
In foreign currency	-	-
	<u>362,824</u>	<u>614,177</u>

8.5 Securities held as collateral against lendings to financial institutions

	2015			2014		
	Held by the holding company	Given as collateral	Total	Held by the holding company	Given as collateral	Total
<i>Note</i>	----- (Rupees in '000) -----					
Market Treasury Bills	-	142,824	142,824	289,177	-	289,177
Pakistan Investment Bonds	-	220,000	220,000	-	100,000	100,000
8.5.1	-	<u>362,824</u>	<u>362,824</u>	289,177	100,000	<u>389,177</u>

8.5.1 Market value of the securities amounting to Rs. 370 million (2014: Rs. 393 million)

9 INVESTMENTS

		2015			2014		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
<i>Note</i>		----- (Rupees in '000) -----					
9.1 Investments by types	9.5						
Held-for-trading securities							
Pakistan Investment Bonds (PIBs)	9.4 & 9.5.1	181,573	243,056	424,629	132,289	7,815	140,104
Market Treasury Bills (T-Bills)	9.4 & 9.5.1	247,051	215,250	462,301	514,762	-	514,762
Listed ordinary shares	9.5.2.1	110,705	-	110,705	54,929	-	54,929
Term finance certificates (TFCs)	9.5.4.1	34,950	-	34,950	-	-	-
		574,279	458,306	1,032,585	701,980	7,815	709,795
Available-for-sale securities							
Pakistan Investment Bonds (PIBs)	9.4 & 9.5.1	111,455	7,513,935	7,625,390	760,494	5,861,428	6,621,922
Market Treasury Bills (T-Bills)	9.4 & 9.5.1	74,201	144,555	218,756	-	-	-
Ijara Sukuk	9.4 & 9.5.1	300,000	-	300,000	-	-	-
Listed ordinary shares	9.5.2.2	682,716	-	682,716	608,691	-	608,691
Unlisted ordinary shares	9.5.3	121,333	226,000	347,333	131,333	226,000	357,333
Term finance certificates (TFCs)	9.5.4.2 & 9.5.5.2	2,233,215	-	2,233,215	2,119,506	-	2,119,506
Sukuk certificates	9.5.6	966,619	-	966,619	1,158,039	-	1,158,039
		4,489,539	7,884,490	12,374,029	4,778,063	6,087,428	10,865,491
Associates							
	9.5.7						
Japan Power Generation Limited		-	-	-	-	-	-
Pak Oman Advantage Fund		-	-	-	301,220	-	301,220
Pak Oman Advantage Islamic Income Fund		97,832	-	97,832	106,408	-	106,408
Pak Oman Islamic Asset Allocation Fund		112,161	-	112,161	113,781	-	113,781
Pak Oman Advantage Asset Allocation Fund		103,179	-	103,179	108,140	-	108,140
Pak Oman Government Securities Fund		251,378	-	251,378	61,991	-	61,991
Pak Oman Microfinance Bank Limited		359,045	-	359,045	359,987	-	359,987
		923,595	-	923,595	1,051,527	-	1,051,527
Investments at cost		5,987,413	8,342,796	14,330,209	6,531,570	6,095,243	12,626,813
Less: Provision for diminution in the value of investments	9.3	997,273	-	997,273	866,313	-	866,313
Investments - net of provisions		4,990,140	8,342,796	13,332,936	5,665,257	6,095,243	11,760,500
(Deficit) / surplus on revaluation of held-for-trading securities	9.6	(6,701)	782	(5,919)	3,948	160	4,108
Surplus on revaluation of available-for-sale securities	21	15,335	554,159	569,494	16,384	442,091	458,475
Total investments		4,998,774	8,897,737	13,896,511	5,685,589	6,537,494	12,223,083

	Note	2015 Rupees in '000	2014
9.2 Investments by segments			
Federal Government Securities			
Pakistan Investment Bonds (PIBs)	9.4, 9.5 & 9.6	8,050,019	6,762,026
Ijara Sukuk	9.4, 9.5 & 9.6	300,000	-
Market Treasury Bills (MTBs)	9.4, 9.5 & 9.6	681,057	514,762
		9,031,076	7,276,788
Fully paid up ordinary shares			
Listed companies	9.5.2	793,421	663,620
Unlisted companies	9.5.3.1	347,333	357,333
		1,140,754	1,020,953
Term finance certificates (TFCs)			
Listed	9.5.4	1,235,453	1,370,351
Unlisted	9.5.5	1,032,712	749,155
		2,268,165	2,119,506
Sukuk certificates - unlisted	9.5.6	966,619	1,158,039
Investments in associates	9.5.7	923,595	1,051,527
Total investments at cost		14,330,209	12,626,813
Less: Provision for diminution in the value of investments	9.3	997,273	866,313
Investments - net of provisions		13,332,936	11,760,500
(Deficit) / surplus on revaluation of held-for-trading securities	9.6	(5,919)	4,108
Surplus on revaluation of available-for-sale securities	21	569,494	458,475
Total investments		13,896,511	12,223,083
9.3 Particulars of provision for diminution in the value of investments			
Opening balance		866,313	629,521
Charge for the year		264,532	271,291
Reversal for the year		(89,426)	(17,029)
		175,106	254,262
Transfer to capital gain due to disposal of relevant investments		(44,146)	(17,470)
Closing balance	9.3.1	997,273	866,313
9.3.1 Particulars of provision in respect of types and segments			
Available-for-sale securities			
Shares			
- Listed		73,076	82,743
- Unlisted		104,426	98,568
Term Finance Certificates			
- Listed		466,435	361,702
- Unlisted		179,455	149,419
Sukuk-unlisted		173,881	173,881
		997,273	866,313

9.4 The rates of return on PIBs maturing between May 2016 to July 2022 (2014: July 2015 to July 2024), range from 6.50 to 13.20 (2014: 10.80 to 13.20) percent per annum. The rates of return on Ijara Sukuk maturing in December 2018 (2014: NIL) is 5.89 (2014: NIL) percent per annum. The rates of return on market treasury bills maturing between January 2016 to September 2016 (2014: January 2015 to October 2015), range from 6.37 to 6.49 (2014: 9.96 to 9.99) 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

2015		2014	
Market Value	Rating	Market Value	Rating
(Rupees in '000)	Securities	(Rupees in '000)	Securities

9.5.1.1 Held-for-trading

Pakistan Investment Bonds (PIBs)

10 years	114,824	Unrated	142,692	Unrated
5 years	76,360	Unrated	-	-
3 years	235,063	Unrated	-	-
	426,247		142,692	

Market Treasury Bills (MTBs)

3 months	19,931	Unrated	144,730	Unrated
6 months	195,490	Unrated	-	-
12 months	246,899	Unrated	371,359	Unrated
	462,320		516,089	

9.5.1.2 Available-for-sale

Pakistan Investment Bonds (PIBs)

20 years	-	-	19,307	Unrated
15 years	466,028	Unrated	327,151	Unrated
10 years	3,904,909	Unrated	3,991,576	Unrated
5 years	1,601,972	Unrated	2,307,215	Unrated
3 years	2,208,512	Unrated	468,211	Unrated
	8,181,421		7,113,460	

Ijara Sukuk	303,390	Unrated	-	-
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Market Treasury Bills (MTBs)

6 months	19,643	Unrated	-	-
12 months	199,118	Unrated	-	-
	218,761		-	
	<u>9,592,139</u>		<u>7,772,241</u>	

9.5.2 Listed shares	Rating	No. of shares held		Cost		Market value	
		2015	2014	2015	2014	2015	2014
9.5.2.1 Held-for-trading				(Rupees in '000)			
Chemical							
Engro Corporation Limited	AA / A1+	45,500	20,000	13,782	4,232	12,712	4,430
Fauji Fertilizer Company Limited	Unrated	-	39,500	-	4,699	-	4,626
Electricity							
Kot Addu Power Company Limited	AA+/A1+	61,000	-	5,365	-	4,941	-
Cable & Electrical Goods							
Pak Elektron Limited	A/A1	225,000	-	15,541	-	14,072	-
TPL Trakker Limited	A-/A2	875,000	-	14,470	-	13,064	-
Technology and Communication							
Systems Limited	Unrated	200,000	-	13,669	-	12,606	-
Oil and Gas							
Attock Petroleum Limited	Unrated	-	3,000	-	1,597	-	1,619
Hascol Petroleum Limited	A+/A-1	70,000	-	11,124	-	10,098	-
Mari Petroleum Company Limited	Unrated	9,100	-	6,407	-	6,343	-
Oil & Gas Development Company Limited	Unrated	-	1,000	-	205	-	205
Pakistan Oilfields Limited	Unrated	-	2,000	-	975	-	759
Pakistan Petroleum Limited	Unrated	-	10,000	-	1,770	-	1,765
Construction and materials (Cement)							
Attock Cement Limited	Unrated	-	45,300	-	8,810	-	8,841
D.G.Khan Cement Company Limited	Unrated	25,000	-	3,700	-	3,690	-
Lafarge Pakistan Cement Limited	Unrated	-	500,000	-	8,673	-	8,675
Lucky Cement Limited	Unrated	50,500	-	26,647	-	24,999	-
Commercial Banks							
Faysal Bank Limited	AA / A1+	-	35,000	-	624	-	637
MCB Bank Limited	AAA / A1+	-	15,000	-	4,446	-	4,585
United Bank Limited	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
				110,705	54,929	102,525	55,122
9.5.2.2 Available-for-sale							
Construction and materials (Cement)							
Attock Cement Limited	Unrated	-	105,700	-	19,328	-	20,630
Cherat Cement Limited	A/A1	103,000	180,000	9,256	11,665	9,288	12,362
Fauji Cement Company Limited	Unrated	200,000	-	6,825	-	7,364	-
Kohat Cement Limited	Unrated	15,500	-	3,102	-	3,733	-
Lucky Cement Limited	Unrated	-	5,000	-	2,426	-	2,501
Maple Leaf Cement Factory Limited	A/A1	100,000	-	7,075	-	7,458	-
Electricity							
HUB Power Company Limited	AA+ / A1+	200,000	-	20,391	-	20,520	-
Kot Addu Power Company Limited	AA+/A1+	285,000	75,000	22,573	4,737	23,085	5,921
Lalpir Power Limited	AA / A1+	903,000	200,000	27,522	4,402	26,855	5,980
Nishat Chunian Power Limited	A-/A2	650,000	-	35,911	-	35,782	-
Nishat Power Limited	A+ / A1	402,500	750,000	22,502	34,984	21,606	34,200
Chemical							
Agriotech Limited (Note 9.5.5.2)	Unrated	1,629,911	1,629,911	57,046	57,046	15,240	12,632
Engro Corporation Limited	AA/ A1+	30,000	20,000	8,498	4,430	8,382	4,430
Engro Fertilizer Company Limited	AA-/A1+	120,000	-	10,172	-	10,096	-
Fauji Fertilizer Company Limited	Unrated	300,000	535,000	39,395	63,076	35,394	62,654
Commercial Banks							
Allied Bank Limited	AA+ / A1+	215,000	250,000	24,839	28,883	20,265	28,395
Habib Bank Limited	AAA/A1+	140,000	-	29,384	-	28,017	-
Habib Metro Bank Limited	AA+/A1+	1,000,000	-	36,407	-	30,470	-
JS Bank Limited	A+ / A1+	1,850,000	7,137,500	12,833	49,523	14,337	50,962
United Bank Limited	AA+ / A1+	315,700	10,000	50,310	1,698	48,918	1,767
Financial Services							
Next Capital Limited	Unrated	-	808,400	-	8,084	-	4,648
Refinery / Oil & Gas							
Attock Petroleum Limited	Unrated	22,050	-	11,372	-	11,138	-
Oil & Gas Development Company Limited	Unrated	50,000	201,700	9,024	53,955	5,867	41,524
Pak Refinery Limited	A-/A2	437,000	-	25,131	-	19,757	-
Pakistan Oilfield Limited	Unrated	30,000	121,000	10,553	61,617	8,040	45,902
Pakistan Petroleum Limited	Unrated	-	202,000	-	45,823	-	35,657
Pakistan State Oil Company Limited	AA+ / A1+	80,000	188,050	28,585	73,685	26,062	67,305
Sui Northern Gas Company Limited	AA+/A1	294,500	-	9,904	-	7,080	-
Sui Southern Gas Company Limited	AA-/A1	500,000	-	22,058	-	18,675	-
Paper and Board							
Century Paper & Board	A+/A1	200,500	100,000	12,503	6,553	10,263	5,421
Cherat Packaging Limited	Unrated	50,000	-	13,091	-	15,155	-
Food Producers							
Farhan Sugar Mills Limited	Unrated	-	60,000	-	2,532	-	2,369
Textile							
Nishat Mills Limited	AA/ A1+	140,000	435,900	17,649	58,647	13,282	52,740
Technology and Communication							
Systems Limited	Unrated	1,465,000	-	70,941	-	92,339	-
Equity Investments Instruments							
PICIC Growth Fund	Unrated	462,000	-	12,668	-	10,409	-
PICIC Investment Fund	Unrated	407,500	-	5,198	-	4,658	-
Industrial Transportation							
Pakistan International Bulk Terminal Limited	Unrated	435,500	604,000	9,998	15,597	12,181	14,912
				682,716	608,691	621,716	512,912
				793,421	663,620	724,241	568,034

9.5.3 Particulars of investments held in shares of unlisted companies

9.5.3.1 Available-for-sale

	Number of shares held		Cost		Share holding %	Break-up / carrying value per share (Rupees)	Latest available financial statements	Name of the Chief Executive
	2015	2014	2015 (Rupees in '000)	2014				
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	-	10,000	2.18	24.63	31-Dec-2014*	Mr. Asif Peer
Pakistan Textile City Limited	5,000,000	5,000,000	50,000	50,000	4.00	3.38	30-Jun-2015*	Mr. Mohammad Hanif
Techlogix International Limited	1,872,197	1,872,197	21,333	21,333	1.84	3.02	31-Dec-2014**	Mr. Kewan Qadre Khawaja /Mr. Salman Akhter (Co CEO)
Orient Power Company (Private) Limited (Note 21.2)	22,600,000	22,600,000	226,000	226,000	5.43	20.26	30-Jun-2015*	Mr. Nadeem Baber
			347,333	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 (Rupees in '000)	
					2015	2014	2015	2014
9.5.4.1 Held-for-trading								
Commercial bank / DFI								
Summit Bank Limited	6 month Kibor + 3.25%	Half yearly	27-Oct-18	A (SO)	5,000	-	25,600	-
9.5.4.2 Available-for-sale								
Commercial banks / DFIs								
Allied Bank Limited II	6 month Kibor + 0.85%	Half yearly	28-Aug-19	AA	-	13,962	-	68,157
Askari Bank Limited III	6 month Kibor + 2.5%	Half yearly	18-Nov-19	AA-	-	50,949	-	249,339
Bank Al-Falah Limited V	6 month Kibor + 1.25%	Half yearly	20-Feb-21	AA-	29,500	29,500	150,042	146,366
NIB Bank Limited	6 month Kibor + 1.15%	Half yearly	19-Jun-22	A+	35,000	30,000	173,146	147,845
Summit Bank Limited	6 month Kibor + 3.25%	Half yearly	27-Oct-18	A (SO)	10,000	10,000	51,197	42,714
Soneri Bank Limited	6 month Kibor + 1.35%	Half yearly	8-Jul-23	A+	60,000	-	293,915	-
Technology and communication								
Telecard Limited	3 month Kibor + 5.04%	Half yearly	27-May-15	Unrated	-	56,716	-	-
WorldCall Telecom Limited	6 month Kibor + 1.6%	Half yearly	7-Oct-21	Unrated	108,623	108,623	-	162,836
Personal goods								
Azgard Nine Limited	6 month Kibor + 2.4%	Half yearly	20-Sep-17	Unrated	15,000	15,000	-	2,662
Electricity								
KESC AZM Certificate	14.75%	Quarterly	3-Jul-15	AA	-	10,000	-	49,587
Miscellaneous								
Pace (Pakistan) Limited	6 month Kibor + 2%	Half yearly	15-Feb-17	Unrated	60,230	60,230	72,273	108,409
							766,173	977,915

9.5.4.3 The face value of each certificate held in listed TFCs is Rs. 5,000 (2014: Rs. 5,000) per certificate as at issue date.

9.5.5 Unlisted Term Finance Certificate

	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificates held		Market value/Cost	
					2015	2014	2015	2014
(Rupees in '000)								
9.5.5.1 Held-for-trading								
Askari Bank Limited	6 month Kibor + 1.20%	Half yearly	30-Sep-24	AA-	2,000	-	9,974	-
9.5.5.2 Available-for-sale								
Commercial banks								
Faysal Bank Limited - PPTFC	6 month Kibor + 2.25%	Half yearly	27-Dec-17	AA-	30,000	30,000	153,068	156,691
Bank Al-Falah Limited - IV	6 month Kibor + 2.5%	Half yearly	2-Dec-17	AA-	33,000	33,000	167,192	170,405
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	6,646	20,025
Pak-Libya Holding Co. (Pvt) Limited - PPTFC	3 month Kibor + 1.5%	Quarterly	23-Feb-20	AA	60,000	-	300,000	-
Chemical								
Engro Fertilizers Limited - PPTFC	6 month Kibor + 1.70%	Half yearly	18-Mar-18	AA	44,500	44,500	220,769	220,748
Agri Tech Limited (Note 9.5.5.3)	6 month Kibor + 1.75%	Half yearly	29-Nov-19	Unrated	20,000	20,000	-	27,819
Agri Tech Limited (Note 9.5.5.3)	Zero coupon	Half yearly	1-Jan-15	Unrated	4,309	4,309	-	-
Personal goods								
Nishat (Chunain) Limited - PPTFC	3 month Kibor + 2.25%	Quarterly	30-Sep-15	A	-	10,000	-	12,500
Azgard Nine Limited - III	6 month Kibor + 2.25%	Half yearly	4-Dec-17	Unrated	2,000	2,000	-	473
Azgard Nine Limited - IV	3 month Kibor + 1%	Quarterly	18-Nov-15	Unrated	5,000	5,000	-	1,744
Azgard Nine Limited - V	Zero coupon	Half yearly	31-Mar-17	Unrated	5,687	5,687	-	-
Leasing								
Security Leasing Corporation Limited	-	-	29-Jan-22	Unrated	12,000	12,000	-	-
							857,649	610,405

9.5.5.3 As per the terms of the Share Transfer and Debt Swap Agreement, Agritech Limited shares shall be held by the respective trustees for the TFC issues in their 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 Sukuks

9.5.6.1 Available-for-sale

	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificates held		Market value/Cost	
					2015	2014	2015	2014
(Rupees in '000)								
Personal Goods								
Amtex Limited	3 month Kibor + 2%	Quarterly	12-Oct-12	Unrated	22,000	22,000	20,450	20,450
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	207,466	237,940
K-Electric Limited	3 month Kibor + 2.25%	Quarterly	19-Mar-17	AA	8,000	8,000	40,717	41,400
Chemical								
Engro Fertilizers Limited	6 months Kibor +1.75%	Half yearly	9-Jul-19	AA-	-	15,800	-	80,406
Banks								
Al- Baraka Bank (Pakistan) Limited	6 months Kibor +1.25%	Half yearly	25-Sep-21	A	500	500	425,341	500,000
Miscellaneous								
Al-Razi HealthCare (Private) Limited	6 month Kibor + 2.5%	Monthly	4-Feb-21	Unrated	30,000	30,000	95,833	104,000
New Allied Electronic Industries (Private) Limited	3 month Kibor + 2.6%	Quarterly	25-Jul-12	Unrated	272,000	272,000	-	-
							789,807	984,196

9.5.6.2 The face value of each certificate held in unlisted Sukuks is Rs. 5,000 (2014: 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 (2014: Rs. 312.5) and Al-Baraka Bank (Pakistan) Limited having face value of Rs 1 million.

9.5.7 Investment in associates

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

	2015	2014	2015	2014	Holding	Break-up value per share / unit (Rupees)	Latest available financial statements	Name of the chief executive
	Number of shares / units		(Rupees in '000)					
9.5.7.2 Quoted								
Japan Power Generation Company Limited (JPGL) (Note 9.5.7.3 & 22.1)	30,560,189	30,560,189	-	-	19.59%	(33.38)	30-Sep-15*	Mr. Amjad Awan
Pak Oman Advantage Fund	-	27,359,000	-	301,220	-	10.39	30-Jun-15**	Mr. Adeel Ahmad Khan
Pak Oman Islamic Asset Allocation Fund	2,000,000	2,000,000	112,161	113,781	99.96%	56.08	31-Dec-15**	Mr. Adeel Ahmad Khan
Pak Oman Advantage Asset Allocation Fund	2,000,000	2,000,000	103,179	108,140	99.98%	51.59	31-Dec-15**	Mr. Adeel Ahmad Khan
Pak Oman Advantage Islamic Income Fund	1,866,994	2,003,976	97,832	106,408	96.50%	52.40	31-Dec-15**	Mr. Adeel Ahmad Khan
Pak Oman Government Securities Fund	23,660,643	5,872,795	251,378	61,991	99.09%	10.62	31-Dec-15**	Mr. Adeel Ahmad Khan
Unquoted								
Pak Oman Microfinance Bank Limited (Note 9.5.8)	38,470,788	38,470,788	359,045	359,987	33.40%	9.33	31-12-2015***	Mr. Munawar Suleman
			<u>923,595</u>	<u>1,051,527</u>				

* Unaudited financial statements

**Reviewed financial statements.

***Audited financial statement

9.5.7.3 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.

9.5.7.4 The above associates are incorporated in Pakistan.

9.5.7.5 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	-	105,077	116,128	107,109	407,710	10,820,082	1,127,183
Total income	-	3,705	3,931	3,919	1,959	16,029,223	192,527
Liabilities	49,355	7,301	18,022	13,287	10,335	401,027	52,722
Profit before taxation	38,095	1,816	11,614	7,113	11,493	(580,693)	11,471
Profit after taxation	38,095	1,816	11,614	7,113	11,493	(580,693)	5,748

* Audited financial statements

**Reviewed financial statements.

*** Unaudited financial statements

9.5.8 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	(Deficit) / surplus on revaluation of held-for-trading securities	Note	2015	2014
			(Rupees in '000)	
Federal Government Securities				
	- Market Treasury Bills		19	1,327
	- Pakistan Investment Bonds		1,618	2,588
			<u>1,637</u>	<u>3,915</u>
	Shares-listed		(8,180)	193
	Term finance certificates (TFCs) - listed		646	-
	Term finance certificates (TFCs) - unlisted		(22)	
			<u>(5,919)</u>	<u>4,108</u>
10	ADVANCES			
	In Pakistan			
	Loans, cash credit, running finance, etc. in Pakistan		9,021,789	8,565,685
	Net investment in finance leases in Pakistan	10.3	1,751,575	1,268,825
	Advance against leases		8,138	6,373
	Staff loans	10.4	129,385	123,345
			<u>10,910,887</u>	<u>9,964,228</u>
	Advances - Gross	10.1		
	Less: Provision for non-performing advances	10.6	914,462	893,914
			<u>9,996,425</u>	<u>9,070,314</u>
10.1	Particulars of advances (Gross)			
10.1.1	In local currency	10.1.3	<u>10,910,887</u>	<u>9,964,228</u>
10.1.2	In foreign currency		<u>-</u>	<u>-</u>
10.1.3	Short term (for upto one year)		3,619,297	3,718,994
	Long term (for over one year)		7,291,590	6,245,234
			<u>10,910,887</u>	<u>9,964,228</u>
10.2	In accordance with Prudential Regulations 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 2015, the holding company has availed total accumulated FSV benefit amounting to Rs. 99.391 million (net of tax Rs. 68.580 million). Accordingly, accumulated profit of Rs. 68.580 million (net of transfer to statutory reserves Rs. 54.864 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 are as follows :

	2015			2014		
	Not later than one year	Later than one and less than five	Total	Not later than one year	Later than one and less than five	Total
	----- (Rupees in '000) -----					
Lease rentals receivable	795,324	895,471	1,690,795	587,169	694,071	1,281,240
Residual value	63,784	213,736	277,520	43,679	152,218	195,897
Minimum lease payments	859,108	1,109,207	1,968,315	630,848	846,289	1,477,137
Financial charges for future periods	(114,789)	(101,951)	(216,740)	(95,052)	(113,260)	(208,312)
Present value of minimum lease payments	<u>744,319</u>	<u>1,007,256</u>	<u>1,751,575</u>	<u>535,796</u>	<u>733,029</u>	<u>1,268,825</u>

10.3.1.1 In respect of the aforementioned finance leases the Group holds an aggregate sum of Rs. 219.218 million (2014: Rs. 155.246 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 2022 and are subject to finance income at rates ranging between 8.03 to 16.11 (2014: 11.13 to 16.11) percent per annum. Maximum amount of lease outstanding as at 31 December 2015 amounts to Rs. 379 million (2014: Rs. 179 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 (2014: 5) percent per annum, while no mark-up is charged on personal loans.

10.4.1 Staff loans include an amount of Rs NIL million (2014: Rs. 10.033 million) advanced to the holding company's Chief Executive.

10.4.2 Staff loans include an amount of Rs 3.162 million (2014: NIL) provided by subsidiary company to its Chief Executive.

10.5 Particulars of classification

10.5.1 Advances include Rs. 1,193.866 million (2014: Rs. 1,037.908 million) which have been placed under the non-performing status as detailed below:

	2015								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Substandard	310,823	-	310,823	75,135	-	75,135	75,135	-	75,135
Doubtful	-	-	-	-	-	-	-	-	-
Loss	883,043	-	883,043	839,327	-	839,327	839,327	-	839,327
	<u>1,193,866</u>	<u>-</u>	<u>1,193,866</u>	<u>914,462</u>	<u>-</u>	<u>914,462</u>	<u>914,462</u>	<u>-</u>	<u>914,462</u>

	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>

10.6 Particulars of provisions against non-performing advances

	2015			2014		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	893,914	-	893,914	938,867	-	938,867
Charge during the year	115,664	-	115,664	48,269	-	48,269
Reversal during the year	(95,116)	-	(95,116)	(93,222)	-	(93,222)
Net charge / (reversal)	20,548	-	20,548	(44,953)	-	(44,953)
Less: Amounts written off during the year	-	-	-	-	-	-
Closing balance	<u>914,462</u>	<u>-</u>	<u>914,462</u>	<u>893,914</u>	<u>-</u>	<u>893,914</u>

10.6.1 Particulars of provisions against non-performing advances

	2015			2014		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	914,462	-	914,462	893,914	-	893,914
In foreign currencies	-	-	-	-	-	-
	<u>914,462</u>	<u>-</u>	<u>914,462</u>	<u>893,914</u>	<u>-</u>	<u>893,914</u>

10.7	Particulars of write offs	2015	2014
		(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 December 31, 2015.

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	Coastal Refinery Limited Address: 10-C, Bukhari Commercial Lane 3, Phase VI, DHA, Karachi.	Lt Gen (R) Amjad Shuaib Mr. Ali Faizan Syed Mr. Ali Salman Syed Syed Ashfaq Hussain	37405-0296136-7 42301-3270649-7 42301-6981568-1 42301-4051598-3	Mr. Abdul Hamid Syed Ashfaq Hussain Syed Ashfaq Hussain Syed Sher Shah	44,595	13,753	14,957	73,305	-	13,753	15,696	29,449
2	Dewan Automotive Engineering Limited Address: Block A, 7th Floor, FTC Building, Shahrab-e-Faisal, Karachi	Mr. Haroon Iqbal Mr. Waseem-ul-Haque Ansari Mr. Manzoor Ahmed Syed Maqbool Ali Mr. Ishiaq Ahmed Mr. Mohammad Baqar Jafferri Mr. Aziz-ul-Haque	42301-9916370-5 42000-0384884-7 42201-1209367-3 42201-7761421-7 42201-0301293-3 33202-1194635-9 42301-8514003-5	Mian M. Sharif Mr. Tehsin ul Haque Ansari Mr. Rehmat Ali Syed Mahfooz Ali Mr. Abdul Rashid Mr. Faiz Muhammad Mr. Noor-ul-Haq	6,000	5,199	10,850	22,049	-	5,199	10,850	16,049
3	Dewan Cement Limited Address: Block A, 7th Floor, FTC Building, Shahrab-e-Faisal, Karachi	Mr. Dewan Muhammad Yousuf Farooqui Syed Muhammad Anwar Mr. Haroon Iqbal Mr. Dewan Abdul Rehman Farooqui Mr. Ghazanfar Baber Siddiqui Mr. Aziz-ul-Haque Mr. Ishiaq Ahmed	42301-6948978-9 42101-5101100-1 42301-9916370-5 42301-0862043-3 42101-4251145-9 42301-8514003-5 42201-0301293-3	Mr. Dewan M. Umer Farooque Syed Muhammad Aijaz Mian M. Sharif Mr. M. Salman Farooqui Mr. Nizam uddin Mr. Noor-ul-Haq Mr. Abdul Rashid	7,860	21,503	21,316	50,679	-	10,316	21,316	31,632
4	Marvi Pharmaceuticals (Pvt.) Ltd. Address: Plot 70, Sector 24, Korangi Industrial Area Karachi	Mr. Nizar Fazwani Ms. Samina	501-40-213808 501-089-800662	Mr. Mohammad Ali Mr. Nadir S. Fazwani	2,607	779	-	3,386	-	665	-	665
				61,062	41,234	47,123	149,419	-	29,933	47,862	77,795	

10.8	Particulars of loans and advances to directors, associated companies etc.	2015	2014
		(Rupees in '000)	
		Note	
	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	123,345	120,483
	Loans granted during the year	46,280	33,332
	Repayments	(40,240)	(30,470)
	Balance at end of the year	<u>129,385</u>	<u>123,345</u>
	Debts due by other related parties		
	Balance at beginning of the year	278,654	303,278
	Loans granted during the year	-	-
	Repayments	(28,024)	(24,624)
	Balance at end of the year	<u>250,630</u>	<u>278,654</u>
		<u>380,015</u>	<u>401,999</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 31 December 2015.

10.9 Maximum total amount of advances including temporary advances granted during the year amounts to Rs. 404 (2014: Rs. 421) million. The maximum amount has been calculated by reference to

11	OPERATING FIXED ASSETS	2015	2014
		(Rupees in '000)	
	Property and equipments	79,504	67,647
	Intangible assets	115	305
	Advance for capital expenditure	3,555	1,753
		<u>83,174</u>	<u>69,705</u>

11.1 Property and equipments

	Cost			Depreciation			Net book	Rate
	As at 1 January 2015	Additions / (deletions) during the year	As at 31 December 2015	As at 1 January 2015	During the year/ (on disposals)	As at 31 December 2015	As at 31 December 2015	
----- (Rupees in '000) -----								
Owned								
Office premises *	42,126	-	42,126	21,763	2,106	23,869	18,257	5
Improvements	22,889	411	23,300	17,833	1,399	19,232	4,068	20
Office equipments	13,984	2,331 (2,069)	14,246	12,281	605 (1,846)	11,040	3,206	20
Computer equipments	24,379	4,635 (338)	28,676	22,205	1,968 (328)	23,845	4,831	33.33
Furniture and fixtures	15,849	1,874 (1,400)	16,323	14,304	634 (995)	13,943	2,380	20
Vehicles	66,628	30,483 (24,819)	72,292	30,110	12,789 (15,429)	27,470	44,822	20
Assets subject to finance lease								
Vehicles	1,727	1,972 (1,727)	1,972	1,439	320 (1,727)	32	1,940	20
2015	187,582	41,706 (30,353)	198,935	119,935	19,821 (20,325)	119,431	79,504	

	Cost			Depreciation			Net book	Rate
	As at 1 January 2014	**transfers / (deletions) 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
Improvements	19,947	3,208 (266)	22,889	17,171	927 (265)	17,833	5,056	20
Office equipments	13,360	956 (332)	13,984	11,840	683 (242)	12,281	1,703	20
Computer equipments	25,264	1,664 (2,549)	24,379	23,265	1,535 (2,595)	22,205	2,174	33.33
Furniture and fixtures	15,649	200	15,849	13,623	681	14,304	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	171,024	34,246 (17,688)	187,582	119,017	17,214 (16,296)	119,935	67,647	

* The transfer of title of office premises in the holding 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
Vehicles							
Toyota Corolla	1,389	1,389	-	367	367	Group's policy	Mr. Mohammad Shoaib (Executive)
Honda Civic	1,629	1,629	-	343	343	Group's policy	Mr. Zalmi R. Khan (Executive)
Honda Civic	1,631	1,631	-	317	317	Group's policy	Mr. Khurram Faizyab (Executive)
Suzuki Cultus	917	917	-	233	233	Group's policy	Syed Muhammad Farhan Jaffer
Suzuki Cultus	917	917	-	250	250	Group's policy	Touseef Hayat (Executive)
Toyota Corolla	1,337	1,203	134	617	483	Group's policy	Mr. Mohammad Naem Saeed (Former Executive) (Executive)
Honda Civic	1,629	1,629	-	295	295	Group's policy	Syed Mohammad Shoaib Omair (Executive)
Suzuki Cultus	970	598	372	715	343	Negotiations	M/S Auto One (3/29, Khalid bin waleed road, karachi)
Suzuki Cultus	917	917	-	233	233	Group's policy	Mr. Hassan Iqbal
Mitsubishi Lancer	969	969	-	535	535	Negotiations	Mr. Muhammad Ibrahim Khan S/O Aulia Khan CNIC No. 16202-1856939-1
Toyota Camry	1,727	1,727	-	305	305	Group's policy	Mr. Noaman Abdul Majid
	14,032	13,526	506	4,210	3,704		
Mercedes	10,715	3,035	7,680	3,840	(3,840)	As per BOD Approval	Mr. Agha Ahmed Shah (Former Chief executive officer)
Toyota Corolla	1,763	559	1,204	602	(602)		
Office Equipments	1,095	1,011	84	-	(84)		
Computer Equipments	253	253	-	-	-		
Furniture and fixtures	1,300	975	325	-	(325)		
	15,126	5,833	9,293	4,442	(4,851)		
Others	1,195	966	229	134	(95)		
	30,353	20,325	10,028	8,786	(1,242)		

11.2 Intangible assets

	Cost		Amortization			Net book value		Rate
	As at 1 January 2015	Addition during the year	As at 31 December 2015	As at 1 January 2015	During the year	As at 31 December 2015	As at 31 December 2015	
	(Rupees in '000)							
Software licenses	20,081	-	20,081	19,776	190	19,966	115	33.33
	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

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

	<i>Note</i>	2015	2014
		(Rupees in '000)	
Improvements		6,851	15,929
Office equipments		6,369	11,320
Computer equipments		12,675	20,435
Furniture and fixtures		8,440	12,619
Vehicles		2,494	5,430
Intangible assets		11,426	19,483
		<u>48,255</u>	<u>85,216</u>

12 DEFERRED TAX ASSETS

Deferred tax assets arising in respect of:

Provision for diminution in the value of investments	271,007	256,757
Assets subject to finance leases	10	70
Amortisation of premium on Federal Government Securities	7,281	573
Provision against non-performing advances	283,483	312,870
	<u>561,781</u>	<u>570,270</u>

Less: Deferred tax liabilities arising in respect of:

Accelerated tax depreciation allowances	204	(21)
Revaluation on investments classified as available-for-sale	(174,611)	(165,029)
Revaluation on investments classified as held-for-trading	720	(1,394)
Net investment in finance leases	(57,566)	(76,399)
Dividend receivable	-	(2,312)
	<u>(231,253)</u>	<u>(245,155)</u>
	<i>12.1</i>	<u>330,528</u>
		<u>325,115</u>

12.1 Movement of deferred tax

1 January 2014	Recognized in		31 December 2014	Recognized in		31 December 2015
	Profit and loss account	Deficit on revaluation of available for 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	182,941	73,816	-	256,757	14,250	-	271,007
Assets subject to finance leases	(1,170)	1,240	-	70	(60)	-	10
Provision against other assets	1,294	(1,294)	-	-	-	-	-
Amortisation of premium on Federal Government securities	778	(205)	-	573	6,708	-	7,281
Provision against non-performing advances	328,603	(15,733)	-	312,870	(29,387)	-	283,483
	<u>512,446</u>	<u>57,824</u>	<u>-</u>	<u>570,270</u>	<u>(8,489)</u>	<u>-</u>	<u>561,781</u>

Less: deferred tax liabilities arising in respect of:

Accelerated tax depreciation allowances	601	(622)	-	(21)	225	-	204
Revaluation on investments classified as available-for-sale	52,659	-	(217,688)	(165,029)	-	(9,582)	(174,611)
Revaluation on investments classified as held-for-trading	(1,402)	8	-	(1,394)	2,114	-	720
Net Investment in finance leases	(71,622)	(4,777)	-	(76,399)	18,833	-	(57,566)
Dividend receivable	-	(2,312)	-	(2,312)	2,312	-	-
	<u>(19,764)</u>	<u>(7,703)</u>	<u>(217,688)</u>	<u>(245,155)</u>	<u>23,484</u>	<u>(9,582)</u>	<u>(231,253)</u>
	<u>492,682</u>	<u>50,121</u>	<u>(217,688)</u>	<u>325,115</u>	<u>14,995</u>	<u>(9,582)</u>	<u>330,528</u>

13 OTHER ASSETS	Note	2015 (Rupees in '000)	2014
Mark-up / return / interest receivable in local currency		429,515	436,914
Dividend income receivable		-	23,117
Mark-up / profit receivable on purchase of securities		107,734	111,345
Security deposits		4,237	4,188
Prepayments		13,077	10,780
Receivable against sale of investments		16,240	18,107
Taxation		39,933	70,069
Non-banking assets acquired in satisfaction of claims	13.1	32,096	32,096
Receivable from funds		4,617	3,937
Others		4,489	-
		<u>651,938</u>	<u>710,553</u>
Less: Provision held against other assets	13.2	-	-
		<u>651,938</u>	<u>710,553</u>
13.1 Market value of non-banking assets acquired in satisfaction of claims.		<u>37,760</u>	<u>37,760</u>
13.2 Provision against other assets			
Opening balance		-	3,698
Charge for the year		-	5,664
Reversals		-	(3,698)
		-	1,966
Amount written off		-	(5,664)
Closing balance		-	-
14 BORROWINGS			
In Pakistan		14,479,440	8,868,730
Outside Pakistan		-	-
		<u>14,479,440</u>	<u>8,868,730</u>
14.1 Particulars of borrowings with respect to currencies			
In local currency		14,479,440	8,868,730
In foreign currency		-	-
		<u>14,479,440</u>	<u>8,868,730</u>
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	226,709	777,096
- Financing facility for storage of agricultural produce (FFSAP)	14.3	10,031	13,375
Repurchase agreement borrowings	14.4	9,006,240	5,979,208
Long term borrowings	14.5	1,550,000	516,667
Short term running finance	14.6	187,460	112,980
		<u>10,980,440</u>	<u>7,414,230</u>
Unsecured			
Placements	14.7	799,000	1,454,500
Murabaha financing	14.8	2,700,000	-
		<u>14,479,440</u>	<u>8,868,730</u>

- 14.3** The holding 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 holding company with the SBP. The rate of return ranges from 6.25 to 10.10 (2014: 5 to 10.10) percent per annum. These are repayable within 7 years (2014: 6 years).
- 14.4** The rate of return on these repurchase agreement borrowings, maturing in January 2016 (2014: January 2015), ranges between 6.20 to 6.45 (2014: 9.5 to 10.30) percent per annum. Securities having cost of Rs 8,479.620 million (2014: Rs 5,969.243 million) have been pledged against these borrowings.
- 14.5** The rate of return on these long-term borrowings ranges from 6.83 to 7.54 (2014: 9.98 to 10.44) percent per annum. 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% (2014: 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 February 2016 (2014: January 2015 to April 2015) ranges between 6.10 to 7 (2014: 9.50 to 10.15) percent per annum.
- 14.8** The rates of return on these murabaha financing, maturing in January 2016 (2014: NIL) ranges between 6.25 to 6.35 (2014: NIL) percent per annum.

15 DEPOSITS AND OTHER ACCOUNTS	2015	2014
	(Rupees in '000)	
Certificates of investment - remunerative (in local currency)		
Financial institutions	985,726	2,888,748
Others	3,024,134	3,407,238
	<u>4,009,860</u>	<u>6,295,986</u>

15.1 Particular of deposits

In local currency	4,009,860	6,295,986
In foreign currency	-	-
	<u>4,009,860</u>	<u>6,295,986</u>

- 15.2** The rate of return on deposits maturing between January 2016 to May 2017 (2014: January 2015 to July 2017) ranges between 6.05 to 12 (2014: 9 to 12) percent per annum.

- 15.3** These include Certificate of Investments purchased by gratuity fund of the holding company as disclosed in note 33.7.1 and by provident fund of the holding company amounting to Rs. 5.36 million (2014: NIL).

- 15.4** These include Certificate of Investments purchased by Pak Oman Microfinance Bank Limited (associate) of the holding company amounting to Rs. 536 million (2014: 733 million).

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2015			2014		
	Minimum lease payments	Financial charges for future period	Principal outstanding	Minimum lease payments	Financial charges for future period	Principal outstanding
	----- (Rupees in '000) -----					
Not later than one year	431	130	301	504	16	488
Later than one year but not later than five years	1,921	249	1,672	-	-	-
	<u>2,352</u>	<u>379</u>	<u>1,973</u>	<u>504</u>	<u>16</u>	<u>488</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 7.90 (2014: 10.58) percent per annum. At the end of lease term, the holding company has option to acquire the assets, subject to adjustment of security deposits.

17 OTHER LIABILITIES	<i>Note</i>	2015	2014
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		127,724	190,110
Accrued expenses		81,778	69,175
Staff gratuity	33.2	8,961	4,817
Security deposits against investment in finance leases	10.3.1.1	219,218	155,246
Payable against purchase of investments		11,566	36,259
Others		99,155	40,982
		<u>548,402</u>	<u>496,589</u>

18 SHARE CAPITAL

18.1 Authorized Capital

2015	2014		2015	2014
Number of shares			(Rupees in '000)	
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs.10 each	<u>10,000,000</u>	<u>10,000,000</u>

18.2 Issued, subscribed and paid-up

615,000,000	615,000,000	Ordinary shares of Rs.10 each - Fully paid in cash	6,150,000	6,150,000
<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 (2014: 307,495,900) ordinary shares of the holding Company. While 4,100 (2014: 4,100) ordinary shares each are held by the Secretary - Economic Affairs Division, Government of Pakistan and Ministry of Commerce and Industry, Sultanate of Oman.

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

	2015	2014
	(Rupees in '000)	
Opening balance	10,959	22,221
Change during the year	(840)	(11,262)
Closing balance	<u>10,119</u>	<u>10,959</u>

21	SURPLUS ON REVALUATION OF ASSETS - net of deferred tax	Note	2015 (Rupees in '000)	2014
21.1 Surplus on revaluation of available-for-sale securities				
	Federal Government Securities			
	- Pakistan Investment Bonds (PIBs)		556,031	491,538
	- Ijara Sukuk		3,390	-
	- Treasury Bills (T-Bills)		5	-
			559,426	491,538
	Shares-listed		12,076	(13,036)
	Term Finance Certificates			
	- Listed		(3,491)	(30,734)
	- Unlisted		4,414	10,669
			923	(20,065)
	Sukuk-unlisted		(2,931)	38
			569,494	458,475
	Deferred tax asset recognized	12	(174,611)	(165,029)
			394,883	293,446
	Associate's share of deficit on revaluation of available-for-sale securities		76	(647)
			394,959	292,799
22 CONTINGENCIES AND COMMITMENTS				
Transaction related contingent liability:				
	Guarantees		-	10,000
	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
	Purchase of shares under put option		10,385	-
	Commitments for advances and net investment in finance leases		1,412,393	1,684,585
	Commitments for operating fixed assets		5,000	-
22.1	Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million(2014: 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 ten 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 defense on legal grounds. In the previous 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	2015	2014
	(Rupees in '000)	
On loans and advances to		
Customers	866,754	808,872
Financial institutions	152,530	93,671
	1,019,284	902,543
On investments in		
Available-for-sale securities	831,580	832,904
Held-for-trading securities	241,015	254,099
	1,072,595	1,087,003
On securities purchased under resale agreements	126,943	94,033
On deposit with financial institutions	23,779	16,450
On placements	520	17,848
On certificate of investments	9,196	309
	2,252,317	2,118,186
24 MARK-UP / RETURN / INTEREST EXPENSED		
On secured borrowings		
Securities sold under repurchase agreements	584,450	558,258
Long-term borrowings	138,861	149,582
Short-term borrowings	5,150	3,989
	728,461	711,829
On unsecured borrowings and deposits		
Placements	106,164	165,015
Murabaha borrowing	54,354	-
Certificate of investments	467,317	483,908
	627,835	648,923
	1,356,296	1,360,752
25 GAIN ON SALE OF SECURITIES		
Federal Government Securities		
- Market Treasury Bills (MTBs)	47,142	5,656
- Pakistan Investment Bonds (PIBs)	392,432	138,029
	439,574	143,685
Term Finance Certificates and sukuk certificates	(16,329)	2,730
Mutual funds	-	11,759
Shares / units		
- Listed	183,445	96,778
- Unlisted	-	9,102
	183,445	105,880
	606,690	264,054
26 OTHER INCOME		
Net gain on sale of property and equipment	-	2,469
Others	733	-
	733	2,469

27	ADMINISTRATIVE EXPENSES	Note	2015 (Rupees in '000)	2014
	Salaries, allowances and employees' benefits		233,655	214,294
	Contribution to defined contribution plan		14,942	13,155
	Charge for defined benefit plan	33.8	14,250	11,325
	Non-executive directors' fee / remuneration	35	19,028	17,897
	Non-executive directors' fee of Subsidiaries		188	-
	Chief executive's remuneration	35	75,971	33,392
	Traveling and accommodation		12,306	11,204
	Rent, rates and taxes		21,903	19,992
	Utilities		4,741	5,190
	Communication		7,848	7,328
	Professional training		2,801	1,419
	Advertisement and business promotion		1,668	347
	Membership and subscriptions		14,991	5,595
	Printing, stationery and periodicals		5,129	4,119
	Depreciation	11.1	19,821	17,214
	Amortization of intangible assets	11.2	190	574
	Auditors' remuneration	27.1	3,242	2,504
	Legal and professional charges		14,850	11,878
	Repairs and maintenance		10,078	10,014
	Transportation		10,288	15,285
	Insurance		8,780	7,585
	Finance charges on leased assets		805	146
	Entertainment and canteen expenses		3,695	3,123
	Donation	27.2	1,180	2,356
	Shahriah advisor fee		600	600
	Others		2,898	2,974
			<u>505,848</u>	<u>419,510</u>
27.1	Auditors' remuneration			
	Audit fee		508	462
	Half yearly review		177	161
	Auditors' remuneration of subsidiary company		333	254
	Special certifications and others		2,003	1,573
	Out of pocket expenses		221	54
			<u>3,242</u>	<u>2,504</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
	The Citizen Foundation		154	200
	Al-Mehrab Tibbi Imdad		140	105
	Burns Centre		140	105
	Patients' Aid Foundation of Jinnah Post Graduate Medical Centre		550	-
			<u>984</u>	<u>1,910</u>
28	OTHER CHARGES			
	Fees, commission and others		34,768	17,160
	Loss on sale of fixed assets		1,242	-
	Transaction cost on issue of shares - subsidiary		6,012	-
	SBP penalties		100	1,568
			<u>42,122</u>	<u>18,728</u>

29	TAXATION	2015	2014
		Rupees in '000	
	For the year		
	- Current	358,482	216,197
	- Prior	23,716	388
	- Deferred	(14,995)	(50,121)
		<u>367,203</u>	<u>166,464</u>

29.1 Relationship between tax expense and accounting profit

Profit before taxation	<u>907,471</u>	<u>542,692</u>
Tax at the applicable rate of 32% (2014: 33%)	290,391	179,088
Tax effect due to change in tax rate	62,559	-
Tax effect of income taxed at different rate	(18,169)	(19,256)
Tax effect of capital loss / (gain) on listed shares and mutual funds	(20,229)	(11,808)
Tax effect of provision for diminution in the value of listed shares and mutual funds	13,470	14,310
Prior	23,718	-
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge	<u>15,463</u>	<u>4,130</u>
	<u>367,203</u>	<u>166,464</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 31 December 2015, the total unrecognised deferred tax asset is amounting to Rs. 63.485 million (31 December 2014: Rs. 76.770 million) mainly arising on account of accumulated tax losses and deductible temporary differences.

29.2 Tax contingencies

Pak Oman Investment Company Limited

The Income tax Department has amended the deemed assessment orders of the holding company for the tax years 2004, 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.

Pak Oman Asset Management Company Limited

The tax charge for the current year represents minimum tax at the rate of 1% on gross income under section 113, tax on dividend under section 5 and the capital gain tax under the section 37A of the Income Tax Ordinance, 2001 (the Ordinance). The income tax assessments of the POAMCL have been finalised up to tax year 2015 (income year ended 30 June 2015).

The POAMCL 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 loss declared in the return filed by the POAMCL. Further Taxation Officer has charged capital gain tax amounting to Rs. 1.514 million at 10%. As a result total tax payable 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 POAMCL has filed an appeal before the Commissioner Inland Revenue (Appeals) against the orders passed by the tax officer, hearing of which is still pending. However, based on opinion of the tax advisor, management is confident that the matter would be decided in favor of the POAMCL.

29.3 Taxation - prior

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

30	EARNINGS PER SHARE	2015	2014
	Profit attributable to shareholders of the holding company	<i>Rupees in '000</i> <u>541,108</u>	<u>387,490</u>
	Weighted average number of ordinary shares in issue	<i>Numbers in '000</i> <u>615,000</u>	<u>615,000</u>
	Basic earnings per share	<i>Rupees</i> <u>0.88</u>	<u>0.63</u>
	Diluted earnings per share	<i>Rupees</i> <u>0.88</u>	<u>0.63</u>

30.1 There were no convertible dilutive potential ordinary shares outstanding on 31 December 2014 and 2015.

31 CASH AND CASH EQUIVALENTS		2015	2014
	<i>Note</i>	(Rupees in '000)	
Cash and balances with treasury banks	6	93,746	99,935
Balances with other banks	7	1,736,674	269,621
Placements	8	-	25,000
		<u>1,830,420</u>	<u>394,556</u>

32 STAFF STRENGTH		2015	2014
		(Number)	
Permanent		77	75
Temporary / contractual		4	7
Group's own staff strength at end of the year		<u>81</u>	<u>82</u>
Outsource		<u>30</u>	<u>29</u>
Total staff strength		<u>111</u>	<u>111</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 5.13.1 to the consolidated financial statements.

Principal actuarial assumptions

The latest actuarial valuation for defined benefit plan scheme was carried out as at 31 December 2015 using the Projected Unit Credit method (PUCM). The following significant assumptions were used for the actuarial valuation:

	2015	2014
	(Percent per annum)	
Discount rate	10.00	11.25
Expected rate of increase in salary levels	10.00	11.25
Expected rate of return on plan assets	10.00	11.25

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		2015	2014
	<i>Note</i>	(Rupees in '000)	
Present value of defined benefit obligation	33.3	111,643	93,349
Fair value of plan assets	33.5	(102,682)	(88,532)
	33.4	<u>8,961</u>	<u>4,817</u>

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

Present value of obligation as at January 1	93,349	68,821
Current service cost	14,690	11,729
Interest cost	9,730	8,842
Benefits paid	(13,721)	(1,608)
Actuarial loss on remeasurement of obligation	7,595	5,565
Present value of obligation as at 31 December	<u>111,643</u>	<u>93,349</u>

33.4 Movement in payable to defined benefit plan:		2015	2014
	<i>Note</i>	(Rupees in '000)	
Opening liability		4,817	4,876
Expense for the year	33.8	14,250	11,325
Other Comprehensive Income		7,343	4,583
Contributions to the fund		(17,449)	(15,967)
Closing liability		8,961	4,817

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

Fair value of plan assets as at 1 January		88,532	63,945
Expected return on plan assets		10,170	9,246
Contributions		17,449	15,967
Benefits paid		(13,721)	(1,608)
Actuarial gain on remeasurement of plan assets		252	982
Fair value of plan assets as at 31 December	33.7	102,682	88,532

33.6 Actual return on plan assets during the year was Rs. 10.422 million (2014: Rs. 10.228 million).

33.7 The plan assets are comprised as follows:

	2015	2014	2015		2014	
<i>Note</i>	Rating	Rating	(Rupees in '000)	%	(Rupees in '000)	%
Market Treasury Bills	-	Unrated	-	-	3,030	3.42
Pakistan Investment Bonds	Unrated	Unrated	39,086	38.07	37,827	42.73
Special Saving Certificates (SSCs)	Unrated	Unrated	60,239	58.67	46,547	52.58
Term Finance Certificates						
- WorldCall Telecom Limited	D	D	747	0.73	885	1.00
Certificate of Investments	33.7.1 Unrated	Unrated	2,223	2.16	-	-
Bank balance	Unrated	Unrated	387	0.37	243	0.27
			102,682	100.00	88,532	100.00

33.7.1 These include Certificate of Investment held with the holding company. These carry mark-up at rates ranging from 6.35 to 6.50 (2014: NIL) percent per annum.

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

		2015	2014
	<i>Note</i>	(Rupees in '000)	
Current service cost		14,690	11,729
Net Interest		(440)	(404)
Expected return on plan assets		-	-
Actuarial loss recognised		-	-
		14,250	11,325

33.9 Actuarial (losses) / gains

Net unrecognised actuarial (losses) / gains as at 1 January		-	-
Actuarial loss on remeasurement of obligation	33.9.1	(7,595)	(5,565)
Actuarial gain on remeasurement of plan assets	33.9.1	252	982
		(7,343)	(4,583)
Actuarial loss recognised in:			
- Other comprehensive income		7,343	4,583
- Profit and loss account		-	-
Net unrecognised actuarial (losses) / gains as at 31 December		-	-

33.9.1 Actuarial loss / (gains) on remeasurement of obligation / plan assets comprise of:

	2015	2014	2015	2014
	Actuarial loss / (gain) on remeasurement of		on remeasurement of	
	Obligation		Plan assets	
	(Rupees in '000)		(Rupees in '000)	
Demographic assumptions	-	(156)	-	-
Financial loss	4,748	-	(2,278)	(3,176)
Experience adjustment	2,847	5,721	2,026	2,194
	<u>7,595</u>	<u>5,565</u>	<u>(252)</u>	<u>(982)</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	(10,801)	12,647
Salary growth rate	1	13,087	(11,353)

33.11 Maturity profile of defined benefit obligation

Benefit payments	2015	2014
	(Rupees in '000)	
Distribution of timing of benefit payments		
Years		
1	4,745	10,982
2	4,588	4,101
3	4,394	17,280
4	16,977	3,550
5	17,909	3,489
6 to 10	26,410	37,034
11 and above	357,832	369,037

33.12 The expected gratuity expense for the next year ending 31 December 2016 works out to Rs. 16.809 million.

33.13 The average duration of the benefit obligation at 31 December 2015 is 10.50 years (2014: 12.86 years).

34 DEFINED CONTRIBUTION PLAN

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

	2015	2014
	(Rupees in '000)	
34.2 Contribution to the fund made during the year by the holding company		
Contribution from the holding company	14,375	12,216
Contribution from the employees of holding company	14,375	12,216
	<u>28,750</u>	<u>24,432</u>

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

Contribution from the subsidiary company	567	939
Contribution from the employees of subsidiary company	567	939
	<u>1,134</u>	<u>1,878</u>

35 **COMPENSATION OF DIRECTORS AND EXECUTIVES**

	Chief Executive		Non-Executive Directors		Executives	
	2015	2014	2015	2014	2015	2014
	----- (Rupees in '000) -----					
Fees / remuneration	-	-	19,028	17,897	-	-
Managerial remuneration	73,809	31,931	-	-	202,973	171,138
Charge for defined benefit plan	2,395	1,138	-	-	11,671	9,905
Contribution to defined contribution plan	2,085	1,737	-	-	12,448	10,388
Medical	763	400	-	-	1,197	1,197
Utilities	979	626	-	-	258	251
Membership fee	156	100	-	-	44	33
Others	264	335	-	-	638	597
	80,451	36,267	19,028	17,897	229,229	193,509
Number of persons	2	1	5	5	70	68

35.1 This includes an amount of Rs 30.998 million being compensation package in addition to the remuneration of Rs 40.704 million paid till 9 October 2015 to outgoing Chief Executive Officer of the holding company.

35.2 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.

35.3 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, other than investment in associates 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 5.6 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 & 5.8.2.

The re-pricing profile, effective rates and maturities 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

	2015		2014	
	Book value	Fair value	Book value	Fair value
	----- (Rupees in '000) -----			
Assets				
Cash and balances with treasury banks	93,746	93,746	99,935	99,935
Balances with other banks	1,736,674	1,736,674	269,621	269,621
Lendings to financial institutions	362,824	362,824	614,177	614,177
Investments - net	13,896,511	14,017,529	12,223,083	12,328,516
Advances - net	9,996,425	9,996,425	9,070,314	9,070,314
Other assets	566,832	566,832	597,608	597,608
	26,653,012	26,774,030	22,874,738	22,980,171
Liabilities				
Borrowings	14,479,440	14,479,440	8,868,730	8,868,730
Deposits and other accounts	4,009,860	4,009,860	6,295,986	6,295,986
Liabilities against assets subject to finance lease	1,973	1,973	488	488
Other liabilities	539,441	539,441	491,772	491,772
	19,030,714	19,030,714	15,656,976	15,656,976
	7,622,298	7,743,316	7,217,762	7,323,195

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Federal Government Securities	PKRV rates (Reuters page)
Listed securities	Market prices
Mutual funds	Net asset values
Unlisted equity investments	Break - up value as per latest available audited financial statements.

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the accounting policies of the Group.

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.

36.3 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On balance sheet financial instruments

31 December 2015

Note							Fair value				Total	
	HFT	Available for sale	HTM	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3		
----- (Rupees in '000) -----												
Financial assets measured at fair value												
- Investments												
Government Securities	888,567	8,703,572	-	-	-	-	9,592,139	-	9,592,139	-	9,592,139	
Listed Term Finance Certificates	25,600	740,573	-	-	-	-	766,173	-	766,173	-	766,173	
Unlisted Term Finance Certificates	9,974	847,675	-	-	-	-	857,649	-	857,649	-	857,649	
Sukuk Certificates	-	789,807	-	-	-	-	789,807	-	789,807	-	789,807	
Listed shares	102,525	621,716	-	-	-	-	724,241	724,241	-	-	724,241	
- Associates												
Listed shares	-	-	-	-	-	-	-	121,018	-	-	121,018	
Mutual funds	-	-	-	-	564,550	-	564,550	564,550	-	-	564,550	
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks	36.3.1	-	-	-	93,746	-	-	93,746	-	-	-	
- Balances with other banks	36.3.1	-	-	-	1,736,674	-	-	1,736,674	-	-	-	
- Lending to financial instruments	36.3.1	-	-	-	362,824	-	-	362,824	-	-	-	
- Unlisted shares	36.3.1	-	242,907	-	-	-	-	242,907	-	-	-	
- Associates - unlisted shares	36.3.1	-	-	-	-	359,045	-	359,045	-	-	-	
- Advances	36.3.1	-	-	-	9,996,425	-	-	9,996,425	-	-	-	
- Other assets	36.3.1	-	-	-	-	566,832	-	566,832	-	-	-	
		1,026,666	11,946,250	-	12,189,669	1,490,427	-	26,653,012	1,409,809	12,005,768	-	13,415,577
Financial liabilities not measured at fair value												
- Borrowings from financial institutions	36.3.1	-	-	-	-	-	14,479,440	14,479,440	-	-	-	
- Deposits and other accounts	36.3.1	-	-	-	-	-	4,009,860	4,009,860	-	-	-	
- Liabilities against assets subject to finance lease	36.3.1	-	-	-	-	-	1,973	1,973	-	-	-	
- Other liabilities	36.3.1	-	-	-	-	-	539,441	539,441	-	-	-	
		-	-	-	-	-	19,030,714	19,030,714	-	-	-	
		1,026,666	11,946,250	-	12,189,669	1,490,427	(19,030,714)	7,622,298	1,409,809	12,005,768	-	13,415,577

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On balance sheet financial instruments		31 December 2014										
		Fair value										
Note	HFT	Available for sale	HTM	Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
----- (Rupees in '000) -----												
Financial assets measured at fair value												
- Investments												
Government Securities	658,781	7,113,460	-	-	-	-	7,772,241	-	7,772,241	-	7,772,241	
Listed Term Finance Certificates	-	977,915	-	-	-	-	977,915	-	977,915	-	977,915	
Unlisted Term Finance Certificates	-	610,405	-	-	-	-	610,405	-	610,405	-	610,405	
Sukuk Certificates	-	984,196	-	-	-	-	984,196	-	984,196	-	984,196	
Listed shares	55,122	512,912	-	-	-	-	568,034	568,034	-	-	568,034	
- Associates												
Listed shares	-	-	-	-	-	-	-	105,433	-	-	105,433	
Mutual funds	-	-	-	-	691,540	-	691,540	691,540	-	-	691,540	
Financial assets not measured at fair value												
- Cash and bank balances with treasury banks	36.3.1	-	-	99,935	-	-	99,935	-	-	-	-	
- Balances with other banks	36.3.1	-	-	269,621	-	-	269,621	-	-	-	-	
- Lending to financial instruments	36.3.1	-	-	614,177	-	-	614,177	-	-	-	-	
- Unlisted shares	36.3.1	-	258,765	-	-	-	258,765	-	-	-	-	
- Associates - unlisted shares	36.3.1	-	-	-	359,987	-	359,987	-	-	-	-	
- Advances	36.3.1	-	-	9,070,314	-	-	9,070,314	-	-	-	-	
- Other assets	36.3.1	-	-	-	597,608	-	597,608	-	-	-	-	
		713,903	10,457,653	-	10,054,047	1,649,135	-	22,874,738	1,365,007	10,344,757	-	11,709,764
Financial liabilities not measured at fair value												
- Borrowings from financial institutions	36.3.1	-	-	-	-	8,868,730	8,868,730	-	-	-	-	
- Deposits and other accounts	36.3.1	-	-	-	-	6,295,986	6,295,986	-	-	-	-	
- Liabilities against assets subject to finance lease	36.3.1	-	-	-	-	488	488	-	-	-	-	
- Other liabilities	36.3.1	-	-	-	-	491,772	491,772	-	-	-	-	
		-	-	-	-	15,656,976	15,656,976	-	-	-	-	
		713,903	10,457,653	-	10,054,047	1,649,135	(15,656,976)	7,217,762	1,365,007	10,344,757	-	11,709,764

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

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) -----				
2015				
Total income	15,026	1,940,225	1,027,363	24,777
Total expenses	73,365	1,146,628	836,297	43,630
Net (loss) / income	<u>(58,339)</u>	<u>793,597</u>	<u>191,066</u>	<u>(18,853)</u>
Segment assets (Gross)	-	17,515,114	11,305,332	243,109
Segment non-performing advances	-	-	1,193,866	-
Investments provided for	-	1,252,966	-	-
Segment provision required *	-	997,273	914,462	-
Segment liabilities	-	11,528,129	7,501,414	10,132
Segment return on net assets (%)	-	15.90%	6.61%	-8.09%
Segment return on assets (ROA) (%)	-	4.80%	1.84%	-7.75%
Segment cost of funds (%)	-	5.50%	5.64%	-
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 advances	-	-	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%	-

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

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

38.1 Associates

Japan Power Generation Limited
Pak Oman Microfinance Bank Limited
Pak Oman Advantage Fund
Pak Oman Advantage Islamic Income Fund
Pak Oman Islamic Asset Allocation Fund
Pak Oman Advantage Asset Allocation Fund
Pak Oman Government Securities Fund

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	2015				2014			
	As at January 1, 2015	Given during the year	Repaid during the year	As at December 31, 2015	As at January 1, 2014	Given during the year	Repaid during the year	As at December 31, 2014
----- (Rupees in '000) -----								
Investments								
Associates	1,051,527	219,000	(346,932)	923,595	897,921	153,606	-	1,051,527
Other related parties	226,000	-	-	226,000	226,000	-	-	226,000
	<u>1,277,527</u>	<u>219,000</u>	<u>(346,932)</u>	<u>1,149,595</u>	<u>1,123,921</u>	<u>153,606</u>	<u>-</u>	<u>1,277,527</u>
Advances								
Associates	68,200	-	-	68,200	68,200	-	-	68,200
Key Management personnel	49,859	19,973	(20,607)	49,225	63,303	5,246	(18,690)	49,859
Other related parties	210,454	-	(28,025)	182,429	235,078	-	(24,624)	210,454
	<u>328,513</u>	<u>19,973</u>	<u>(48,632)</u>	<u>299,854</u>	<u>366,581</u>	<u>5,246</u>	<u>(43,314)</u>	<u>328,513</u>
Deposits								
Associates	732,747	592,926	(789,747)	535,926	575,747	1,530,568	(1,373,568)	732,747
Key Management personnel	4,988	19,198	(22,037)	2,149	11,311	39,469	(45,792)	4,988
Retirement benefit fund	-	36,555	(31,197)	5,358	10,018	5,898	(15,916)	-
	<u>737,735</u>	<u>648,679</u>	<u>(842,981)</u>	<u>543,433</u>	<u>597,076</u>	<u>1,575,935</u>	<u>(1,435,276)</u>	<u>737,735</u>
							2015	2014
							(Rupees in '000)	
Dividend receivables from:								
Other related party							-	22,600
Other payable								
Gratuity fund							8,961	4,817
Management fee receivable from associates							4,618	3,936
Management fee received from associates							11,562	22,672
Mark-up income								
Key Management personnel							2,471	2,560
Other related parties							21,317	28,858
Dividend income								
Associates							73,231	51,802
Other related parties							33,900	22,600
Mark-up expense on deposits								
Associates							50,236	63,785
Key Management personnel							379	931
Retirement benefit fund							589	364
Expenses for the year								
Remuneration to key management personnel							173,773	130,787
Non-executive director's fee / remuneration							19,028	17,897
Charge for defined contribution plan							14,942	13,155
Charge for defined benefit plan							14,250	11,325
Other comprehensive income								
Retirement benefit fund							7,343	4,583
Outright sale of Government Securities								
Associates							10,840	-
Key Management personal							-	4,037
Retirement benefit fund							439,787	145,316
Outright purchase of Government Securities								
Retirement benefit fund							425,697	80,968
Capital gain on Government Securities								
Retirement benefit fund							81	185
Capital gain on Mutual Funds								
Associates							13,120	-

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 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 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 31 December 2015.

39.2 The Group's CAR as at 31 December 2015 was 36.56% 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 36.56% 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 15 August 2013. These instructions are effective from 31 December 2013 in a phased manner with full implementation intended by 31 December 2019.

39.3 Capital Adequacy Ratio (CAR) disclosure template:

2015
(Rupees in '000)

2014

Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves	2015	2014
		Amount	Amount
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	843,304	722,810
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	713,763	544,142
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)	6,384	10,093
9	CET 1 before Regulatory Adjustments	7,713,451	7,427,045
10	Total regulatory adjustments applied to CET1 (Note 39.3.1)	544,589	1,098,336
11	Common Equity Tier 1	7,168,862	6,328,709
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)	332,980	833,975
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)	7,168,862	6,328,709
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	221,177	163,968
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)	277,079	530,728
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)	7,168,862	6,328,709
39	Total Risk Weighted Assets (RWA) {for details refer Note 39.6}	19,609,286	20,222,209
Capital Ratios and buffers (in percentage of risk weighted assets)			
40	CET1 to total RWA	36.56%	31.30%
41	Tier-1 capital to total RWA	36.56%	31.30%
42	Total capital to total RWA	36.56%	31.30%
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	6.0%	5.5%
49	Tier 1 minimum ratio	7.5%	7.0%
50	Total capital minimum ratio	10.25%	10.0%

2015

2014

(Rupees in '000)

Regulatory Adjustments and Additional Information		Amount	Amounts subject to Pre- Basel III treatment*	Amount	Amounts subject to Pre- Basel III treatment*
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)	115		305	
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	-		-	
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)
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
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)				
15	Amount exceeding 15% threshold		1,358,314		1,269,733
16	of which: significant investments in the common stocks of financial entities				881,816
17	of which: deferred tax assets arising from temporary differences		1,358,314		387,917
18	National specific regulatory adjustments applied to CET1 capital				
19	Investments in TFCs of other banks exceeding the prescribed limit	211,494	212,556	218,432	218,432
20	Any other deduction specified by SBP (mention details)	-			
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	332,980			
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	544,589		833,975	1,098,336

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-Base III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	277,079		467,216	
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	55,901		366,759	24,761
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	332,980		833,975	

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-Base III treatment which, during transitional period, remain subject to deduction from tier-2 capital	277,079		467,216	
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)	277,079		530,728	

2015

2014

(Rupees in '000)

Additional Information		Amount	Amount
Note 39.3.4	Risk Weighted Assets subject to pre-Base III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Base 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 of the published financial statements	Under regulatory scope of consolidation
(in thousand PKR)		As at period end (2)	As at period end (3)
Assets	(1)		
Cash and balances with treasury banks		93,746	93,746
Balanced with other banks		1,736,674	1,736,674
Lending to financial institutions		362,824	362,824
Investments		13,896,511	13,896,511
Advances		9,996,425	9,996,425
Operating fixed assets		83,174	83,174
Deferred tax assets		330,528	330,528
Other assets		651,938	651,938
Total assets		27,151,820	27,151,820
Liabilities & Equity			
Bills payable		-	-
Borrowings		14,479,440	14,479,440
Deposits and other accounts		4,009,860	4,009,860
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		1,973	1,973
Deferred tax liabilities		-	-
Other liabilities		548,402	548,402
Total liabilities		19,039,675	19,039,675
Share capital/ Head office capital account		6,150,000	6,150,000
Reserves		843,304	843,304
Unappropriated/ Unremitted profit/ (losses)		713,763	713,763
Minority Interest		10,119	10,119
Surplus on revaluation of assets		394,959	394,959
Total liabilities & equity		27,151,820	27,151,820

Table: 39.4.2		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end (2)	As at period end (3)	(4)
Assets	(1)			
Cash and balances with treasury banks		93,746	93,746	
Balanced with other banks		1,736,674	1,736,674	
Lending to financial institutions		362,824	362,824	
Investments		13,896,511	13,896,511	
<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		9,996,425	9,996,425	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>				f
<i>general provisions reflected in Tier 2 capital</i>				g
Fixed Assets		83,174	83,174	
Deferred Tax Assets		561,781	561,781	
<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		651,938	651,938	
<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		27,383,073	27,383,073	
Liabilities & Equity				
Bills payable		-	-	
Borrowings		14,479,440	14,479,440	
Deposits and other accounts		4,009,860	4,009,860	
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		1,973	1,973	
Deferred tax liabilities		231,253	231,253	
<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		548,402	548,402	
Total liabilities		19,270,928	19,270,928	
Share capital		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
Reserves		843,304	843,304	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>		843,304	843,304	u
<i>of which: portion eligible for inclusion in Tier 2</i>				v
Unappropriated profit/ (losses)		713,763	713,763	w
Minority Interest		10,119	10,119	
<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		394,959	394,959	
<i>of which: Revaluation reserves on Fixed Assets</i>				aa
<i>of which: Unrealized Gains/Losses on AFS</i>		394,959	394,959	
<i>In case of Deficit on revaluation (deduction from CET1)</i>				ab
Total liabilities & Equity		27,383,073	27,383,073	

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
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	843,304 (u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-
6	Unappropriated/unremitted profits/ (losses)	713,763 (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)	115 (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)	- (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)	- (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	211,494
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	332,980
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	544,589
31	Common Equity Tier 1	7,162,478
Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-
33	of which: Classified as equity	- (l)
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	277,079
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	55,901
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	332,980
46	Additional Tier 1 capital	-
47	Additional Tier 1 capital recognized for capital adequacy	-
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	7,162,478
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	221,177
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)	- (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)	-
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)	7,162,478

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:

	<u>Capital Requirements</u>		<u>Risk Weighted Assets</u>	
	2015	2014	2015	2014
<i>Credit Risk</i>				
On-Balance sheet				
<u>Portfolios subject to standardized approach</u> <u>(Simple or Comprehensive)</u>				
Public Sector entities	3,595	6,154	35,949	61,541
Banks	142,049	33,267	1,420,489	332,674
Corporate	816,769	725,654	8,167,690	7,256,535
Retail	1,253	891	12,534	8,905
Residential Mortgages	3,944	3,902	39,436	39,015
Past Due loans	25,755	10,858	257,546	108,581
Operating Fixed Assets	8,306	6,940	83,059	69,400
Other assets	147,826	152,334	1,478,258	1,523,339
Off-Balance sheet				
Non-market related	96,280	110,252	962,801	1,102,520
Equity Exposure Risk in the Banking Book	128,795	184,763	1,287,953	1,847,633
Total Credit Risk	1,374,572	1,235,015	13,745,715	12,350,143
<i>Market Risk</i>				
<u>Capital Requirement for portfolios subject to</u> <u>Standardized Approach</u>				
Interest rate risk	192,757	372,233	2,409,457	4,652,912
Equity position risk	115,879	109,621	1,448,488	1,370,263
Total Market Risk	308,636	481,854	3,857,945	6,023,175
<i>Operational Risk</i>				
<u>Capital Requirement for operational risks</u>	160,450	147,911	2,005,626	1,848,891
TOTAL	1,843,658	1,864,780	19,609,286	20,222,209

Capital Adequacy Ratios	2015		2014	
	Required	Actual	Required	Actual
CET1 to total RWA	10.00%	36.56%	10.00%	31.30%
Tier-1 capital to total RWA	10.00%	36.56%	10.00%	31.30%
Total capital to total RWA	10.00%	36.56%	10.00%	31.30%
Leverage Ratio	3.00%	24.83%	3.00%	23.83%

40 RISK MANAGEMENT

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 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
Securitizations	x	x	x
Others (Specify)	x	x	x

Credit exposures subject to Standardised Approach

Exposures	Rating Category	2015			2014		
		Amount Outstanding	Deduction CRM*	Net amount	Amount Outstanding	Deduction CRM*	Net amount
----- (Rupees in '000) -----							
Corporate	0	-	-	-	-	289,177	289,177
	1	876,589	362,824	1,239,413	200,000	-	200,000
	2	3,754,116	(292,824)	3,461,292	3,537,525	(289,177)	3,248,348
	3-4	-	-	-	286,250	-	286,250
	5-6	92,723	-	92,723	-	-	-
	Unrated	1,451,898	(70,000)	1,381,898	4,473,170	-	4,473,170
		6,175,326	-	6,175,326	8,496,945	-	8,496,945
Banks	0	-	-	-	-	100,000	100,000
	1	2,116,951	-	2,116,951	294,621	(100,000)	194,621
	2-3	1,794,198	-	1,794,198	587,500	-	587,500
	4-5	100,000	-	100,000	-	-	-
	Unrated	-	-	-	-	-	-
		4,011,149	-	4,011,149	882,121	-	882,121
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

	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Financial institution	1,627,161	14.91	985,926	24.59	-	-
Textile	1,763,625	16.16	-	-	479,430	27.80
Transportation and communication	483,553	4.43	116,250	2.90	180,953	10.49
Power	1,219,465	11.18	-	-	372,226	21.58
Electronics	82,344	0.75	-	-	-	-
Food and beverage	829,473	7.60	-	-	-	-
Services	677,287	6.21	145,000	3.62	-	-
Engineering and allied products	259,149	2.38	-	-	50,000	2.90
Chemical and pharmaceuticals	165,820	1.52	-	-	35,000	2.03
Automobiles	113,309	1.04	-	-	-	-
Fuel and energy	927,098	8.50	-	-	308,000	17.86
Construction	467,162	4.28	-	-	-	-
Cement	-	-	-	-	-	-
Sugar	1,146,652	10.51	-	-	200,000	11.60
Paper and board /packaging	400,916	3.67	-	-	-	-
Healthcare	240,000	2.20	-	-	-	-
Individual	126,223	1.16	616,090	15.36	-	-
Others	381,650	3.50	2,146,594	53.53	98,895	5.74
	10,910,887	100.00	4,009,860	100.00	1,724,504	100.00

	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
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

40.2.2 Segment by sector

	2015					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	391,299	3.59	640,000	15.96	-	-
Private	10,519,588	96.41	3,369,860	84.04	1,724,504	100.00
	10,910,887	100.00	4,009,860	100.00	1,724,504	100.00
	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
	9,964,228	100.00	6,295,986	100.00	3,194,247	100.00

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

	2015		2014	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Automobile	113,309	113,309	158,633	158,633
Cement	-	-	7,860	7,860
Textile	414,019	399,330	428,060	377,027
Chemical and pharmaceuticals	29,486	27,082	32,093	27,889
Construction	55,250	53,675	55,250	53,675
Engineering and allied products	68,073	68,073	74,073	74,073
Electronics	50,000	25,452	50,000	13,178
Fuel and energy	268,516	81,016	84,194	84,194
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
Services	12,437	3,109	-	-
Others	92,981	54,121	57,950	8,090
	1,193,866	914,462	1,037,908	893,914

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

	2015		2014	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Public / Government	-	-	-	-
Private	1,193,866	914,462	1,037,908	893,914
	1,193,866	914,462	1,037,908	893,914

40.2.5 Geographical segment analysis

	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	907,471	27,149,424	8,112,145	1,724,504
Middle East	-	2,396	-	-
	907,471	27,151,820	8,112,145	1,724,504

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.

Interest Rate Risk in Banking Book (Economic Approach)

S.No	Time Bands	Assets/Liabilities	Duration	Interest Rate	Duration	Interest Rate
		GAP	(Middle of time band)	Shock	Weighting factor	Shock (Stress)
1	Upto 1 Month	(9,528,080)	0.05%	4,764	0.08%	7,622
2	1 to 3 Months	4,497,660	0.20%	(8,995)	0.32%	(14,393)
3	3 to 6 Months	3,244,241	0.45%	(14,599)	0.72%	(23,359)
4	6 to 12 Months	1,138,999	0.90%	(10,251)	1.43%	(16,288)
5	1 to 2 Years	(228,219)	1.50%	3,423	2.77%	6,322
6	2 to 3 Years	2,017,576	2.50%	(50,439)	4.49%	(90,589)
7	3 to 4 Years	618,545	3.50%	(21,649)	6.14%	(37,979)
8	4 to 5 Years	547,389	4.50%	(24,633)	7.71%	(42,204)
9	5 to 7 Years	3,202,936	6.00%	(192,176)	10.15%	(325,098)
10	7 to 10 Years	25,293	8.50%	(2,150)	13.26%	(3,354)
11	Over 10 Years	23,029	12.50%	(2,879)	17.84%	(4,108)
		5,559,369		(319,584)		(543,428)

Interest Rate Risk in Banking Book (Earning Approach)

S.No	Time Bands	Assets/Liabilities	Duration	Interest Rate	Duration	Interest Rate
		GAP	(Middle of time band)	Shock	Weighting factor	Shock (Stress)
1	Upto 1 Month	(9,528,080)	0.05%	4,764	0.08%	7,622
2	1 to 3 Months	4,497,660	0.20%	(8,995)	0.32%	(14,393)
3	3 to 6 Months	3,244,241	0.45%	(14,599)	0.72%	(23,359)
4	6 to 12 Months	1,138,999	0.90%	(10,251)	1.43%	(16,288)
5	1 to 2 Years	(228,219)	1.50%	3,423	2.77%	6,322
		(875,399)		(25,658)		(40,096)

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	27,151,430	19,039,675	-	8,111,755
United States Dollar	71	-	-	71
Omani Riyal	319	-	-	319
	<u>27,151,820</u>	<u>19,039,675</u>	<u>-</u>	<u>8,112,145</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 31 December 2015

Effective yield / interest rate	Total	Exposed to Yield / interest risk									Non-interest bearing financial Instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months 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		
----- (Rupees in '000) -----												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	93,746	-	-	-	-	-	-	-	-	-	-	93,746
Balances with other banks	7.10% 1,736,674	1,584,749	150,000	-	-	-	-	-	-	-	-	1,925
Lending to financial institutions	6.77% 362,824	362,824	-	-	-	-	-	-	-	-	-	-
Investments	8.02% 13,896,511	852,844	1,411,278	641,948	2,251,026	205,386	2,309,831	1,110,572	3,187,309	-	-	1,926,317
Advances	8.95% 9,996,425	1,876,549	4,520,073	3,105,007	93,954	151,083	81,869	76,436	54,875	23,029	-	13,550
Other assets	566,832	-	-	-	-	-	-	-	-	-	-	566,832
	26,653,012	4,676,966	6,081,351	3,746,955	2,344,980	356,469	2,391,700	1,187,008	3,242,184	23,029	-	2,602,370
Liabilities												
Borrowings from financial institutions	6.38% 14,479,440	12,496,165	460,309	180,441	360,355	574,362	373,771	20,082	13,955	-	-	-
Deposits and other accounts	6.80% 4,009,860	1,708,857	1,123,333	322,198	845,472	10,000	-	-	-	-	-	-
Liabilities against assets subject to finance leases	7.91% 1,973	24	49	75	154	326	353	992	-	-	-	-
Other liabilities	539,441	-	-	-	-	-	-	-	-	-	-	539,441
	19,030,714	14,205,046	1,583,691	502,714	1,205,981	584,688	374,124	21,074	13,955	-	-	539,441
On-balance sheet gap	7,622,298	(9,528,080)	4,497,660	3,244,241	1,138,999	(228,219)	2,017,576	1,165,934	3,228,229	23,029	-	2,062,929
Non-financial assets	498,808	-	-	-	-	-	-	-	-	-	-	-
Non-financial liabilities	8,961	-	-	-	-	-	-	-	-	-	-	-
Total Net Assets	8,112,145	-	-	-	-	-	-	-	-	-	-	-
Total yield / profit risk sensitivity gap		(9,528,080)	4,497,660	3,244,241	1,138,999	(228,219)	2,017,576	1,165,934	3,228,229	23,029	-	-
Cumulative yield / profit risk sensitivity gap		(9,528,080)	(5,030,420)	(1,786,179)	(647,180)	(875,399)	1,142,177	2,308,111	5,536,340	5,559,369	-	-

Mismatch of interest rate sensitive assets and liabilities for the year ended December 31, 2014

Effective yield/ interest rate	Total	Exposed to Yield/interest risk									Non-interest bearing financial	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months 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		
----- (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	19,453	-	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
On-balance sheet gap	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	-	2,106,373
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	-	-

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 31 December 2015

	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months 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
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	93,746	93,746	-	-	-	-	-	-	-	-
Balances with other banks	1,736,674	1,586,674	150,000	-	-	-	-	-	-	-
Lending to financial institutions	362,824	362,824	-	-	-	-	-	-	-	-
Investments	13,896,511	328,064	315,916	170,580	2,348,594	1,163,514	2,846,918	2,651,648	4,071,277	-
Advances	9,996,425	108,690	538,610	691,474	1,420,753	2,447,346	2,090,138	2,162,924	495,697	40,793
Other assets	651,938	338,848	159,299	148,111	1,742	-	-	3,938	-	-
Operating fixed assets	83,174	6,290	5,241	8,719	12,645	18,960	16,845	6,751	7,723	-
Deferred tax assets	330,528	(49,600)	(18,460)	(34,443)	(234,292)	(94,977)	(38,468)	553,160	248,867	(1,259)
	27,151,820	2,775,536	1,150,606	984,441	3,549,442	3,534,843	4,915,433	5,378,421	4,823,564	39,534
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	14,479,440	12,496,165	460,309	180,441	360,355	574,362	373,771	20,082	13,955	-
Deposits and other accounts	4,009,860	1,708,857	1,123,333	322,198	845,472	10,000	-	-	-	-
Liabilities against assets subject to finance leases	1,973	24	49	75	154	326	353	992	-	-
Other liabilities	548,402	84,856	228,381	35,828	30,595	32,665	65,356	65,346	5,375	-
Deferred taxation	-	-	-	-	-	-	-	-	-	-
	19,039,675	14,289,902	1,812,072	538,542	1,236,576	617,353	439,480	86,420	19,330	-
Net assets	8,112,145	(11,514,366)	(661,466)	445,899	2,312,866	2,917,490	4,475,953	5,292,001	4,804,234	39,534
Share capital	6,150,000									
Reserves	843,304									
Unappropriated profit	713,763									
	7,707,067									
Surplus on revaluation of investment - net of tax	394,959									
Non controlling interest	10,119									
	8,112,145									

Maturities of assets and liabilities as at 31 December 2014

	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months 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
----- (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										
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	-	-
	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									

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 31 December 2015

	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months 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
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	93,746	93,746	-	-	-	-	-	-	-	-
Balances with other banks	1,736,674	1,586,674	150,000	-	-	-	-	-	-	-
Lending to financial institutions	362,824	362,824	-	-	-	-	-	-	-	-
Investments	13,896,511	328,064	315,916	170,580	2,348,594	1,163,514	2,846,918	2,651,648	4,071,277	-
Advances	9,996,425	108,690	538,610	691,474	1,420,753	2,447,346	2,090,138	2,162,924	495,697	40,793
Other assets	651,938	338,848	159,299	148,111	1,742	-	-	3,938	-	-
Operating fixed assets	83,174	6,290	5,241	8,719	12,645	18,960	16,845	6,751	7,723	-
Deferred tax assets	330,528	(49,600)	(18,460)	(34,443)	(234,292)	(94,977)	(38,468)	553,160	248,867	(1,259)
	27,151,820	2,775,536	1,150,606	984,441	3,549,442	3,534,843	4,915,433	5,378,421	4,823,564	39,534
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	14,479,440	12,496,165	460,309	180,441	360,355	574,362	373,771	20,082	13,955	-
Deposits and other accounts	4,009,860	1,708,857	1,123,333	322,198	845,472	10,000	-	-	-	-
Liabilities against assets subject to finance leases	1,973	24	49	75	154	326	353	992	-	-
Other liabilities	548,402	84,856	228,381	35,828	30,595	32,665	65,356	65,346	5,375	-
Deferred taxation	-	-	-	-	-	-	-	-	-	-
	19,039,675	14,289,902	1,812,072	538,542	1,236,576	617,353	439,480	86,420	19,330	-
Net assets	8,112,145	(11,514,366)	(661,466)	445,899	2,312,866	2,917,490	4,475,953	5,292,001	4,804,234	39,534
Share capital	6,150,000									
Reserves	843,304									
Unappropriated profit	713,763									
	7,707,067									
Surplus on revaluation of investment - net of tax	394,959									
Non controlling interest	10,119									
	8,112,145									

Maturities of assets and liabilities as at 31 December 2014

	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months 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
----- (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										
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	-	-
	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									

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

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

42 POST BALANCE SHEET EVENTS

The Board of Directors of the holding company in their meeting held on 20 February 2016 have:

- proposed 6% cash dividend amounting to Rs.369 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

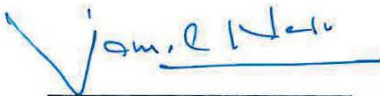
The JCR-VIS Credit Rating Company Limited has maintained the holding company's rating of AA + (Double A Plus) in the long term and A-I + (A One Plus) for the short term.

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

44 DATE OF AUTHORISATION

These consolidated financial statements were authorised on 20 February 2016 by the Board of Directors of the holding company.

KMN



Chief Financial Officer



Managing Director
and Chief Executive



Managing Director
and Chief Executive



Chairman