



ANNUAL REPORT 2016

PAK OMAN INVESTMENT COMPANY LIMITED

Vision

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

Mission

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

Code of Ethics / Business Practices

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

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

Board and Sub Committees

Board of Directors

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

Mr. Muhammad Zubair Motiwala
Director

H.H. Juland Jaifar Salim Al Said
Director

Mr. Hamed Sloom Mubarak Al Athobi
Director

Mr. Noor Ahmed
Director

Mr. Bahauddin Khan
Managing Director & Chief Executive Officer

Audit Committee

Mr. Hamed Sloom Mubarak Al Athobi
Chairman

Mr. Muhammad Zubair Motiwala
Member

H.H. Juland Jaifar Salim Al Said
Member

Mr. Noor Ahmed
Member

Risk Committee

Mr. Muhammad Zubair Motiwala
Chairman

H.H. Juland Jaifar Salim Al Said
Member

Mr. Hamed Sloom Mubarak Al Athobi
Member

Executive Committee

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

Mr. Muhammad Zubair Motiwala
Member

H.H. Juland Jaifar Salim Al Said
Member

Mr. Noor Ahmed
Member

Mr. Bahauddin Khan
Member

Remuneration & Compensation Committee

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

Mr. Muhammad Zubair Motiwala
Member

Mr. Hamed Sloom Mubarak Al Athobi
Member

Chairman's Review

It gives me a great pleasure to share with you the outstanding performance of Pak Oman Investment Company. Our performance has shown that we are in the right markets, with the right strategy and professional management to deliver consistent value to our shareholders.

- Alhamdulillah, with 17% increase your Company has recorded a profit after tax of Rs 706 million (US\$ 6.7 million) compared to a profit after tax of Rs 602 million (US\$ 5.8 million) in 2015 in a challenging environment.
- Advances portfolio witnessed an increase of 48% in 2016 over 2015, while, Company's total assets increased to Rs 40 billion (US\$ 380.6 million) from Rs 27 billion (US\$ 259.9 million) as at December 31, 2015, showing an increase of 46%.
- 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

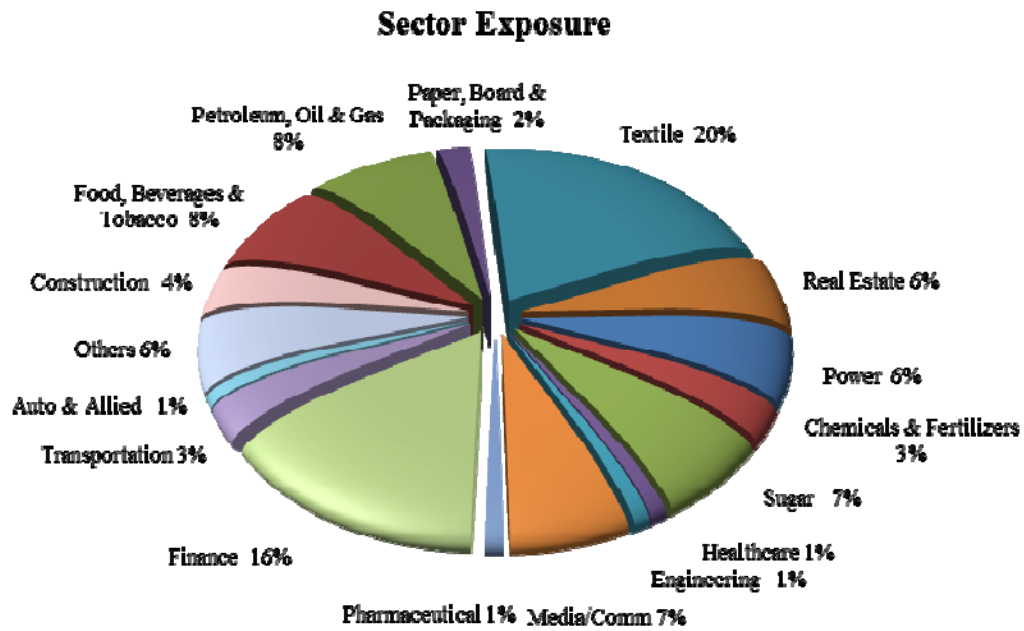
In 2016, Corporate Banking Department, by targeting growth industries and top existing customers to grow the portfolio, disbursed Rs 8,901 million compared to Rs 4,802 million in 2015, thereby maintaining its portfolio as largest amongst the DFIs. In addition, the newly formed SME unit also made disbursements of Rs 75 million.

While Textile continued to remain the dominant sector of the portfolio, comprising 20% of the total loan portfolio; Finance, Food, Beverages & Allied and Oil & Gas Marketing followed with exposures of 16%, 8% and 8% of the overall portfolio respectively.

In 2016, long term finance constituted the largest share of the portfolio followed by lease finance and medium term finance in with smaller shares.

Focus on recoveries continued to pay dividends as the Company was able to affect reversals of Rs 141 million during the year. In the process, two accounts under litigation were fully settled.

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



Investment Banking

During 2016, Pak Oman participated in Over the Counter Listed and Privately Placed Sukuk Issue of Hascol Petroleum Limited. It also underwrote ordinary shares of Hi Tech Lubricants Limited, Shifa International Hospitals Limited, Pak Elektron Limited and Loads Limited. In addition, Pak Oman is also acting as Trustee to various TFC issues including NRSP Microfinance Bank Limited, Standard Chartered Bank (Pakistan) Ltd., Pakistan Refinery Limited, Askari Bank Limited, Pak Arab Fertilizer Limited and Al Arabia Sugar Mills Limited.

Treasury

Treasury department has efficiently managed liquidity management of the company. Although the interest rate scenario remained almost flat and quite predictable, Treasury still has not only managed to generate healthy gains from it but also succeeded in keeping the balance sheet aligned with the outlook, thus not exposing it to any possible interest rate shocks. The treasury book was aligned in such a manner that the department not only booked a capital gain of approximately Rs 469 million on Government and Corporate Debt instruments but also earned net interest income of Rs 229 million, which translates into an annualized yield of 4.43%.

Contributing to the overall health of the balance sheet, Treasury has also diversified its borrowing with addition of low cost funding lines, thus creating opportunity to expand the asset outreach and also enhance the intermediation spread.

Company's corporate sales desk is also quite 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 for the 14th consecutive year; acknowledging the contribution of Pak Oman, in the development of secondary market of Government securities.

Balance Sheet has been aligned to take benefit of our view on interest rates—stable to upward sloping, in 2017, and we will continue to add dynamism in it through our Fixed Income, 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. Furthermore, Operational Risk is proactively managed.

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
- (x) Control & Compliance 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 Development in Literacy (DIL). DIL is currently running 126 child-friendly school campuses across three provinces of

Pakistan in underdeveloped areas and able to educate nearly 25,000 students annually and train 2,000 teachers.

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.

2017 and Beyond

The financial sector, going forward, is likely to face greater challenges and pressure due to stiff competition and increasing complexities in the financial market whereas Development under the China Pakistan Economic Corridor (CPEC) is expected to be a boost for Pakistan's economy. The Company, however, believe that it is well positioned to capitalize on growth opportunities in the coming year to the benefit of our shareholders, employees and customers.

The capital of Pak Oman Asset Management Company Limited (POAMCL) has been increased to meet SECP requirement and now the total capital is Rs 660 million, out of which 97% hold by the your Company. As approved by the shareholders, POAMCL has initiated the process of acquisition / amalgamation of Askari Investment Management Limited. The acquisition / amalgamation

would enable POAMCL to grow its assets under management at a higher rate besides increasing the number of funds under management to 11 and this will in-turn contribute to higher returns to the shareholders.

Your company has taken certain steps to improve the performance of Pak Oman Microfinance Bank Limited and improve the value of its investment. Accordingly, a new shareholder having international exposure in SME finance and microfinance sector is being inducted with 51% shareholding post induction. After this arrangement your Company's shareholding will be reduced to 17% from 33.4%.

Acknowledgement

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

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

Yahya Bin Said Bin Abdullah Al-Jabri

Chairman

Karachi: March 02, 2017

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the Fifteenth Annual Report and Financial Statements of your Company, along with the Consolidated Audited Financial Statements for the year ended December 31, 2016, together with Auditors' Report thereon.

Economy

Pakistan's economy is showing resilient growth due to several structural reforms that has improved the economic indicators of the country. The year 2016 came to a close on a positive note due to high value China Pakistan economic corridor which is expected to have a positive impact on the business sector. The inflation at end of 2016 stood at 3.8% on year on year basis and foreign exchange reserves were maintained at US\$ 23.1 billion. It is expected that inflation will rise in 2017 as international oil and commodity prices are showing signs of recovery. Considering the improving macroeconomic variables and foreign exchange reserves, State Bank of Pakistan (SBP) has maintained the policy rate at 5.75%. Other important initiatives also gained momentum during the year specifically the energy and power projects, alternate gas arrangements alongside improvement in law and order situation has enhanced the investors' confidence.

Broadening of the tax base, increasing FDI, addressing the struggling exports sector, restructuring and privatization of state owned enterprises will remain to be major challenges for 2017.

Financial Highlights

As at			As at	
Dec 31, 2016	Dec 31, 2015		Dec 31, 2016	Dec 31, 2015
US \$ in million			Rs in million	
380.6	259.9	Total Assets	39,806	27,195
141.8	95.5	Advances	14,835	9,993
199.2	134.5	Investments	20,831	14,073
6.7	5.8	Profit after taxation	706	602
0.0110	0.0094	Earning per Share (basic & diluted) of Rs 10/- each	1.15	0.98

Operational Review

Alhamdulillah, in the year 2016, the Company posted impressive financial results. In 2016, the Company adopted the growth policy supported by multifaceted strategy which paid positive dividends. Advances portfolio increased by 48% as compared to the corresponding period. The total asset increased to Rs 40 billion (US\$ 380.6 million) from Rs 27 billion (US\$ 259.9 million) as at December 31, 2015, depicting an increase of 46%. Accordingly, profit after tax increased to Rs 706 million (US\$ 6.7 million) i.e. an improvement of 17% compared to 2015.

The spread of the financial sector has been under constant decline due to competitive market conditions and the reduction in policy rate by SBP throughout the year. In 2016, total revenue from operations increased by Rs 84 million and recorded at Rs 3,115 million (US\$ 29.8 million). After accounting for mark-up and interest expense of Rs 1,436 million (US\$ 13.7 million), administrative and other expenses of Rs 647 million (US\$ 6.2 million), your company achieved a profit before provisions of Rs 1,032 million (US\$ 9.9 million). Your Company has provided Rs 7 million (US\$ 0.06 million) against provisions on loans / investments - net. As a result, profit before tax of Rs 1,025 million (US\$ 9.8 million) was achieved [2015: Rs 975 million (US\$ 9.3 million)]. A one-time additional tax expense of Rs 57 million (US\$ 0.5 million) has been recorded which included super tax of Rs 39 million (US\$ 0.4 million) enforced through finance act 2016 and reversal of Rs 18 million (US\$ 0.1 million) in deferred tax assets due to a reduction of 1% in corporate tax rates. After accounting of the tax liability, profit after tax was Rs 706 million (US\$ 6.7 million) [2015: Rs 602 million (US\$ 5.8 million)] showing an increase of 17% over 2015.

During 2016, Pak Oman Investment Company Limited continued to improve on its well-diversified asset portfolio, comprising of loans and leases, corporate bonds and investment in government securities. Advances portfolio witnessed an increase of 48% in 2016 over 2015, while, Company's total assets rose to Rs 40 billion (US\$ 380.6 million) from Rs 27 billion (US\$ 259.9 million) as at December 31, 2015, showing an increase of 46%.

Appropriations

The Board has recommended following appropriations:

	<i>For the Year ended 2016</i>	
	<i>Rs million</i>	<i>US\$ million</i>
To Statutory Reserve	141.1	1.35
Cash Dividend @ Rs 0.80 per share	492	4.70

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 2016-2017.

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;

	2016	2015
Branches	16	16
Service Centre	14	8
Borrowers since inception	100,164	83,045
Borrowers for the year	17,119	16,684
Disbursement since inception	Rs 2,786,938,000	Rs 2,084,740,000
Disbursement for the year	702,178,000	605,285,000
Average loan size for the year	41,017	42,405
Outstanding Loans	428,478,754	358,715,951
Deposits	Rs 148,895,471	Rs 25,064,734
Profit Before Tax	14,769,836	11,471,359
Profit After Tax	6,485,684	5,747,737
Earnings per Share	0.063	0.056

Your company has taken certain steps to improve the performance of Pak Oman Microfinance Bank Limited and improve the value of its investment. Accordingly, a new shareholder having international exposure in SME finance and microfinance sector is being inducted with 50.1% shareholding post induction. After this arrangement your Company's shareholding will be reduced to 17% from 33.4%.

Pak Oman Asset Management Company

Pak Oman Asset Management Company Limited (POAMCL) is managing four open-end funds. The capital of POAMCL has been increased to meet SECP requirement and now the total capital is Rs 660 million, out of which 97% hold by the your Company. As approved by the shareholders, POAMCL has initiated the process of acquisition / amalgamation of Askari Investment Management Limited. The acquisition / amalgamation would enable POAMCL to grow its assets under management at a higher rate besides increasing the number of funds under management to 11 and this will in-turn contribute to higher returns to the shareholders.

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 its sub-committees meetings held and attendance by each Director

Name	Board of Directors	Board's Executive Committee	Board's Audit Committee	Board's Remuneration & Compensation Committee	Board's Risk Committee
	Meetings Held 5	Meetings Held 5	Meetings Held 4	Meetings Held 2	Meetings Held Nil
H.E. Yahya Bin Said Bin Abdullah Al-Jabri	5	5	*	*	*
Mr. M. Zubair Motiwala	5	5	4	2	****
Mr. Mustafa Bin Ali Sulaiman	5	5	4	2	*
Mr. Hamed Sloom Mubarak Al Athobi	5	*	4	2	****
Mr. Awais Manzur Sumra**	3	3	3	*	*
Mr. Noor Ahmed***	-	-	-	*	*
H.H. Juland Jaifar Salim Al Said ***	-	-	-	*	****
Mr. Bahauddin Khan	5	5	*	2	*

*Not member.

**Mr. Awais Manzur Sumra has resigned in October 2016.

***No meeting was held after their appointment.

****Risk committee was formed in the Board of Directors' meeting held on December 23, 2016 and no meeting was held in 2016.

*****Board of Directors' in their meeting held on December 23, 2016 has appointed H.E. Yahya Bin Said Bin Abdullah Al-Jabri as Chairman and Member of Board's Remuneration & Compensation Committee; no meeting was held subsequent to this appointment.

During the year, two changes were taken place in Board of Directors. Mr. Noor Ahmed joined as a nominee of the Government of Pakistan in place of Mr. Awais Manzur Sumra and H.H. Juland Jaifar Salim Al Said joined as a nominee of the Government of Sultanate of Oman in place of Mr. Mustafa Bin Ali Sulaiman.

Statement of Investments of Provident & Gratuity funds

Investments of Provident & Gratuity funds as at December 31, 2016 according to their un-audited financial statements were Rs 163 million and Rs 125 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, 2017 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

Karachi: March 02, 2017

ڈائریکٹرز کی رپورٹ

میں بورڈ کے ڈائریکٹرز کی جانب سے کمپنی کی پندرہویں سالانہ رپورٹ معہ ، 31 دسمبر 2016 کو ختم ہونے والے مالی سال کے مالیاتی گوشوارے بمع کنسولیڈیٹڈ شدہ مالیاتی گوشوارے بمع محاسب کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتا ہوں -

معیشیت

پاکستان میں متعدد ساختی اصلاحات سے معاشی اشاروں میں بہتری آئی ہے جس کی وجہ سے ملکی معیشیت صحتمندانہ ترقی دکھا رہی ہے۔ سال 2016 کا اختتام مثبت انداز کے ساتھ ہوا جس کی وجہ قابل قدر چائنہ پاکستان اقتصادی راہداری (CPEC) ہے جس سے یہ توقع کی جارہی ہے اس کی تکمیل سے کاروباری شعبہ پر مثبت اثرات ہوں گے۔ 2016 کے اختتام پر سال بہ سال افراطِ زر 3.8 فیصد رہا اور غیر ملکی زر مبادلہ کے ذخائر بڑھ کر 23.1 بلین امریکی ڈالر رہے۔ بین الاقوامی منڈی میں تیل اور اجناس کی قیمتیں بحالی کے اشارے دے رہی ہیں جس سے یہ توقع کی جارہی ہے کہ 2017 میں افراطِ زر بڑھے گا۔ بینک دولت پاکستان نے ملک کے بہتر ہوتے ہوئے میکرو اکنامک کے بڑے قابل تغیر اشاروں اور غیر ملکی زر مبادلہ کی صورتحال کو مد نظر رکھتے ہوئے پالیسی نرخ کو 5.75 فیصد پر برقرار رکھا۔ سال کے دوران دیگر اہم اقدامات نے بھی مقداری حرکت دکھائی خاص طور پر توانائی اور پاور کے منصوبے، متبادل گیس کے انتظامات کے ساتھ ساتھ امن و امان کی بہتر صورتحال نے بھی سرمایہ کاروں کا اعتماد بڑھایا۔

محصول کی بنیاد میں اضافہ، براہ راست غیر ملکی سرمایہ کاری کا بڑھانا، برآمدات کے شعبے کو بہتر کرنا اور حکومت کے زیر انتظام چلنے والے اداروں کی تنظیم نو اور نجکاری، 2017 کے سال کے لیے درپیش بڑے چیلنجوں میں شامل ہیں۔

مالیاتی جھلکیاں

31 دسمبر پر			31 دسمبر پر	
2015	2016		2015	2016
ملین پاکستانی روپے			ملین امریکی ڈالر	
27,195	39,806	کل اثاثہ جات	259.9	380.6
9,993	14,835	قرضہ جات	95.5	141.8
14,073	20,831	سرمایہ کاری	134.5	199.2
602	706	منافع بعد از محصول	5.8	6.7
		ہر 10 روپے کے حصص		
0.98	1.15	(بنیادی اور گھٹا ہوئے) پر آمدنی	0.0094	0.0110
		فی حصص		

آپریشن کا جائزہ

الحمد للہ، سال 2016 میں کمپنی نے متاثر کن نتائج پیش کیے۔ سال 2016 میں کمپنی نے کثیر الجہت ترقی کی پالیسی اپنائی جس نے مثبت فائدہ دیا۔ قرضہ جات کی کل مالیت میں گذشتہ سال کے مقابلے میں 48 فیصد اضافہ ہوا۔ کل اثاثہ جات 46 فیصد اضافے کے ساتھ 40 بلین روپے (380.6 ملین امریکی ڈالر) ہو گئے جو کہ 31 دسمبر 2015 کو 27 بلین روپے (259.9 ملین امریکی ڈالر) تھے۔ اسی طرح سے سال 2015 کے مقابلے میں موجودہ سال کے منافع بعد از محصول میں 17 فیصد اضافے کے ساتھ بڑھ کر 706 ملین روپے (6.7 ملین امریکی ڈالر) پہنچ گیا۔

مالیاتی منڈی میں مسابقتی صورتحال اور پورے سال میں بینک دولت پاکستان کے پالیسی نرخ میں کمی کی وجہ سے مالیاتی شعبے کا منافع مستقل کمی کا شکار رہا۔ سال 2016 میں آپریشن سے مجموعی آمدنی 84 ملین روپے اضافے کے ساتھ 3,115 ملین روپے (29.8 ملین امریکی ڈالر) رہی۔ اسی مدت کے داوران مارک اپ اور سودی اخراجات 1,436 ملین

روپے (13.7 ملین امریکی ڈالر) رہے، انتظامی و دیگر اخراجات 647 ملین روپے (6.2 ملین امریکی ڈالر) رہے۔ آپ کی کمپنی نے ممکنہ خساروں سے قبل 1,032 ملین روپے (9.9 ملین امریکی ڈالر) منافع حاصل کیا۔ کمپنی نے قرضہ جات/ سرمایہ کاری پر ممکنہ خساروں کے لیے مختص رقوم -خالص کی مد میں 7 ملین روپے (0.06 ملین امریکی ڈالر) فراہم کیے۔ اس کے نتیجے میں کمپنی کا قبل از محصول منافع 1,025 ملین روپے (9.8 ملین امریکی ڈالر) رہا۔ [سال 2015 میں 975 ملین روپے (9.3 ملین امریکی ڈالر)]۔ تاہم 57 ملین روپے (0.5 ملین امریکی ڈالر) کا اضافی ٹیکس رکارڈ کیا جس میں 39 ملین روپے (0.4 ملین امریکی ڈالر) کا سپر ٹیکس شامل ہے (جس کا نفاذ فنانس ایکٹ 2016 کے ذریعے کیا گیا تھا) اور کارپوریٹ محصول کے نرخ میں ایک فیصد کمی ہونے کی وجہ سے زیر التوا محصول اثاثوں کی مد میں 18 ملین روپے (0.1 ملین امریکی ڈالر) کی کمی کا اندراج کیا گیا۔ چنانچہ محصول کے مالی حساب کتاب کرنے کے بعد، بعد از محصول منافع 706 ملین روپے (6.7 ملین امریکی ڈالر) رہا [سال 2015 میں 602 ملین روپے (5.8 ملین امریکی ڈالر)]، جس میں سال 2015 کے مقابلے میں 17 فیصد اضافہ دیکھا گیا۔

سال 2016 میں پاکستان عُمان انوسٹمنٹ کمپنی لمیٹڈ نے متنوع اثاثہ جات پورٹ فولیو میں مسلسل بہتری دکھائی جو قرضہ جات، لیزز، کارپوریٹ بونڈز اور گورنمنٹ کے تمسکات میں سرمایہ کاری پر مشتمل ہے۔ قرضہ جات کے پورٹ فولیو میں سال 2015 کے مقابلے میں سال 2016 میں 48 فیصد اضافہ دیکھا گیا۔ جبکہ، سال 2015 میں کمپنی کے کل اثاثہ جات 27 بلین روپے (259.9 ملین امریکی ڈالر) سے بڑھ کر سال 2016 میں 40 بلین روپے (380.6 ملین امریکی ڈالر) ہو گئے جو 46 فیصد کا اضافہ دکھا رہے ہیں۔

مختص

بورڈ آف ڈائریکٹرز نے مندرجہ ذیل رقوم مختص کیں ہیں؛

برائے سال 2016		
ملین امریکی ڈالر	ملین پاکستانی روپے	
1.35	141.1	دستوری ذخائر کی مد میں
4.70	492	کیش ڈیویڈنڈ @ 0.80 روپیہ فی حصص

کریڈٹ ریٹنگ

آپ کی کمپنی کو JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ کی جانب سے نے کمپنی کی درمیانی تا طویل المدتی درجہ بندی AA+ (ڈبل اے پلس) اور قلیل المدتی ریٹنگ A1+ (اے ون پلس) دی جا چکی ہے۔

یہ ریٹنگ اعلیٰ معیار کی کریڈٹ اور تحفظ کے عوامل کی مضبوطی کی نشاندہی کرتی ہے۔ مختص شدہ ریٹنگ کے حصول کی بنیادی وجہ کمپنی کا برقرار رکھے جانے والے منافع کی بنیاد اور اس کا اپنے ہم عصر اداروں میں تقابلی مقام ہے۔

کارپوریٹ گورننس کی ریٹنگ

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ کی جانب سے کمپنی کو ادارے کی کارپوریٹ گورننس کی ریٹنگ سی جی آر-9 تفویض کی جا چکی ہے۔ مختص شدہ ریٹنگ اعلیٰ معیار کی کارپوریٹ گورننس کی نشاندہی کرتی ہے جو کمپنی میں کام کرنے کے بہترین طور طریقے استعمال کرنے کا نتیجہ ہے۔

بینک دولت پاکستان کی پرائمری ڈیلرشپ

حکومتی بانڈز کی پرائمری اور ثانوی مارکیٹ کی ترقی / ترویج میں پاک عمان کے کردار کو سراہتے ہوئے بینک دولت پاکستان نے پاک عمان کو سال 2016-2017 کے لیے دوبارہ بطور پرائمری ڈیلر منتخب کر چکا ہے۔

پاک عُمان مائکرو فنانس بینک

پاک عُمان مائکرو فنانس بینک لمیٹڈ (پی او ایم ایف بی ایل) ایک ملکی سطح کا مائکرو فنانس بینک ہے جو پاکستان کے چاروں صوبوں میں موجود ہے۔ اس کے حصص یافتگان میں سلطنتِ عُمان کی گورنمنٹ اور پاک عُمان انوسٹمنٹ کمپنی لمیٹڈ شامل ہیں۔ پی او ایم ایف بی ایل چھوٹے قرضہ جات اور بچت کی پروڈکٹس پیش کرتی ہے اور چاہتی ہے کہ وہ معاشرے کے پسماندہ لوگوں کے لیے روزگار کی فراہمی کا سبب بن جائے۔ اس کا مقصد چھوٹے اور درمیانہ درجے کے کاروبار کرنے والوں کے ذریعے سے غربت میں کمی، ان کی فلاح اور معیشت میں بہتری ہے۔

پاک عُمان مائکرو فنانس بینک کی کارکردگی کے خاص خاص نکات درج ذیل ہیں؛

2015	2016	
16	16	شاخیں
8	14	خدمات کے مرکز
83,045	100,164	آغاز سے قرض خواہ کی تعداد
16,684	17,119	سال میں قرض خواہ کی تعداد
2,084,740,000 روپے	2,786,938,000 روپے	آغاز سے قرضوں کی فراہمی
605,285,000 روپے	702,178,000 روپے	سال میں قرضوں کی فراہمی
42,405 روپے	41,017 روپے	سال میں قرضوں کی اوسط حجم
358,715,951 روپے	428,478,754 روپے	کل قرضہ جات
25,064,734 روپے	148,895,471 روپے	ڈپازٹس
11,471,359 روپے	14,769,836 روپے	منافع قبل از محصول
5,747,737 روپے	6,485,684 روپے	منافع بعد از محصول
0.056 روپے	0.063 روپے	آمدنی فی حصص

آپکی کمپنی نے پاک عُمان مائکرو فنانس بینک لمیٹڈ کی کارکردگی اور اس کے سرمایہ کی قدر میں بہتری لانے کے لیے چند اقدام لیے ہیں۔ اس سلسلے میں ایک نیا حصص یافتگان ، جس کا ایس ایم ای اور مائکرو فنانس کے شعبے میں بین القوامی پس منظر ہے، کو شامل کیا گیا ہے، جس کا حصہ شامل ہونے کے بعد 50.1 فیصد ہو جائے گا۔ اس انتظام کے بعد آپ کی کمپنی کا حصہ 33.4 سے کم ہو کر 17 فیصد رہ جائے گا۔

پاک عُمان اسیٹ مینجمنٹ کمپنی لمیٹڈ

پاک عُمان اسیٹ مینجمنٹ کمپنی لمیٹڈ (پی او اے ایم سی ایل) چار اوپن اینڈ فنڈز کا انتظام کر رہی ہے۔ پی او اے ایم سی ایل کا سرمایہ ایس ای سی پی کی ضرورت کے مطابق بڑھا دیا گیا ہے اور اب اس کا سرمایہ 660 ملین روپے ہے جس میں 97 فیصد حصہ آپ کی کمپنی کا ہے۔ حصص یافتگان کی منظوری سے پی او اے ایم سی ایل نے عسکری انویسٹمنٹ مینجمنٹ لمیٹڈ کے حصول/انضمام کا آغاز شروع کر دیا ہے۔ اس مجوزہ کے حصول/انضمام سے پی او اے ایم سی ایل اس قابل ہو جائے گا کہ وہ اپنے اثاثہ جات میں زیادہ رفتار سے اضافہ کر سکنے کے علاوہ اپنے فنڈز کی تعداد 11 تک بڑھالے گا جو بالآخر حصص یافتگان کے زیادہ منافع کا باعث ہو گا۔

خطرے سے نپٹنے کا انتظامی ڈھانچہ

خطرے سے نپٹنے اور اس کا اندازہ / کمی کرنے کی ذمہ داری بورڈ آف ڈائریکٹرز کی ہے۔ پاک عُمان کا خطرے سے نپٹنے کا انتظامی ڈھانچہ سخت ہے اور وہ کمپنی کے تمام آپریشن کے سلسلے میں بدلتے ہوئے خطرات کی ضروریات کے مطابق بدلنے کی صلاحیت رکھتا ہے۔ کمپنی، بینک دولت پاکستان کے باسل (BASEL) سے متعلق رہنما ہدایات اور رسک مینجمنٹ کی مکمل پاسداری کرتی ہے۔

اندرونی نگرانی کا نظام

ڈائریکٹرز انتظامیہ کی اندرونی نگرانی کے انتظام کے بارے میں قدر اور اس سے متعلق دیے گئے بیان کی بھی تصدیق کرتے ہیں۔

کارپوریٹ گورننس اور مالیاتی رپورٹنگ

ڈائریکٹرز اعلان کرتے ہیں کہ؛

- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اسکے معاملات کی حالت ، عملی امور کے نتائج، کیش فلو اور ملکیت میں تبدیلی بہتر طور پر پیش کرتے ہیں۔
- کمپنی نے موزوں کھاتوں کی کتابیں قائم رکھی ہوئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں اکائونٹنگ کی مناسب حکمت عملی یکساں طور پر اپنائی گئی ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط پرکھ پر ہے۔
- پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیار پر عمل کرتے ہوئے مالیاتی گوشوارے تیار کئے گئے ہیں اور ان سے کسی بھی انحراف کو مناسب طور پر ظاہر کیا گیا ہے۔
- اندرونی کنٹرول کا نظام کا ڈیزائن پائیدار بنیادوں پر تیار کیا گیا ہے اور اسکا موثر نفاذ اور نگرانی کی گئی ہے۔
- کمپنی کے کاروبار کے جاری رکھنے کی صلاحیت میں کوئی شبہ نہیں ہے۔
- کمپنی کے دو ڈائریکٹرز نے "ڈائریکٹرز ٹریننگ سرٹیفیکیشن" مکمل کیا۔ ایک ڈائریکٹر کو اس سرٹیفیکیشن سے استثنیٰ مل گیا ہے دوسروں نے اورینٹیشن کورس میں شرکت کی ہے۔
- کارپوریٹ گورننس کی بہترین پریکٹسز پر عملدرآمد سے کوئی غیر معمولی انحراف نہیں کیا گیا ہے۔

▪ بورڈ اور ذیلی کمیٹیوں کے منعقدہ اجلاس اور ہر ڈائریکٹرز کی حاضری

بورڈ کی				بورڈ آف ڈائریکٹرز	منعقدہ اجلاس کی تعداد
رسمی کمیٹی	مشاہرہ اور معاوضہ کمیٹی	آڈٹ کمیٹی	ایگزیکوٹیو کمیٹی		
کوئی نہیں	2	4	5	5	
*	*	*	5	5	ایچ۔ ای۔ یحییٰ بن سعید بن عبد اللہ الجابری
****	2	4	5	5	جناب ایم زبیر موتی والا
*	2	4	5	5	جناب مصطفیٰ بن علی سلیمان
****	2	4	*	5	جناب حمد سلوم مبارک العذوبی
*	*	3	3	3	جناب اویس منظور سُمرَا **
*	*	-	-	-	جناب نور احمد ***
****	*	-	-	-	ایچ۔ ایچ۔ جلد جیفر سلم آل سعید ***
*	2	*	5	5	جناب بہا والدین خان

* رکن نہیں ہیں

** اکتوبر 2016 میں جناب اویس منظور سُمرَا مستعفی ہو چکے تھے۔

*** ان کی انتخاب کے بعد کوئی اجلاس نہیں ہوا۔

**** رسم مینجمنٹ کا قیام بورڈ آف ڈائریکٹرز کی اجلاس منعقدہ 23 دسمبر 2016 میں ہوا

اور 2016 میں اس کا کوئی اجلاس نہیں ہوا۔

***** بورڈ آف ڈائریکٹرز نے اپنی دسمبر 23، 2016 کو منعقدہ اجلاس میں ایچ۔ ای۔ یحییٰ بن سعید بن عبد اللہ الجابری کو بورڈ کی مشاہرہ اور معاوضہ کمیٹی کا بطور چیرمین اور رکن انتخاب کر چکا ہے اور ان کے انتخاب کے بعد کوئی اجلاس نہیں ہوا۔

سال کے دوران بورڈ آف ڈائریکٹرز میں دو تبدیلیاں ہوئیں۔ حکومت پاکستان کے نامزد

ڈائریکٹر جناب نور احمد نے جناب اویس منظور سُمرَا کی جگہ لی اور سلطنتِ عُمان کے

نامزد ایچ۔ ایچ۔ جلد جیفر سلم آل سعید نے جناب مصطفیٰ بن علی سلیمان کی جگہ لی۔

پراویڈینٹ اور گریجویٹ فنڈز کی سرمایہ کاری کا اسٹیٹمنٹ

31 دسمبر 2016 تک پراویڈینٹ اور گریجویٹ فنڈز کے غیر تصدیق شدہ گوشواروں کے مطابق سرمایہ کاری کی تفصیل بالترتیب 163 ملین اور 125 ملین پاکستانی روپے رہی۔

محاسب

موجودہ محاسب میسرز کے پی ایم جی تاسیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹ، کا مدت معاہدہ ختم ہو گیا ہے اور اس بات کے اہل ہونے کی وجہ سے اپنے آپ کو دوبارہ منتخب کروانے کے لیے اپنی خدمات دوبارہ پیش کرتے ہیں۔ آڈٹ کمیٹی کی میسرز کے پی ایم جی تاسیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹ کا 31 دسمبر 2017 تک کے لیے دوبارہ انتخاب کی تجویز کو سالانہ عام اجلاس میں غور اور منظوری کے لیے پیش کرتے ہیں۔

حصص رکھنے کا رجحان

49.99%	وزارتِ مالیات،	حکومتِ پاکستان
0.01%	سیکرٹری، اقتصادی معاملات ڈیویژن	
49.99%	وزارتِ مالیات	حکومت سلطنتِ عمان
0.01%	وزارتِ تجارت و صنعت	

اعتراف

سرپرست

بورڈ متعلقہ حکومتوں سلطنتِ عمان اور اسلامی جمہوریہ پاکستان کی حکومتوں کے تعاون اور ان کی وابستگی کے ممنون ہیں۔

قانون ساز نگران ادارے

بورڈ اس موقع کو پر بینک دولت پاکستان کی مسلسل رہنمائی اور حمائت کے لیے ممنونیت کا بھی اظہار کرتا ہے۔

انتظامیہ

بورڈ کمپنی کو اس مقام پر پہنچانے میں اور اسے مالیاتی شعبے کا ایک مضبوط کھلاڑی بنانے پر اپنے عملے کی غیر معمولی کاوشوں کو سراہتا ہے۔ یہ کمپنی کے مقاصد کے حصول کے لیے ان کی مجموعی مشترکہ کاوشوں، کام سے وابستگی اور لگن کا نتیجہ ہے

بہاؤالدین خان

مینجنگ ڈائریکٹر اور چیف ایکزیکیوٹو

کراچی، 2 مارچ 2017

Pak Oman Investment Company Limited

Six Years Financial Summary

Rupees in '000

December 31	2016	2015	2014	2013	2012	2011
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Cash and balances with treasury and other banks	1,759,805	1,680,681	369,085	284,645	260,159	275,705
Lendings to financial institutions	935,826	362,824	614,177	1,206,521	833,119	1,321,745
Investments	20,831,182	14,073,356	12,179,521	7,629,301	10,229,027	10,589,968
Advances	14,834,851	9,993,263	9,070,314	7,493,690	6,347,059	5,767,026
Operating fixed assets	85,263	82,316	68,669	51,086	58,725	63,811
Other assets	1,359,428	1,002,189	1,063,857	1,062,467	849,852	798,082
Total assets	39,806,355	27,194,629	23,365,623	17,727,710	18,577,941	18,816,337
LIABILITIES						
Borrowings	25,150,898	14,479,440	8,868,730	5,721,831	6,546,367	6,648,716
Deposits and other accounts	5,342,975	4,009,860	6,295,986	4,433,848	4,351,000	4,695,693
Other liabilities	851,284	540,243	488,736	371,186	519,504	626,355
Total Liabilities	31,345,157	19,029,543	15,653,452	10,526,865	11,416,871	11,970,764
NET ASSETS	8,461,198	8,165,086	7,712,171	7,200,845	7,161,070	6,845,573
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	1,956,752	1,620,203	1,268,725	1,134,203	1,008,022	794,918
	8,106,752	7,770,203	7,418,725	7,284,203	7,158,022	6,944,918
Surplus / (deficit) on revaluation of assets - net of deferred tax	354,446	394,883	293,446	(83,358)	3,048	(99,345)
	8,461,198	8,165,086	7,712,171	7,200,845	7,161,070	6,845,573
PROFITABILITY						
Mark-up/Return/Interest earned	2,287,972	2,242,063	2,117,169	1,564,799	2,048,783	2,264,147
Mark-up/Return/Interest expensed	(1,436,373)	(1,356,296)	(1,360,752)	(892,690)	(1,304,300)	(1,513,542)
Net mark-up/interest income	851,599	885,767	756,417	672,109	744,483	750,605
Fee, commission and brokerage income	60,302	39,488	29,699	9,900	13,969	11,185
Capital gain & dividend income	762,621	750,484	371,072	270,560	331,868	119,437
Other income	4,750	-	1,903	1,039	1,978	2,355
Total non markup/interest income	827,673	789,972	402,674	281,499	347,815	132,977
Gross Income	1,679,272	1,675,739	1,159,091	953,608	1,092,298	883,582
Administrative expenses and other charges	(647,335)	(504,340)	(392,775)	(339,705)	(311,967)	(269,204)
Profit before provisions	1,031,937	1,171,399	766,316	613,903	780,331	614,378
Provisions	(6,648)	(196,135)	(221,033)	(126,139)	(174,808)	(35,085)
Profit before taxation	1,025,289	975,264	545,283	487,764	605,523	579,293
Taxation	(319,675)	(372,793)	(161,690)	(112,224)	(177,169)	(231,271)
Profit after taxation	705,614	602,471	383,593	375,540	428,354	348,022
CASH FLOW STATEMENT - SUMMARY						
Cash flow from operating activities	4,624,456	3,080,661	4,768,958	(1,839,497)	2,533,492	(2,451,484)
Cash flow from investing activities	(4,176,030)	(1,549,550)	(4,684,421)	2,390,954	(2,324,966)	2,251,437
Cash flow from financing activities	(369,302)	(244,515)	(251,097)	(250,971)	(224,072)	(255,371)
Cash and cash equivalents at the beginning of the year	1,680,681	394,085	560,645	260,159	275,705	731,123
* Cash and cash equivalents at the end of the year	1,759,805	1,680,681	394,085	560,645	260,159	275,705
Financial Ratios						
Return on Equity	8.9%	7.9%	5.2%	5.2%	6.1%	5.0%
Return on Assets	2.1%	2.4%	1.9%	2.1%	2.3%	1.8%
Profit before tax ratio	61.1%	58.2%	47.0%	51.1%	55.4%	65.6%
Gross spread ratio	37.2%	39.5%	35.7%	43.0%	36.3%	33.2%
Total Assets to shareholders' fund	4.70	3.33	3.03	2.46	2.59	2.75
Weighted average cost of debt	5.86%	8.06%	10.75%	8.48%	11.73%	13.13%
Capital adequacy ratio (CAR)	28.34%	35.62%	31.17%	36.60%	41.45%	41.72%
Share Information						
Cash dividend per share	8%	6%	4%	4%	4%	3.5%
Basic and diluted earnings per share	1.15	0.98	0.62	0.61	0.70	0.57
Breakup value per shares - Without surplus on revaluation of assets	13.18	12.63	12.06	11.84	11.64	11.29
Breakup value per shares - With surplus on revaluation of assets	13.76	13.28	12.54	11.71	11.64	11.13

* 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 2016

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 (Code) prepared by the Board of Directors of Pak Oman Investment Company Limited (the company) for the year ended 31 December 2016 to comply with the requirements of Rules and Code.

The responsibility for compliance with the Rules and 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 Code and report if it does not and to highlight any non-compliance with the requirements of the Rules and 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 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 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 Code as applicable to the Company for the year ended 31 December 2016.

Date: 02 March 2017

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, 2016

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 • H.H. Juland Jaifar Salim Al Said • Mr. Hamed Sloom Mubarak Al Athobi • Mr. Noor Ahmed

The Company has obtained relaxation from the State Bank of Pakistan with regards to the requirement of independent director.

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 five 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 H.H. Juland Jaifar Salim Al Said – Member Mr. Noor Ahmed – Member
Executive Committee	H.E. Yahya Bin Said Bin Abdullah Al-Jabri - Chairman Mr. M. Zubair Motiwala– Member H.H. Juland Jaifar Salim Al Said – Member Mr. Noor Ahmed – Member Mr. Bahauddin Khan – Member
Remuneration & Compensation Committee	H.E. Yahya Bin Said Bin Abdullah Al-Jabri - Chairman Mr. M. Zubair Motiwala – Member Mr. Hamed Sloom Mubarak Al Athobi – Member
Risk Committee	Mr. M. Zubair Motiwala - Chairman H.H. Juland Jaifar Salim Al Said – 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, 2016. 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

Karachi: March 02, 2017

STATEMENT OF INTERNAL CONTROLS

For the year ended December 31, 2016

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

S. Abdullah Jamal Ahmed
Chief Internal Auditor

Karachi: March 02, 2017



KPMG Taseer Hadi & Co.
Chartered Accountants

**Pak Oman Investment Company
Limited**

**Unconsolidated Financial
Statements**

For the year ended
31 December 2016



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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 2016 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 changes disclosed in note 5 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 2016 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: 02 March 2017

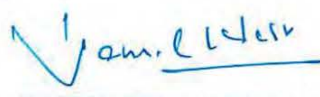
Karachi

KPMG Taseer Hadi & Co. → 1
KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Pak Oman Investment Company Limited
 Unconsolidated Statement of Financial Position
 As at 31 December 2016

2016 (US Dollar in '000)	2015		Note	2016 (Rupees in '000)	2015
ASSETS					
850	896	Cash and balances with treasury banks	6	88,884	93,725
15,975	15,172	Balances with other banks	7	1,670,921	1,586,956
8,947	3,469	Lendings to financial institutions	8	935,826	362,824
199,154	134,546	Investments - net	9	20,831,182	14,073,356
141,827	95,539	Advances - net	10	14,834,851	9,993,263
815	787	Operating fixed assets	11	85,263	82,316
4,201	3,626	Deferred tax assets - net	12	439,434	379,314
8,795	5,955	Other assets	13	919,994	622,875
380,564	259,990			39,806,355	27,194,629
LIABILITIES					
-	-	Bills payable		-	-
240,452	138,429	Borrowings	14	25,150,898	14,479,440
51,081	38,336	Deposits and other accounts	15	5,342,975	4,009,860
-	-	Sub-ordinated loans		-	-
16	19	Liabilities against assets subject to finance lease	16	1,671	1,973
-	-	Deferred tax liabilities		-	-
8,123	5,146	Other liabilities	17	849,613	538,270
299,672	181,930			31,345,157	19,029,543
80,892	78,060	NET ASSETS		8,461,198	8,165,086
REPRESENTED BY					
58,796	58,796	Share capital	18	6,150,000	6,150,000
9,411	8,062	Reserves	19	984,427	843,304
9,296	7,427	Unappropriated profit		972,325	776,899
77,503	74,285			8,106,752	7,770,203
3,389	3,775	Surplus on revaluation of assets - net of deferred tax	20	354,446	394,883
80,892	78,060			8,461,198	8,165,086
CONTINGENCIES AND COMMITMENTS 21					

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

KAmr

 Chief Financial Officer


 Managing Director
 and Chief Executive


 Managing Director
 and Chief Executive


 Chairman

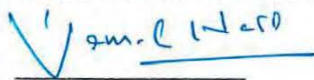
Pak Oman Investment Company Limited

Unconsolidated Profit and Loss Account

For the year ended 31 December 2016

2016 (US Dollar in '000)	2015		Note	2016 (Rupees in '000)	2015
21,874	21,435	Mark-up / return / interest earned	22	2,287,972	2,242,063
13,732	12,967	Mark-up / return / interest expensed	23	1,436,373	1,356,296
8,142	8,468	Net mark-up / interest income		851,599	885,767
1,608	196	Provision against non-performing advances	10.5	168,179	20,548
(1,544)	1,679	(Reversal) / provision for diminution in the value of investments	9.3	(161,531)	175,587
-	-	Bad debts written off directly		-	-
64	1,875			6,648	196,135
8,078	6,593	Net mark-up / interest income after provisions		844,951	689,632
NON MARK-UP / INTEREST INCOME					
577	378	Fee, commission and brokerage income		60,302	39,488
1,159	1,367	Dividend income		121,236	143,009
-	-	Income from dealing in foreign currencies		-	-
6,107	5,910	Gain on sale of securities	24	638,804	618,126
25	(102)	Unrealised gain / (loss) on revaluation of investments classified as held-for-trading		2,581	(10,651)
45	-	Other income	25	4,750	-
7,913	7,553	Total non mark-up / interest income		827,673	789,972
15,991	14,146			1,672,624	1,479,604
NON MARK-UP / INTEREST EXPENSES					
5,438	4,476	Administrative expenses	26	568,798	468,230
-	-	Other provisions / write offs	13.2	-	-
751	345	Other charges	27	78,537	36,110
6,189	4,821	Total non mark-up / interest expenses		647,335	504,340
9,802	9,325			1,025,289	975,264
-	-	Extra ordinary / unusual items		-	-
9,802	9,325	PROFIT BEFORE TAXATION		1,025,289	975,264
Taxation					
3,260	3,422	- current	28	340,939	357,943
31	227	- prior years		3,206	23,718
(234)	(85)	- deferred		(24,470)	(8,868)
3,057	3,564			319,675	372,793
6,745	5,761	PROFIT AFTER TAXATION		705,614	602,471
7,427	5,219	Unappropriated profit brought forward		776,899	545,915
14,172	10,980	Profit available for appropriation		1,482,513	1,148,386
(US \$)				(Rupees)	
0.0110	0.0094	Basic and diluted earnings per share	29	1.15	0.98

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

Kamh 
 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 2016

2016 (US Dollar in '000)	2015		Note	2016 (Rupees in '000)	2015
6,745	5,761	Profit after taxation		705,614	602,471
		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:			
(15)	(70)	Remeasurement of defined benefit obligation	32.9	(1,529)	(7,343)
5	22	Related tax impact		474	2,350
(10)	(48)			(1,055)	(4,993)
<u>6,735</u>	<u>5,713</u>	Comprehensive income for the year transferred to equity		<u>704,559</u>	<u>597,478</u>
		Component of comprehensive income for the year not transferred to equity			
(1,528)	1,061	(deficit) / Surplus on revaluation of 'available for sale' investments		(159,863)	111,019
584	(92)	Related tax impact		61,080	(9,582)
(944)	969			(98,783)	101,437
<u>5,791</u>	<u>6,682</u>	Total comprehensive income		<u>605,776</u>	<u>698,915</u>

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

Amir




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 2016

2016 (US Dollar in '000)	2015		Note	2016 (Rupees in '000)	2015
CASH FLOWS FROM OPERATING ACTIVITIES					
9,802	9,325	Profit before taxation		1,025,289	975,264
(1,159)	(1,367)	Less: Dividend income		(121,236)	(143,009)
8,643	7,958			904,053	832,255
Adjustments:					
325	185	Depreciation	26	33,970	19,383
1	2	Amortization of intangible assets	26	119	190
(25)	102	Unrealised (gain) / loss on revaluation of investments classified as held-for-trading		(2,581)	10,651
(45)	12	(Gain) / loss on sale of property and equipment	27 & 25	(4,750)	1,242
1,608	196	Provision against non-performing advances	10.5	168,179	20,548
(1,544)	1,679	(Reversal) / provision for diminution in the value of investments	9.3	(161,531)	175,587
1	-	Finance charges on leased assets	26	130	16
-	-	Provision / (reversal) held against other assets		-	-
321	2,176			33,536	227,617
8,964	10,134			937,589	1,059,872
(Increase) / decrease in operating assets					
(5,478)	2,164	Lendings to financial institutions		(573,002)	226,353
(23,746)	(2,752)	Net investments in held-for-trading securities		(2,483,843)	(287,840)
(47,895)	(9,020)	Advances - net		(5,009,767)	(943,497)
(1,226)	63	Other assets (excluding taxation)		(128,232)	6,621
(78,345)	(9,545)			(8,194,844)	(998,363)
Increase / (decrease) in operating liabilities					
102,023	53,640	Borrowings		10,671,458	5,610,710
12,745	(21,856)	Deposits and other accounts		1,333,115	(2,286,126)
2,961	407	Other liabilities		309,814	42,679
117,729	32,191			12,314,387	3,367,263
48,348	32,780			5,057,132	3,428,772
(1)	-	Finance charges paid on leased assets		(130)	(16)
(4,135)	(3,328)	Income tax paid		(432,546)	(348,095)
44,212	29,452	Net cash from operating activities		4,624,456	3,080,661
CASH FLOWS FROM INVESTING ACTIVITIES					
(38,989)	(14,844)	Net investments in available-for-sale securities		(4,078,143)	(1,552,684)
(876)	970	(Investments in) / Sale of associates		(91,591)	101,470
(956)	(2,199)	Investment in subsidiary		(100,000)	(230,000)
1,140	1,588	Dividend income received		119,208	166,126
(331)	(413)	Purchase of operating fixed assets		(34,589)	(43,248)
87	84	Sale proceeds on sale of property and equipments		9,085	8,786
(39,925)	(14,814)	Net cash used in investing activities		(4,176,030)	(1,549,550)
CASH FLOWS FROM FINANCING ACTIVITIES					
(3)	14	(Payments) / receipts of finance lease obligations		(302)	1,485
(3,528)	(2,352)	Dividend paid		(369,000)	(246,000)
(3,531)	(2,338)	Net cash used in financing activities		(369,302)	(244,515)
756	12,300	Increase in cash and cash equivalents		79,124	1,286,596
16,068	3,768	Cash and cash equivalents at beginning of the year		1,680,681	394,085
16,824	16,068	Cash and cash equivalents at end of the year	30	1,759,805	1,680,681

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

Kamran Vignani
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 2016

	Issued, subscribed and paid-up capital	(Reserves)		Unappropriated profit	Total
		Statutory reserve	General reserve		
(Rupees in '000)					
Balance as at 1 January 2015	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
Total comprehensive income					
Profit for the year ended 31 December 2016	-	-	-	705,614	705,614
Other comprehensive income - net of tax	-	-	-	(1,055)	(1,055)
Total comprehensive income for the year	-	-	-	704,559	704,559
Transfers					
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	990	990
Transfer to statutory reserve - 20% of the profit for the year	-	141,123	-	(141,123)	-
Transaction with owners recognised directly in equity					
Dividend for the year ended 31 December 2015 (Re. 0.6 per share)	-	-	-	(369,000)	(369,000)
Balance as at 31 December 2016	6,150,000	972,797	11,630	972,325	8,106,752

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

12/11/16



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 2016

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 Company. 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 28 October, 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. 104.5985 to 1 US Dollar has been used for 2016 and 2015 as it was the prevalent rate as on 31 December 2016.

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, their respective interpretations issued by International Financial Reporting Committee (IFRIC) and Standing Interpretation Committee (SIC), 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 accounting policies and the methods of computation adopted in the preparation of the condensed interim financial information are consistent with those applied in preparation of financial statements for the year ended 31 December 2015 except for the following:

Non banking assets acquired in satisfaction of claims

Effective 1 January 2016, the Company has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims to comply with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated 1 January 2016. In line with the guidance provided in the Regulations, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised. Previously, Non-banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, Non banking assets (included in Other Assets in the statement of financial position) and surplus on revaluation of assets would have been lower by Rs. 77.98 million and Rs. 58.35 million respectively, while profit after tax and deferred tax assets - net would have been higher by Rs. 4.74 million and Rs. 23.40 million respectively.

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

5.1 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of Approved Accounting Standards will be effective for accounting periods on or after 01 January 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on unconsolidated financial statements of the Company.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non - cash changes.
- Amendments to IFRS 2 - Share - based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash - settled share - based payments; (b) classification of share - based payments settled net of tax withholdings; and (c) accounting for a modification of a share - based payment from cash - settled to equity - settled. The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Company's unconsolidated financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Company's unconsolidated financial statements.
- Annual improvements to IFRS standards 2014 - 2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
 - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 - 'Non - current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organisation and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non - investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Company's unconsolidated financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognised. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognised. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

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

5.2 Cash and cash equivalents

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

5.3 Revenue recognition

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

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

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

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

Gains and losses on disposal of securities are recognised in the 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.

5.4 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.

5.5 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.

5.6 Advances and net investment in finance lease

5.6.1 Advances

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

5.6.2 Provision against non-performing advances

Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by SBP and charged to the 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.

5.6.3 Net investment in lease

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

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

5.7 Operating fixed assets

5.7.1 Property and equipment – owned

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to 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.

5.7.2 Property and equipment - leased

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

5.7.3 Capital work-in-progress

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

5.7.4 Intangible assets

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

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

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

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

5.8 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the 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.

5.9 Taxation

5.9.1 Current

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

5.9.2 Deferred

The 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.

5.10 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.

5.11 Staff retirement benefits

5.11.1 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 2016.

5.11.2 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.

5.12 Compensated absences

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

5.13 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.

5.14 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.

5.15 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.

5.16 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.

5.17 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.

5.18 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 2016.

5.19 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.

5.20 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.

5.21 Segment information

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

Business segments

- Corporate finance

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

- Trading & sales

Involves the businesses of equity trading and fixed income securities.

- Commercial banking

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

6. CASH AND BALANCES WITH TREASURY BANKS	<i>Note</i>	2016	2015
		(Rupees in '000)	
Cash in hand:			
local currency		84	106
foreign currency		149	150
Balances with State Bank of Pakistan in local currency - current account	<i>6.1</i>	88,651	93,469
		88,884	93,725

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	<i>Note</i>	2016	2015
		(Rupees in '000)	
In Pakistan:			
current accounts		8,217	1,685
deposit accounts	<i>7.1</i>	1,662,449	1,585,031
		1,670,666	1,586,716
Outside Pakistan:			
current accounts		255	240
		1,670,921	1,586,956

7.1 These include term deposit receipts (TDRs) of Rs. 1,650 million (2015: Rs. 1,350 million) maturing between January 2017 to December 2017 (2015: January 2016 to February 2016). These carry mark-up rates ranging from 6.40 to 8.50 (2015: 6.75 to 7.25) percent per annum.

8. LENDINGS TO FINANCIAL INSTITUTIONS	<i>Note</i>	2016	2015
		(Rupees in '000)	
Repurchase agreement lendings	<i>8.1</i>	935,826	362,824
Certificate of investments (COIs)		-	-
		935,826	362,824

8.1 These are short-term lendings to different financial institutions secured against government securities as disclosed in note 8.3 which are purchased under resale obligations. These carry mark-up rates ranging from 6.15 to 6.25 (2015: 6.55 to 7.25) percent per annum and will mature in January 2017 (2015: January 2016).

8.2 Particulars of lendings		2016	2015
		(Rupees in '000)	
In local currency		935,826	362,824
In foreign currency		-	-
		935,826	362,824

8.3 Securities held as collateral against lendings to financial institutions

<i>Note</i>	2016			2015		
	Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	296,955	438,871	735,826	-	142,824	142,824
Pakistan Investment Bonds	-	200,000	200,000	-	220,000	220,000
<i>8.3.1</i>	296,955	638,871	935,826	-	362,824	362,824

8.3.1 Market value of these securities amount to Rs. 941 million (2015: Rs. 370 million).

9. INVESTMENTS

	Note	2016			2015		
		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	602,866	1,036,725	1,639,591	181,573	243,056	424,629
Market Treasury Bills (T-Bills)	9.4 & 9.5.1	430,275	1,370,506	1,800,781	247,051	215,250	462,301
Listed ordinary shares	9.5.2.1	41,106	-	41,106	110,705	-	110,705
		1,074,247	2,407,231	3,481,478	539,329	458,306	997,635
Available-for-sale securities							
Pakistan Investment Bonds (PIBs)	9.4 & 9.5.1	183,630	2,423,324	2,606,954	111,455	7,513,935	7,625,390
Ijara Sukuks	9.4 & 9.5.1	-	-	-	300,000	-	300,000
Market Treasury Bills (T-Bills)	9.4 & 9.5.1	194,832	9,733,012	9,927,844	74,201	144,555	218,756
Listed ordinary shares	9.5.2.2	653,703	-	653,703	682,716	-	682,716
Unlisted ordinary shares	9.5.3	121,333	226,000	347,333	121,333	226,000	347,333
Term finance certificates (TFCs)	9.5.4 & 9.5.5	1,723,926	-	1,723,926	2,233,215	-	2,233,215
Sukuk certificates	9.5.6	1,146,159	-	1,146,159	966,619	-	966,619
		4,023,583	12,382,336	16,405,919	4,489,539	7,884,490	12,374,029
Associates							
	9.5.7						
Japan Power Generation Limited		-	70,726	70,726	51,921	70,726	122,647
Pak Oman Microfinance Bank Limited		384,708	-	384,708	384,708	-	384,708
Pak Oman Advantage Islamic Income Fund		165,025	-	165,025	65,025	-	65,025
Pak Oman Islamic Asset Allocation Fund		92,414	-	92,414	92,414	-	92,414
Pak Oman Advantage Asset Allocation Fund		84,078	-	84,078	84,078	-	84,078
Pak Oman Government Securities Fund		249,000	-	249,000	249,000	-	249,000
		975,225	70,726	1,045,951	927,146	70,726	997,872
Subsidiary							
Pak Oman Asset Management Company Limited	9.5.8	498,300	-	498,300	398,300	-	398,300
Investments at cost		6,571,355	14,860,293	21,431,648	6,354,314	8,413,522	14,767,836
Less: Provision for diminution in the value of investments	9.3	935,409	70,726	1,006,135	1,198,160	59,271	1,257,431
Investments - net of provisions		5,635,946	14,789,567	20,425,513	5,156,154	8,354,251	13,510,405
(Deficit) / surplus on revaluation of held-for-trading securities	9.6	(2,229)	(1,733)	(3,962)	(7,325)	782	(6,543)
Surplus on revaluation of available-for-sale securities	20	117,230	292,401	409,631	15,335	554,159	569,494
Total investments		5,750,947	15,080,235	20,831,182	5,164,164	8,909,192	14,073,356

9.2 Investments by segments	Note	2016 (Rupees in '000)	2015
Federal Government Securities			
Pakistan Investment Bonds (PIBs)	9.4, 9.5 & 9.6	4,246,545	8,050,019
Ijara Sukuk	9.4, 9.5 & 9.6	-	300,000
Market Treasury Bills (MTBs)	9.4, 9.5 & 9.6	11,728,625	681,057
		15,975,170	9,031,076
Fully paid up ordinary shares			
Listed companies	9.5.2	694,809	793,421
Unlisted companies	9.5.3	347,333	347,333
		1,042,142	1,140,754
Term finance certificates (TFCs)			
Listed	9.5.4	909,398	1,210,499
Unlisted	9.5.5	814,528	1,022,716
		1,723,926	2,233,215
Sukuk certificates	9.5.6	1,146,159	966,619
Investment in associates	9.5.7	1,045,951	997,872
Investments in subsidiary	9.5.8	498,300	398,300
Total investments at cost		21,431,648	14,767,836
Less: Provision for diminution in the value of investments	9.3	1,006,135	1,257,431
Investments (net of provisions)		20,425,513	13,510,405
Deficit on revaluation of held-for-trading securities	9.6	(3,962)	(6,543)
Surplus on revaluation of available-for-sale securities	20	409,631	569,494
Total investments		20,831,182	14,073,356
9.3 Particulars of provision for diminution in the value of investments			
Opening balance		1,257,431	1,125,990
Charge for the year		79,820	265,013
Reversals for the year	9.3.1	(241,351)	(89,426)
		(161,531)	175,587
Transfer to capital gain due to disposal of relevant investments		(89,765)	(44,146)
Closing balance	9.3.2	1,006,135	1,257,431

9.3.1 This includes reversal of provision Rs 228.5 million against property swap of Rs 301 million Pace Pakistan Ltd's TFCs.

9.3.2 Particulars of provision in respect of types and segments

2016 **2015**
(Rupees in '000)

Available-for-sale securities

Shares		
- Listed	55,989	73,076
- Unlisted	121,333	104,426
Term Finance Certificates		
- Listed	237,920	466,435
- Unlisted	179,455	179,455
Sukuk	183,337	173,881
	778,034	997,273
Associate	70,726	102,783
Subsidiary	157,375	157,375
	1,006,135	1,257,431

9.4 The rates of return on PIBs maturing between March 2018 to April 2026 (2015: May 2016 to July 2022), range from 6.12 to 13.20 (2015: 6.50 to 13.20) percent per annum. The rates of return on Ijara Sukuk maturing in NIL (2015: December 2018) is NIL (2015: 5.89) percent per annum. The rate of return on market treasury bills maturing between January 2017 to October 2017 (2015: January 2016 to September 2016), range from 5.81 to 6.22 (2015: 6.37 to 6.49) 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

2016		2015	
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	80,818	Unrated	114,824	Unrated
5 years	1,040,255	Unrated	76,360	Unrated
3 years	515,459	Unrated	235,063	Unrated
	1,636,532		426,247	

Market Treasury Bills (MTBs)

3 months	819,627	Unrated	19,931	Unrated
6 months	98,805	Unrated	195,490	Unrated
12 months	882,261	Unrated	246,899	Unrated
	1,800,693		462,320	

9.5.1.2 Available-for-sale

Pakistan Investment Bonds (PIBs)

20 years	23,621	Unrated	-	Unrated
15 years	482,853	Unrated	466,028	Unrated
10 years	2,434,738	Unrated	3,904,909	Unrated
5 years	-	Unrated	1,601,972	Unrated
3 years	-	Unrated	2,208,512	Unrated
	2,941,212		8,181,421	

Ijara Sukuk

-	303,390	Unrated
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Market Treasury Bills (MTBs)

6 months	-	Unrated	19,643	Unrated
12 months	9,919,640	Unrated	199,118	Unrated
	9,919,640		218,761	
	16,298,077		9,592,139	

9.5.2	Listed shares	Rating	No. of shares held		Cost		Market value	
			2016	2015	2016	2015	2016	2015
			(Rupees in '000)					
9.5.2.1	Held-for-trading							
	Chemical							
	Engro Corporation Limited	Unrated	-	45,500	-	13,782	-	12,712
	Fauji Fertilizer Company Limited	Unrated	75,000	-	7,954	-	7,828	-
	Electricity							
	Kot Addu Power Company Limited	AA+/A1+	-	61,000	-	5,365	-	4,941
	Cable & Electrical Goods							
	Pak Elektron Limited	A+/A1	35,000	225,000	2,493	15,541	2,495	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							
	Hascoil Petroleum Limited	A+/A-1	-	70,000	-	11,124	-	10,098
	Mari Petroleum Company Limited	Unrated	-	9,100	-	6,407	-	6,343
	Construction and materials (Cement)							
	D.G.Khan Cement Company Limited	Unrated	-	25,000	-	3,700	-	3,690
	Lucky Cement Limited	Unrated	-	50,500	-	26,647	-	24,999
	Commercial Banks							
	MCB Bank Limited	AAA / A1+	20,000	-	4,747	-	4,756	-
	Refinery							
	National Refinery Limited	AA+/A1+	10,000	-	5,865	-	5,711	-
	Automobile Assembler							
	Indus Motor Company Limited	Unrated	3,500	-	5,584	-	5,651	-
	Millat Tractors Limited	Unrated	9,000	-	8,105	-	8,142	-
	Al-Ghazi Tractors Limited	Unrated	10,000	-	6,358	-	5,708	-
					41,106	110,705	40,291	102,525
9.5.2.2	Available-for-sale							
	Construction and materials (Cement)							
	Cherat Cement Limited	A/A1	-	103,000	-	9,256	-	9,288
	Fauji Cement Company Limited	AA/A1+	600,000	200,000	24,387	6,825	27,048	7,364
	Kohat Cement Limited	Unrated	-	15,500	-	3,102	-	3,733
	Lucky Cement Limited	Unrated	40,000	-	28,487	-	34,650	-
	Maple Leaf Cement Factory Limited	A+/A1	-	100,000	-	7,075	-	7,458
	DG Khan Cement Company Limited	Unrated	95,000	-	18,842	-	21,064	-
	Electricity							
	HUB Power Company Limited	AA+ / A1+	200,000	200,000	24,510	20,391	24,696	20,520
	Kot Addu Power Company Limited	AA+/A1+	400,000	285,000	33,886	22,573	31,520	23,085
	Lalpir Power Limited	AA / A1+	-	903,000	-	27,522	-	26,855
	Nishat Chunian Power Limited	Unrated	550,000	650,000	30,641	35,911	30,514	35,782
	Nishat Power Limited	A+ / A1	400,000	402,500	22,194	22,502	25,636	21,606
	Chemical							
	Agritech Limited (Note 9.5.5.2)	Unrated	1,926,616	1,629,911	67,449	57,046	24,429	15,240
	Engro Corporation Limited	AA/ A1+	100,000	30,000	31,482	8,498	31,609	8,382
	Engro Fertilizer Company Limited	AA-/A1+	-	120,000	-	10,172	-	10,096
	Fauji Fertilizer Company Limited	AA/A1+	-	300,000	-	39,395	-	35,394
	Commercial Banks							
	Allied Bank Limited	AA+ / A1+	-	215,000	-	24,839	-	20,265
	Habib Bank Limited	AAA/A1+	90,000	140,000	19,816	29,384	24,592	28,017
	Habib Metro Bank Limited	AA+/A1+	700,000	1,000,000	24,847	36,407	25,900	30,470
	JS Bank Limited	AA-/ A1+	-	1,850,000	-	12,833	-	14,337
	MCB Bank Limited	AAA/A1+	115,000	-	26,250	-	27,349	-
	National Bank of Pakistan	AAA/A1+	200,000	-	14,626	-	14,978	-
	United Bank Limited	AAA/A1+	205,000	315,700	39,346	50,310	48,974	48,918
	Refinery / Oil & Gas							
	Attock Petroleum Limited	Unrated	-	22,050	-	11,372	-	11,138
	Attock Refinery Limited	AA/A1+	30,000	-	10,829	-	12,759	-
	Oil & Gas Development Company Limited	AAA/A1+	100,000	50,000	14,487	9,024	16,535	5,867
	Pak Refinery Limited	A-/A2	-	437,000	-	25,131	-	19,757
	Pakistan Oilfield Limited	Unrated	55,000	30,000	23,895	10,553	29,404	8,040
	Pakistan Petroleum Limited	Unrated	90,000	-	15,105	-	16,936	-
	Pakistan State Oil Company Limited	AA+ / A1+	70,000	80,000	28,807	28,585	30,395	26,062
	National Refinery Limited	AA/A1+	42,000	-	24,980	-	23,987	-
	Mari Petroleum Company Limited	Unrated	4,750	-	6,595	-	6,531	-
	Sui Northern Gas Company Limited	AA-/A1	-	294,500	-	9,904	-	7,080
	Sui Southern Gas Company Limited	A+/A1	-	500,000	-	22,058	-	18,675
	Paper and Board							
	Century Paper & Board	A+/A1	-	200,500	-	12,503	-	10,263
	Cherat Packaging Limited	Unrated	5,000	50,000	1,756	13,091	1,690	15,155
	Food & Personal care products							
	Engro Foods Limited	Unrated	55,000	-	8,917	-	10,557	-
	Textile							
	Nishat Mills Limited	AA/ A1+	159,500	140,000	23,645	17,649	24,287	13,282
	Nishat (Chunian) Limited	Unrated	250,000	-	13,600	-	15,607	-
	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
	Engineering							
	International Industries Limited	Unrated	100,000	-	17,522	-	20,373	-
	International Steels Limited	Unrated	75,000	-	6,077	-	7,330	-
	Crescent Steel & Allied Products	Unrated	35,000	-	5,193	-	5,396	-
	Ameril Steels Limited	Unrated	150,000	-	10,469	-	9,989	-
	Mughal Iron & Steel Industries	Unrated	120,000	-	11,824	-	10,579	-
	Automobile Assembler							
	Honda Atlas Cars (Pakistan) Limited	Unrated	15,000	-	8,824	-	10,030	-
	Fertilizer							
	Engro Fertilizer Company Limited	AA-/A1+	215,000	-	14,302	-	14,616	-
	Pharmaceuticals							
	The Searle Company Limited	Unrated	220	-	113	-	144	-
	Industrial Transportation							
	Pakistan International Bulk Terminal Limited	Unrated	-	435,500	-	9,998	-	12,181
					653,703	682,716	660,104	621,716
					694,809	793,421	700,395	724,241

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
	2016	2015	2016	2015				
Shareholding upto 10%								
Alhama Avenue (Private) Limited	5,000,000	5,000,000	50,000	50,000	3.12	9.21	30-June-2012***	Mr. Muhammad Hammad
Pakistan Textile City Limited (Note 9.5.10)	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	4.11	31-Dec-2015**	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	22.99	30-Jun-2016*	Mr. Nadeem Baber
			347,333	347,333				

*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	
					2016	2015	2016	2015
Commercial banks / DFIs								
Bank Al-Falah Limited V	6 month Kibor + 1.25%	Half yearly	20-Feb-21	AA-	29,500	29,500	151,166	150,042
NIB Bank Limited	6 month Kibor + 1.15%	Half yearly	19-Jun-22	A+	35,000	35,000	176,810	173,146
Summit Bank Limited	6 month Kibor + 3.25%	Half yearly	27-Oct-18	A (SO)	10,000	10,000	50,358	51,197
Soneri Bank Limited	6 month Kibor + 1.35%	Half yearly	8-Jul-23	A+	60,000	60,000	305,278	293,915
Technology and communication								
WorldCall Telecom Limited	6 month Kibor + 1.6%	Half yearly	7-Oct-21	Unrated	108,623	108,623	-	-
Personal goods								
Azgard Nine Limited	6 month Kibor + 2.4%	Half yearly	20-Sep-17	Unrated	15,000	15,000	-	-
Miscellaneous								
Pace (Pakistan) Limited	6 month Kibor + 2%	Half yearly	15-Feb-17	Unrated	-	60,230	-	72,273
							683,612	740,573

9.5.4.2 The face value of each certificate held in listed TFCs is Rs. 5,000 (2015: 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	
					2016	2015	2016	2015
Commercial banks								
Faysal Bank Limited - PPTFC	6 month Kibor + 2.25%	Half yearly	27-Dec-17	AA-	30,000	30,000	75,456	153,068
Bank Al-Falah Limited - IV	6 month Kibor + 2.5%	Half yearly	2-Dec-17	AA-	33,000	33,000	110,866	167,192
JS Bank limited - PPTFC	6 months Kibor+1.40%	Half yearly	14-Dec-23	A+	60,000	-	300,000	-
The Bank of Punjab	6 months Kibor+1%	Half yearly	23-Dec-26	AA-	30,000	-	150,000	-

	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificates held		Market value		
					2016	2015	2016	2015	
									(Rupees in '000)
Development Financial Institutions									
Pak-Libya Holding Co. (Pvt) Limited - PPTFC	6 month Kibor + 1.6%	Half yearly	7-Feb-16	Unrated	-	8,000	-	6,646	
Pak-Libya Holding Co. (Pvt) Limited - PPTFC	3 month Kibor + 1.5%	Quarterly	23-Feb-20	Unrated	-	60,000	-	300,000	
Chemical									
Engro Fertilizers Limited - PPTFC	6 month Kibor + 1.70%	Half yearly	18-Mar-18	Unrated	-	44,500	-	220,769	
Agritech Limited (Note 9.5.5.2)	6 month Kibor + 1.75%	Half yearly	29-Nov-19	Unrated	20,000	20,000	-	-	
Agritech Limited (Note 9.5.5.2)	Zero coupon	Half yearly	1-Jan-15	Unrated	4,309	4,309	-	-	
Personal goods									
Azgard Nine Limited - III	6 month Kibor + 2.25%	Half yearly	4-Dec-17	Unrated	2,000	2,000	-	-	
Azgard Nine Limited - IV	3 month Kibor + 1%	Quarterly	18-Nov-15	Unrated	5,000	5,000	-	-	
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	-	-	
							636,322	847,675	

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 Sukuks

9.5.6.1 Available-for-sale

	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificates held		Market value/Cost		
					2016	2015	2016	2015	
									(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	-	-	
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	178,279	207,466	
K-Electric Limited	3 month Kibor + 2.25%	Quarterly	19-Mar-17	AA	8,000	8,000	40,347	40,717	
Banks									
Al- Baraka Bank (Pakistan) Limited	6 months Kibor + 1.25%	Half yearly	25-Sep-21	A	500	500	353,684	425,341	
Oil & Gas Marketing Companies									
Hascol Petroleum Limited	3 months Kibor + 1.50%	Quarterly	6-Jan-22	AA-	60,000	-	310,991	-	
Miscellaneous									
Al-Razi HealthCare (Private) Limited	6 month Kibor + 2.5%	Monthly	4-Feb-21	Unrated	30,000	30,000	66,875	95,833	
New Allied Electronic Industries (Private) Limited	3 month Kibor + 2.6%	Quarterly	25-Jul-12	Unrated	272,000	272,000	-	-	
							970,626	789,807	

9.5.6.2 The face value of each certificate held in unlisted Sukuks is Rs. 5,000 (2015: 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 (2015: 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	2016	2015	2016	2015	Holding	Break-up value per share / (Rupees)	Latest available unaudited financial statements	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)	17,622,878	30,560,189	70,726	122,647	11.29%	(41.29)	30-Sep-16*	Mr. Amjad Awan
	Pak Oman Islamic Asset Allocation Fund	2,000,000	2,000,000	92,414	92,414	34.20%	71.60	31-Dec-16**	Mr. Adeel Ahmad Khan
	Pak Oman Advantage Asset Allocation Fund	2,000,000	2,000,000	84,078	84,078	32.77%	67.40	31-Dec-16**	Mr. Adeel Ahmad Khan
	Pak Oman Advantage Islamic Income Fund	3,269,170	1,395,374	165,025	65,025	43.33%	53.90	31-Dec-16**	Mr. Adeel Ahmad Khan
	Pak Oman Government Securities Fund	23,660,643	23,660,643	249,000	249,000	50.94%	10.77	31-Dec-16**	Mr. Adeel Ahmad Khan
	Unquoted								
	Pak Oman Microfinance Bank Limited (Note 9.5.10)	38,470,788	38,470,788	384,708	384,708	33.40%	9.30	31-12-2016 *	Mr. Munawar Suleman
				<u>1,045,951</u>	<u>997,872</u>				

**Published Net Asset Value

* 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 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	411,118	434,244	425,866	506,470	11,411,551	1,260,498
Liabilities	4,485	15,553	14,576	6,069	16,979,961	188,155
Total income	16,464	21,261	86,118	51,976	381,491	219,539
Profit / (loss) before taxation	19,969	91,995	78,607	32,291	(359,269)	14,770
Profit / (loss) after taxation	19,969	91,995	78,607	32,291	(359,269)	6,486

**Published Net Asset Value

*** Unaudited financial statements

9.5.8	Investments in Subsidiary	2016	2015	2016	2015	Percentage of holding	Break-up value per share / units	Latest available unaudited financial statements	Name of the chief executive
		Number of shares		(Rupees in '000)					
	Pak Oman Asset Management Company Limited (Note 9.5.10)	515,405,844	356,208,200	498,300	398,300	96.96%	0.601	31-Dec-16	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>	2016	2015
		(Rupees in '000)	
Federal Government Securities			
- Market Treasury Bills		(88)	19
- Pakistan Investment Bonds		(3,059)	1,618
		<u>(3,147)</u>	<u>1,637</u>
Shares - listed		(815)	(8,180)
		<u>(3,962)</u>	<u>(6,543)</u>

10. ADVANCES

In Pakistan

Loans, cash credits, running finances, etc.		13,048,162	9,021,789
Net investment in finance leases	<i>10.2</i>	1,881,884	1,751,575
Margin trading		841,195	-
Advance against leases		7,683	8,138
Staff loans	<i>10.3</i>	121,205	126,223
Advances - Gross	<i>10.1</i>	<u>15,900,129</u>	<u>10,907,725</u>
Less: Provision for non-performing loans and advances - Specific		1,065,205	914,462
Provision for non-performing loans and advances - General		73	-
	<i>10.5</i>	<u>1,065,278</u>	<u>914,462</u>
Advances - net of provision		<u>14,834,851</u>	<u>9,993,263</u>

10.1 Particulars of advances (Gross)

10.1.1 In local currency	<i>10.1.3</i>	<u>15,900,129</u>	<u>10,907,725</u>
10.1.2 In foreign currency		<u>-</u>	<u>-</u>
10.1.3 Short term (for upto one year)		5,184,551	3,619,297
Long term (for over one year)		10,715,578	7,288,428
		<u>15,900,129</u>	<u>10,907,725</u>

10.2 Net investment in finance lease

10.2.1 The periodic break-up of minimum lease payments due are as follows:

	2016			2015		
	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	928,720	822,021	1,750,741	795,324	895,471	1,690,795
Residual value	67,687	251,684	319,371	63,784	213,736	277,520
Minimum lease payments	996,407	1,073,705	2,070,112	859,108	1,109,207	1,968,315
Financial charges for future periods	(107,106)	(81,122)	(188,228)	(114,789)	(101,951)	(216,740)
Present value of minimum lease payments	889,301	992,583	1,881,884	744,319	1,007,256	1,751,575

10.2.1.1 In respect of the aforementioned finance leases the Company holds an aggregate sum of Rs. 272.007 million (2015: Rs. 219.218 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (note 17).

10.2.1.2 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 2023 and are subject to finance income at rates ranging between 6.35 to 16.11 (2015: 8.03 to 16.11) percent per annum. Maximum amount of lease outstanding as at 31 December 2016 amounts to Rs. 628 million (2015: Rs. 379 million).

10.3 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 (2015: 5) percent per annum, while no mark-up is charged on personal loans.

10.4 Particulars of classification

10.4.1 Advances include Rs. 1,218.843 million (2015: Rs. 1,193.866 million) which have been placed under the non-performing status as detailed below:

	2016								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees in '000) -----									
Substandard	11,877	-	11,877	2,969	-	2,969	2,969	-	2,969
Doubtful	252,878	-	252,878	125,000	-	125,000	125,000	-	125,000
Loss	954,088	-	954,088	937,236	-	937,236	937,236	-	937,236
	<u>1,218,843</u>	<u>-</u>	<u>1,218,843</u>	<u>1,065,205</u>	<u>-</u>	<u>1,065,205</u>	<u>1,065,205</u>	<u>-</u>	<u>1,065,205</u>

	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>

10.5 Particulars of provision against non-performing advances

	Note	2016			2015		
		Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----							
Opening balance		914,462	-	914,462	893,914	-	893,914
Charge during the year		308,796	73	308,869	115,664	-	115,664
Reversal during the year		(140,690)	-	(140,690)	(95,116)	-	(95,116)
Net charge		168,106	73	168,179	20,548	-	20,548
Less: Amounts written off during the year	10.6	(17,363)	-	(17,363)	-	-	-
Closing balance		<u>1,065,205</u>	<u>73</u>	<u>1,065,278</u>	<u>914,462</u>	<u>-</u>	<u>914,462</u>

10.5.1 Particulars of provisions against non-performing advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	1,065,205	73	1,065,278	914,462	-	914,462
In foreign currencies	-	-	-	-	-	-
	<u>1,065,205</u>	<u>73</u>	<u>1,065,278</u>	<u>914,462</u>	<u>-</u>	<u>914,462</u>

10.6 Particulars of write offs		2016	2015
		(Rupees in '000)	
Against provisions		17,363	-
Directly charged to profit and loss account		-	-
		17,363	-
10.6.1 Write offs of Rs. 500,000 and above		17,363	-
Write offs of below Rs 500,000		-	-
		17,363	-

10.6.2 Statement showing written off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended 31 December 2016.

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	Husnain Cotex Limited 52 - Canal Bank Road, Lahore	Mr. Muhammad Ramzan Sheikh CNIC No. 35201-9041208-1	Mr. Muhammad Yousaf Sheikh	50,000	14,489	51,752	116,241	-	489	52,017	52,506
		Mr. Adnan Yousaf Sheikh CNIC No. 35201-7360083-9	Mr. Muhammad Yousaf Sheikh								
2	Union Industries (Pvt) Limited B - 46, Estate Avenue, S.I.T.E., Karachi	Mr. Muhammad Jawed Habib CNIC No. 42301-1176752-3	Mr. Abdul Habib Ahmed	16,434	3,248	39,601	59,283	15,934	3,248	48,965	68,147
		Mr. Mirza Kamran ali Khan CNIC No. 42301-1791682-5	Mr. Zulfiqar Ali Khan								
3	Masoom Ali Sons Plot No. 23, Sector 12 - D, North Karachi Industrial Area, Karachi	Mr. Muhammad Naveed Sheikh CNIC No. 42301-6359149-3	Mr. Muhammad Naseem	2,429	224	5,191	7,844	1,429	224	5,689	7,342
		Mr. Tehseen Ahmed CNIC No. 42301-4877683-3	Mr. Muhammad Naseem								
		Mr. Muhammad Naseem CNIC No. 42301-8402170-9	Mr. Masoom Ali								
				68,863	17,961	96,544	183,368	17,363	3,961	106,671	127,995

10.7 Particulars of loans and advances to directors, associated companies etc.		Note	2016	2015
			(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			126,223	123,345
Loans granted during the year			38,996	43,118
Repayments			(44,014)	(40,240)
Balance at end of the year			121,205	126,223
Debts due by subsidiary company, controlled firms and other related parties				
Balance at beginning of the year			250,630	278,654
Loans granted during the year			-	-
Repayments			(31,896)	(28,024)
Balance at end of the year			218,734	250,630
		10.7.1	339,939	376,853

10.7.1 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 2016.

10.8 Maximum total amount of advances including temporary advances granted during the year amounts to Rs. 383 million (2015: Rs. 404 million). The maximum amount has been calculated by reference to month end balance.

11. OPERATING FIXED ASSETS		Note	2016	2015
			(Rupees in '000)	
Property and equipments		11.1	83,897	78,646
Intangible assets		11.2	1,366	115
Advance for capital expenditure			-	3,555
			85,263	82,316

11.1 Property and equipments

	Cost			Depreciation			Net book value as at 31 December 2016	Rate %
	As at 1 January 2016	Additions / (deletions) during the year	As at 31 December 2016	As at 1 January 2016	During the year / (on disposals)	As at 31 December 2016		
----- (Rupees in '000) -----								
Owned								
Office premises*	42,126	-	42,126	23,869	2,106	25,975	16,151	5
Improvements	13,216	5,461	18,677	9,493	1,401	10,894	7,783	20
Office equipments	10,230	1,379 (106)	11,503	7,149	1,408 (37)	8,520	2,983	20
Computer equipments	21,969	934 (88)	22,815	17,388	2,368 (88)	19,668	3,147	33.33
Furniture and fixtures	12,940	1,784 (816)	13,908	10,690	837 (648)	10,879	3,029	20
Vehicles	71,689	27,216 (18,445)	80,460	26,875	18,673 (14,347)	31,201	49,259	20
Assets subject to finance lease								
Vehicles	1,972	-	1,972	32	395	427	1,545	20
2016	174,142	36,774 (19,455)	191,461	95,496	27,188 (15,120)	107,564	83,897	
----- (Rupees in '000) -----								
	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	

* 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							
Honda City	700	700	-	140	140	Company policy	Mr. Tariq Hassan (Executive)
Toyota Corolla	1,399	1,399	-	280	280	Company policy	Mr. Saeed Rana (Executive)
Honda Civic	1,694	1,694	-	339	339	Company policy	Mr. Kashif M. Khan (Former Executive)
Toyota Corolla	1,529	1,529	-	306	306	Company policy	Mr. Nafees Ahmed (Executive)
Honda Civic	1,529	1,529	-	306	306	Company policy	Mr. Saeed Ahmed Bhayat (Executive)
Toyota Corolla	1,529	1,529	-	306	306	Company policy	Mr. Jehangir Shah (Executive)
Toyota Corolla	1,399	1,399	-	280	280	Company policy	Mr. Tasadduq Aslam (Executive)
Toyota Corolla	1,399	1,399	-	280	280	Company policy	Mr. Azhar Ali Shahidi (Executive)
Toyota Corolla	1,005	1,005	-	1,065	1,065	Negotiations	M/s Car Planet P.E.C.H.S, Block-28/A, Sharhah-e-Quaideen, Karachi
Suzuki Alto	637	637	-	560	560	Negotiations	M/s Car Planet P.E.C.H.S, Block-28/A, Sharhah-e-Quaideen, Karachi
Toyota Corolla	1,828	579	1,249	1,735	486	Company policy	Mr. Mohammad Shoib (Former Executive)
Honda Motorcycle	50	50	-	16	16	Negotiations	M/s Bismillah Autos Karachi
Honda Civic	2,120	247	1,873	1,765	(108)	Negotiations	M/s N.K. Motors Shop # 11, Muslimabad, Karachi
Toyota Corolla	1,628	651	977	1,520	543	Company policy	Mr. Zia-ul-Hasan (Former Employee)
	18,446	14,347	4,099	8,898	4,799		
Apple IPAD	88	88	-	-	-	Board Approval	Mr. Mustafa Bin Ali Sulaiman (Former Non-Executive Director)
Furniture and fixture	100	25	75	75	-	Company policy	Syed Muhammad Farhan Jaffer (Former Executive)
Furniture and fixture	250	250	-	-	-	Company policy	Mr. Kashif M. Khan (Former Executive)
Furniture and fixture	150	150	-	-	-	Company policy	Mr. Mohammad Shoib (Former Executive)
Furniture and fixture	100	7	93	93	-	Company policy	Mr. Zia-ul-Hasan (Former Executive)
Others	321	253	68	19	(49)		
	19,455	15,120	4,335	9,085	4,750		

11.2 Intangible assets

	Cost			Amortization			Net book value	Rate
	As at 1 January 2016	Addition during the year	As at 31 December 2016	As at 1 January 2016	During the year	As at 31 December 2016	As at 31 December 2016	
(Rupees in '000)								
Software licences	11,670	1,370	13,040	11,555	119	11,674	1,366	33.33
	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 licences	11,670	-	11,670	11,365	190	11,555	115	33.33

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

	Note	2016	2015
		(Rupees in '000)	
Improvements		7,504	6,851
Office equipments		6,449	6,369
Computer equipments		15,880	12,675
Furniture and fixtures		9,428	8,440
Vehicles		167	2,494
Intangible assets		11,426	11,426
		<u>50,854</u>	<u>48,255</u>

12. DEFERRED TAX ASSETS

Deferred tax assets arising in respect of:

Provision for diminution in the value of investments	248,833	319,793
Assets subject to finance leases	38	10
Amortisation of premium on Federal Government Securities	9,128	7,281
Provision against non-performing advances	319,583	283,483
	<u>577,582</u>	<u>610,567</u>

Less: Deferred tax liabilities arising in respect of:

Accelerated tax depreciation allowances	1,274	204
Revaluation on investments classified as available-for-sale	(113,531)	(174,611)
Revaluation on investments classified as held-for-trading	1,066	720
Net investment in finance leases	(3,350)	(57,566)
Revaluation on Non-banking assets	(23,395)	-
Dividend receivable	(212)	-
	<u>(138,148)</u>	<u>(231,253)</u>
	<u>439,434</u>	<u>379,314</u>

12.1 Movement of deferred tax

1 January 2015	Recognized in		31 December 2015	Recognized in		31 December 2016
	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	311,670	8,123	-	319,793	(70,960)	-	248,833
Assets subject to finance leases	70	(60)	-	10	28	-	38
Amortisation of premium on Federal Government Securities	573	6,708	-	7,281	1,847	-	9,128
Provision against non-performing advances	312,870	(29,387)	-	283,483	36,100	-	319,583
	<u>625,183</u>	<u>(14,616)</u>	<u>-</u>	<u>610,567</u>	<u>(32,985)</u>	<u>-</u>	<u>577,582</u>

Less: deferred tax liabilities arising in respect of:

Accelerated tax depreciation allowances	(21)	225	-	204	1,070	-	1,274
Revaluation on investments classified as available-for-sale	(165,029)	-	(9,582)	(174,611)	-	61,080	(113,531)
Revaluation on investments classified as held-for-trading	(1,394)	2,114	-	720	346	-	1,066
Net Investment in finance leases	(76,399)	18,833	-	(57,566)	54,216	-	(3,350)
Revaluation on Non-banking assets	-	-	-	-	2,035	(25,430)	(23,395)
Dividend receivable	(2,312)	2,312	-	-	(212)	-	(212)
	<u>(245,155)</u>	<u>23,484</u>	<u>(9,582)</u>	<u>(231,253)</u>	<u>57,455</u>	<u>35,650</u>	<u>(138,148)</u>
	<u>380,028</u>	<u>8,868</u>	<u>(9,582)</u>	<u>379,314</u>	<u>24,470</u>	<u>35,650</u>	<u>439,434</u>

13. OTHER ASSETS	Note	2016	2015
		(Rupees in '000)	
Mark-up / return / interest receivable in local currency		305,640	428,704
Dividend income receivable		2,028	-
Mark-up / profit receivable on purchase of securities		28,123	107,734
Security deposits		4,188	3,938
Prepayments		11,516	10,432
Receivable against sale of investments		48,927	16,240
Taxation		108,186	19,311
Non-banking assets acquired in satisfaction of claims	13.1	411,180	32,096
Staff Gratuity	32.2	54	-
Others		152	4,420
		<u>919,994</u>	<u>622,875</u>
Less: Provision held against other assets	13.2	-	-
		<u>919,994</u>	<u>622,875</u>
13.1 Market value of non-banking assets acquired in satisfaction of claims		<u>417,962</u>	<u>37,760</u>
13.2 Provision against other assets			
Opening balance		-	-
Charge for the year		-	-
Reversals		-	-
		-	-
Amount written off		-	-
Closing balance		-	-
14. BORROWINGS			
In Pakistan		25,150,898	14,479,440
Outside Pakistan		-	-
		<u>25,150,898</u>	<u>14,479,440</u>
14.1 Particulars of borrowings with respect to currencies			
In local currency		25,150,898	14,479,440
In foreign currencies		-	-
		<u>25,150,898</u>	<u>14,479,440</u>
14.2 Particulars of borrowings			
Secured			
Borrowings from the State Bank of Pakistan:			
- Long term financing facility (LTFF)	14.3	1,229,176	226,709
- Financing facility for storage of agricultural produce (FFSAP)	14.3	6,687	10,031
Repurchase agreement borrowings	14.4	5,351,991	9,006,240
Long term borrowings	14.5	4,546,640	1,550,000
Short term running finance	14.6	480,389	187,460
Bai Muajjal	14.7	9,851,015	-
		<u>21,465,898</u>	<u>10,980,440</u>
Unsecured			
Placements	14.8	685,000	799,000
Murabaha financing	14.9	3,000,000	2,700,000
		<u>25,150,898</u>	<u>14,479,440</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 mark up rates ranges from 2 to 10.10 (2015: 6.25 to 10.10) percent per annum. These are repayable within 10 years (2015: 7 years).
- 14.4** The mark up rate on these repurchase agreement borrowings, maturing in January 2017 (2015: January 2016), ranges between 5.70 to 5.93 (2015: 6.20 to 6.45) percent per annum. Securities having cost of Rs. 15,202.438 million (2015: Rs 8,479.620 million) have been pledged against these borrowings.
- 14.5** The mark up rate on these long-term borrowings ranges from 6.32 to 6.56 (2015: 6.83 to 7.54) percent per annum. The above facilities are secured against advances receivable.
- 14.6** The mark up rate on these short-term running finance facility is three months KIBOR + 0.25% (2015: three months KIBOR + 0.25%). The above facility are secured against loan and advances receivable.
- 14.7** The mark up rate on these Bai Muajjal secured against government securities, maturing in January 2017 to October 2017 (2015: nil) ranges between 5.65 to 5.87 (2015: nil) percent per annum.
- 14.8** The mark up rate on these placements, maturing between January 2017 to February 2017 (2015: January 2016 to February 2016) ranges between 5.85 to 6.30 (2015: 6.10 to 7) percent per annum.
- 14.9** The mark up rate on these murabaha financing, maturing in January 2017 to June 2017 (2015: January 2016) ranges between 6.15 to 6.25 (2015: 6.25 to 6.35) percent per annum.

15. DEPOSITS AND OTHER ACCOUNTS

2016 **2015**
(Rupees in '000)

Certificates of investment - remunerative (in local currency):

Financial institutions

252,700 985,726

Others

5,090,275 3,024,134

5,342,975 **4,009,860**

15.1 Particular of deposits

In local currency

5,342,975 4,009,860

In foreign currency

- -

5,342,975 **4,009,860**

- 15.2** The rate of return on deposits maturing between January 2017 to May 2018 (2015: January 2016 to May 2017) ranges between 6 to 12 (2015: 6.05 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. 28.54 million (2015: Rs. 5.36 million).
- 15.4** These include Certificate of Investments purchased by Pak Oman Microfinance Bank Limited (associate) of the Company amounting to Rs. 174.7 million (2015: Rs. 536 million).

16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2016			2015		
	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	105	326	431	130	301
Later than one year but not later than five years	1,490	145	1,345	1,921	249	1,672
	<u>1,921</u>	<u>250</u>	<u>1,671</u>	<u>2,352</u>	<u>379</u>	<u>1,973</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 (2015: 7.90) 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	Note	2016	2015
(Rupees in '000)			
Mark-up / return / interest payable in local currency		347,506	127,724
Accrued expenses		193,316	81,559
Staff gratuity	32.2	-	8,961
Security deposits against investment in finance leases	10.2.1.1	272,007	219,218
Payable against purchase of investments		-	11,566
Others		36,784	89,242
		<u>849,613</u>	<u>538,270</u>

18. SHARE CAPITAL

18.1 Authorized Capital

2016	2015		2016	2015
(Number of shares)				
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs.10 each	<u>10,000,000</u>	<u>10,000,000</u>

18.2 Issued, subscribed and paid-up

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

18.3 The Ministry of Finance on behalf of the Government of Pakistan and the Sultanate of Oman through its Ministry of Finance each holds 307,495,900 (2015: 307,495,900) ordinary shares of the Company, while 4,100 (2015: 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	Note	2016	2015
(Rupees in '000)			
Federal Government Securities			
- Pakistan Investment Bonds (PIBs)		334,258	556,031
- Ijara Sukuk		-	3,390
- Treasury Bills (T-Bills)		(8,204)	5
		<u>326,054</u>	<u>559,426</u>
Shares - listed		62,390	12,076
Term Finance Certificates			
- Listed		12,134	(3,491)
- Unlisted		1,249	4,414
		<u>13,383</u>	<u>923</u>
Sukuks certificates		7,804	(2,931)
		<u>409,631</u>	<u>569,494</u>
Deferred tax recognized	12	<u>(113,531)</u>	<u>(174,611)</u>
		<u>296,100</u>	<u>394,883</u>

Note 2016 2015
(Rupees in '000)

**20.2 Surplus on revaluation of non-banking assets
acquired in satisfaction of claims**

Revaluation of fixed assets / non-banking assets during the year	84,766	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	(1,414)	-
	83,352	-
Less: Related deferred tax liability on:		
- Revaluation of fixed assets / non-banking assets during the year	(25,430)	-
- Incremental depreciation charged during the year	424	-
	(25,006)	-
	58,346	-
	354,446	394,883

20.2.1 Surplus on revaluation of non-banking asset arising on the property located in Lahore having a market value of RS 374.538 million on valuation report Sep 08, 2016 and property located in Karachi having a market value of Rs 43.424 million on valuation report April 07, 2016. The factors taken include the nature, physical condition of building & civil structure, location, market feedback, the property buying and selling activity, buyers' purchasing power, prevailing market conditions, return on investment, adverse factors, threats and opportunities of real estate industry, etc.

21. CONTINGENCIES AND COMMITMENTS

Transaction related contingent liability:

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:			
Sale of Government securities		219,782	-
Purchase of shares under put option		-	10,385
Commitments for advances and net investment in finance leases		3,393,784	1,412,393
Commitments for operating fixed assets		-	5,000
Commitment for sale of non-banking assets		46,000	-

21.1 Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2015: 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	2016	2015
	(Rupees in '000)	
On loans and advances to:		
Customers	893,792	866,754
Financial institutions	207,568	152,530
	<u>1,101,360</u>	<u>1,019,284</u>
On investments in:		
Available-for-sale securities	826,516	831,580
Held-for-trading securities	278,557	232,689
	<u>1,105,073</u>	<u>1,064,269</u>
On securities purchased under resale agreements	35,126	126,943
On deposit with financial institutions	46,055	21,851
On placements	358	520
On certificate of investments	-	9,196
	<u>2,287,972</u>	<u>2,242,063</u>
23. MARK-UP / RETURN / INTEREST EXPENSED		
On secured borrowings:		
On securities sold under resale agreements	468,791	584,450
Long-term borrowings	256,485	138,861
Bai Muajjal	173,959	-
Short-term borrowings	12,091	5,150
	<u>911,326</u>	<u>728,461</u>
On unsecured borrowings and deposits:		
Placements	72,886	106,164
Murabaha financing	118,484	54,354
Certificate of investments	333,677	467,317
	<u>525,047</u>	<u>627,835</u>
	<u>1,436,373</u>	<u>1,356,296</u>
24. GAIN ON SALE OF SECURITIES		
Federal Government Securities		
- Market Treasury Bills	1,555	47,232
- Pakistan Investment Bonds	460,728	390,658
	<u>462,283</u>	<u>437,890</u>
Term Finance Certificates and sukuk certificates	(4,784)	(16,329)
Mutual funds	-	13,120
Shares:		
- Listed	181,305	183,445
- Unlisted	-	-
	<u>638,804</u>	<u>618,126</u>
25. OTHER INCOME		
Gain on sale of property and equipment	4,750	-
	<u>4,750</u>	<u>-</u>

26. ADMINISTRATIVE EXPENSES	Note	2016	2015
		(Rupees in '000)	
Salaries, allowances and employees' benefits		287,883	221,883
Contribution to defined contribution plan		16,550	14,375
Charge for defined benefit plan	32.8	16,283	14,250
Non-executive directors' fee / remuneration	34.	18,854	19,028
Chief executive's remuneration	34.	71,129	75,971
Traveling and accommodation		8,791	11,272
Rent, rates and taxes		47,537	18,628
Utilities		3,842	3,538
Communications		8,916	7,789
Professional training		1,138	2,801
Advertisement and business promotion		1,858	1,668
Membership and subscriptions		1,690	2,195
Printing, stationery and periodicals		1,757	4,527
Depreciation	11.1 & 26.3	33,970	19,383
Amortization of intangible assets	11.2	119	190
Auditors' remuneration	26.1	2,001	2,909
Legal and professional charges		13,200	13,219
Repairs and maintenance		8,495	8,998
Transportation		8,972	10,237
Insurance		9,954	8,713
Finance charges on leased assets		130	16
Entertainment and canteen expenses		3,083	3,495
Donations	26.2	574	1,180
Others		2,072	1,965
		568,798	468,230

26.1 Auditors' remuneration

Audit fee	534	508
Half yearly review	185	177
Special certifications and others	1,020	2,003
Out of pocket expenses	262	221
	2,001	2,909

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:

	2016	2015
	(Rupees in '000)	
Developments in Literacy	300	-
The Citizen Foundation	-	154
Al-Mehrab Tibbi Imdad	105	140
Burns Centre	105	140
Patients' Aid Foundation of Jinnah Post Graduate Medical Centre	-	550
	510	984

26.3 This includes depreciation on non-banking assets Rs 6.782 million.

27. OTHER CHARGES		2016	2015
		(Rupees in '000)	
Fees, commission and others	27.1	78,537	34,768
Loss on sale of fixed assets		-	1,242
SBP penalties		-	100
		78,537	36,110

27.1 This includes provision for Sindh Worker's Welfare Fund amounting to Rs. 57.85 million.

28. TAXATION

For the year

Current	340,939	357,943
Prior	3,206	23,718
Deferred	(24,470)	(8,868)
	319,675	372,793

28.1 Relationship between tax expense and accounting profit

Profit before taxation	1,025,289	975,264
Tax at the applicable rate of 31% (2015: 32%)	317,840	312,084
Tax effect due to change in tax rate	17,827	62,559
Tax effect of income taxed at different rate	(21,792)	(18,169)
Tax effect of capital loss / (gain) on listed shares and mutual funds	(21,984)	(20,229)
Tax effect of provision for diminution in the value of listed shares and mutual funds	3,949	13,470
Prior year	3,206	23,718
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge	20,629	(640)
	319,675	372,793

28.2 Tax contingencies

The Income tax Department has amended the deemed assessment orders for the tax years 2004, 2009, 2010, 2011, 2012, 2013, 2014 and 2015, wherein major issues raised by the authorities were related to applicability of Workers Welfare Fund (WWF), disallowance of allocation of common expenses and disallowance of losses claimed on early termination of leased assets. The Company's appeals are pending at various appellate forums. For the tax year 2005 and 2008, the Commissioner Inland Revenue (Appeals) [CIR(A)] has adjudicated that the proceeding initiated by the department under section 122(5A) for respective tax years were barred in time, thereby, the amended assessment order has been annulled. Thereafter, the department being aggravated by the CIR(A) decision, filed appeal before the Appellate Tribunal Inland Revenue for the respective tax years. Further, for the matter of WWF, Supreme Court (SC) in its recent decision has annulled the amendments made through Finance Act 2006 and 2008. However, Federal Board of Revenue (FBR) has now filed review petition in the SC against the SC decision in the matter of WWF. Management estimates that sufficient provisions have been made and no further provision is required.

28.3 Taxation - prior

This includes Rs 38.746 million (2015: Rs 23.718 million) super tax at 3% on the taxable income for the tax year 2016 & tax year 2015 for rehabilitation of temporarily displaced persons imposed through Finance Act, 2016 & 2015 respectively. This also includes reversal of provision of tax amounting to Rs 35.54 million which is in excess of latest assessment orders passed by the Income Tax Authorities.

29. EARNINGS PER SHARE		2016	2015
Profit after taxation	<i>Rupees in '000</i>	<u>705,614</u>	<u>602,471</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>1.15</u>	<u>0.98</u>

29.1 There were no convertible dilutive potential ordinary shares outstanding on 31 December 2016 and 2015.

30. CASH AND CASH EQUIVALENTS	<i>Note</i>	2016	2015
		(Rupees in '000)	
Cash and balances with treasury banks	6	88,884	93,725
Balances with other banks	7	<u>1,670,921</u>	<u>1,586,956</u>
		<u>1,759,805</u>	<u>1,680,681</u>

31. STAFF STRENGTH		(Number)	
Permanent		66	68
Temporary / contractual		3	3
Company's own staff strength at end of the year		<u>69</u>	<u>71</u>
Outsourced		26	27
Total staff strength		<u>95</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 5.11.1 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:

	2016	2015
	(Percent per annum)	
Discount rate	8.00	10.00
Expected rate of increase in salary levels	8.00	10.00
Expected rate of return on plan assets	8.00	10.00

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

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

32.2 Reconciliation of amount payable to defined benefit plan	<i>Note</i>	2016	2015
		(Rupees in '000)	
Present value of defined benefit obligation	32.3	118,450	111,643
Fair value of plan assets	32.5	<u>(118,504)</u>	<u>(102,682)</u>
	32.4	<u>(54)</u>	<u>8,961</u>

32.3 Movement in the defined benefit obligation	<i>Note</i>	2016	2015
		(Rupees in '000)	
Present value of obligation as at 1 January		111,643	93,349
Current service cost		16,728	14,690
Interest cost		10,254	9,730
Benefits paid		(18,210)	(13,721)
Actuarial loss on remeasurement of obligation		(1,965)	7,595
Present value of obligation as at 31 December		<u>118,450</u>	<u>111,643</u>

32.4 Movement in payable to defined benefit plan

Opening liability		8,961	4,817
Expense for the year	32.8	16,283	14,250
Other Comprehensive Income		1,529	7,343
Contributions to the fund		(26,827)	(17,449)
Closing liability		<u>(54)</u>	<u>8,961</u>

32.5 Movement in the fair value of plan assets

Fair value of plan assets as at 1 January		102,682	88,532
Expected return on plan assets		10,699	10,170
Contributions		26,827	17,449
Benefits paid		(18,210)	(13,721)
Actuarial gain on remeasurement of plan assets		(3,494)	252
Fair value of plan assets as at 31 December	32.7	<u>118,504</u>	<u>102,682</u>

32.6 Actual return on plan assets during the year was Rs. 7.205 million (2015: Rs. 10.422 million).

32.7 The plan assets are comprised as follows:

Particulars	<i>Note</i>	2016		2015			
		Rating	Rating	(Rupees in '000)	%	(Rupees in '000)	%
Market Treasury Bills		Unrated	Unrated	-	-	-	-
Pakistan Investment Bonds		Unrated	Unrated	15,502	13.08	39,086	38.07
Special Saving Certificates (SSCs)		Unrated	Unrated	61,127	51.58	60,239	58.67
Term Deposit receipts		Unrated	-	25,145	21.22	-	-
Term Finance Certificates - WorldCall Telecom Limited		D	D	812	0.69	747	0.73
Certificate of Investments	32.7.1	Unrated	Unrated	13,969	11.79	2,223	2.16
Bank balance		Unrated	Unrated	1,949	1.64	387	0.37
				<u>118,504</u>	<u>100.00</u>	<u>102,682</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 6.00 to 6.15 (2015: 6.35 to 6.50) percent per annum.

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

	2016	2015
	(Rupees in '000)	
Current service cost	16,728	14,690
Net Interest	(445)	(440)
Expected return on plan assets	-	-
Actuarial loss	-	-
	<u>16,283</u>	<u>14,250</u>

32.9 Actuarial (losses) / gains	<i>Note</i>	2016	2015
		(Rupees in '000)	
Net unrecognised actuarial (losses) / gains as at 1 January		-	-
Actuarial loss on remeasurement of obligation	32.9.1	1,965	(7,595)
Actuarial (loss) / gain on remeasurement of plan assets	32.9.1	(3,494)	252
		(1,529)	(7,343)
Actuarial loss recognised in:			
Other comprehensive income		1,529	7,343
Profit and loss account		-	-
Net unrecognised actuarial (losses) / gains as at 31 December		-	-

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

	Actuarial (loss) / gain on remeasurement of			
	Obligation		Plan assets	
	2016	2015	2016	2015
	(Rupees in '000)		(Rupees in '000)	
Demographic assumptions	-	-	-	-
Financial loss	(1,091)	4,748	-	(2,278)
Experience adjustment	(874)	2,847	3,494	2,026
	(1,965)	7,595	3,494	(252)

32.10 Sensitivity analysis	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	%	(Rupees in '000)	
Discount rate	1	(10,788)	12,613
Salary growth rate	1	13,093	(11,381)

32.11 Maturity profile of defined benefit obligation

Benefit payments	2016	2015
Distribution of timing of benefit payments	(Rupees in '000)	
Years		
1	4,676	4,745
2	4,363	4,588
3	4,251	4,394
4	36,448	16,977
5	3,276	17,909
6 to 10	24,802	26,410
11 and above	241,592	357,832

32.12 The expected gratuity contribution for the next year ending 31 December 2017 works out to Rs. 15.939 million.

32.13 The average duration of the benefit obligation at 31 December 2016 is 9.88 years (2015: 10.50 years).

33. DEFINED CONTRIBUTION PLAN

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

33.2 Contribution made during the year	2016	2015
	(Rupees in '000)	
Contribution from the Company	16,550	14,375
Contribution from employees	16,550	14,375
	33,100	28,750

34. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Non-Executive Directors		Executives	
	2016	2015	2016	2015	2016	2015
	----- (Rupees in '000) -----					
Fees / remuneration	-	-	18,854	19,028	-	-
Managerial remuneration	67,063	73,809	-	-	213,765	195,338
Charge for defined benefit plan	2,255	2,395	-	-	13,857	11,671
Contribution to defined contribution plan	2,658	2,085	-	-	13,127	12,209
Medical	730	763	-	-	-	-
Utilities	1,842	979	-	-	308	258
Membership fee	181	156	-	-	37	44
Others	1,313	264	-	-	719	638
	76,042	80,451	18,854	19,028	241,813	220,158
Number of persons	1	2	5	5	72	65

34.1 In 2015, it includes Rs 30.998 million being compensation package in addition to the remuneration of Rs 40.704 million paid till 9 October 2015 to the then outgoing 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 5.4 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 5.6.2.

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

	2016		2015	
	Book value	Fair value	Book value	Fair value
	----- (Rupees in '000) -----			
Assets				
Cash and balances with treasury banks	88,884	88,884	93,725	93,725
Balances with other banks	1,670,921	1,670,921	1,586,956	1,586,956
Lendings to financial institutions	935,826	935,826	362,824	362,824
Investments	20,831,182	20,990,929	14,073,356	14,182,538
Advances	14,834,851	14,834,851	9,993,263	9,993,263
Other assets	389,058	389,058	561,036	561,036
	38,750,722	38,910,469	26,671,160	26,780,342
Liabilities				
Borrowings from financial institutions	25,150,898	25,150,898	14,479,440	14,479,440
Deposits and other accounts	5,342,975	5,342,975	4,009,860	4,009,860
Liabilities against assets subject to finance lease	1,671	1,671	1,973	1,973
Other liabilities	849,613	849,613	529,309	529,309
	31,345,157	31,345,157	19,020,582	19,020,582
	7,405,565	7,565,312	7,650,578	7,759,760

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 2016

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	3,437,225	12,860,852	-	-	-	-	16,298,077	-	16,298,077	-	16,298,077
Listed Term Finance Certificates	-	683,612	-	-	-	-	683,612	-	683,612	-	683,612
Unlisted Term Finance Certificates	-	636,322	-	-	-	-	636,322	-	636,322	-	636,322
Sukuk Certificates	-	970,626	-	-	-	-	970,626	-	970,626	-	970,626
Listed shares	40,291	660,104	-	-	-	-	700,395	700,395	-	-	700,395
- Associates											
Listed shares	-	-	-	-	-	-	-	98,511	-	-	98,511
Mutual funds	-	-	-	-	590,517	-	590,517	709,139	-	-	709,139
Financial assets not measured at fair value											
- Cash and bank balances with treasury banks	35.3.1	-	-	88,884	-	-	88,884	-	-	-	-
- Balances with other banks	35.3.1	-	-	1,670,921	-	-	1,670,921	-	-	-	-
- Lending to financial instruments	35.3.1	-	-	935,826	-	-	935,826	-	-	-	-
- Unlisted shares	35.3.1	-	226,000	-	-	-	226,000	-	-	-	-
- Associates - unlisted shares	35.3.1	-	-	-	384,708	-	384,708	-	-	-	-
- Subsidiary - unlisted shares	35.3.1	-	-	-	340,925	-	340,925	-	-	-	-
- Advances	35.3.1	-	-	14,834,851	-	-	14,834,851	-	-	-	-
- Other assets	35.3.1	-	-	-	389,058	-	389,058	-	-	-	-
		3,477,516	16,037,516	-	17,530,482	1,705,208	38,750,722	1,508,045	18,588,637	-	20,096,682
Financial liabilities not measured at fair value											
- Borrowings from financial institutions	35.3.1	-	-	-	-	25,150,898	25,150,898	-	-	-	-
- Deposits and other accounts	35.3.1	-	-	-	-	5,342,975	5,342,975	-	-	-	-
- Liabilities against assets subject to finance lease	35.3.1	-	-	-	-	1,671	1,671	-	-	-	-
- Other liabilities	35.3.1	-	-	-	-	849,613	849,613	-	-	-	-
		-	-	-	-	31,345,157	31,345,157	-	-	-	-
		3,477,516	16,037,516	-	17,530,482	1,705,208	(31,345,157)	7,405,565	1,508,045	18,588,637	20,096,682

The 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											
		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	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 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) -----		
2016			
Total income	13,207	1,961,921	1,140,517
Total expenses	93,083	861,507	1,135,766
Net (loss) / income	(79,876)	1,100,414	4,751
Segment assets (gross)	-	25,426,267	16,451,501
Segment non-performing advances	-	-	1,218,843
Investments provided for	-	1,490,508	-
Segment provision required *	-	1,006,135	1,065,278
Segment liabilities	-	18,438,620	12,906,537
Segment return on net assets (%)	-	18.40%	0.19%
Segment return on assets (ROA) (%)	-	4.51%	0.03%
Segment cost of funds (%)	-	4.75%	4.74%
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%

* 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 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	2016				2015			
	As at 1 January 2016	Given during the year	Repaid during the year	As at 31 December 2016	As at 1 January 2015	Given during the year	Repaid during the year	As at 31 December 2015
----- (Rupees in '000) -----								
Investments								
Subsidiary	398,300	100,000	-	498,300	168,300	230,000	-	398,300
Associates	997,872	100,000	(51,921)	1,045,951	1,099,342	193,500	(294,970)	997,872
Other related parties	226,000	-	-	226,000	226,000	-	-	226,000
	<u>1,622,172</u>	<u>200,000</u>	<u>(51,921)</u>	<u>1,770,251</u>	<u>1,493,642</u>	<u>423,500</u>	<u>(294,970)</u>	<u>1,622,172</u>
Advances								
Associates	68,200	-	-	68,200	68,200	-	-	68,200
Key Management personnel	49,225	4,497	(17,682)	36,040	49,859	19,973	(20,607)	49,225
Other related parties	182,429	-	(31,896)	150,533	210,454	-	(28,025)	182,429
	<u>299,854</u>	<u>4,497</u>	<u>(49,578)</u>	<u>254,773</u>	<u>328,513</u>	<u>19,973</u>	<u>(48,632)</u>	<u>299,854</u>
Deposits								
Associates	535,926	896,437	(1,257,663)	174,700	732,747	592,926	(789,747)	535,926
Key Management personnel	2,149	12,906	(13,445)	1,610	4,988	19,198	(22,037)	2,149
Retirement benefit funds	5,358	159,879	(136,697)	28,540	-	36,555	(31,197)	5,358
	<u>543,433</u>	<u>1,069,222</u>	<u>(1,407,805)</u>	<u>204,850</u>	<u>737,735</u>	<u>648,679</u>	<u>(842,981)</u>	<u>543,433</u>
2016 2015								
(Rupees in '000)								
Other receivable								
Gratuity fund							54	-
Other payable								
Gratuity fund							-	8,961
Mark-up income								
Key management personnel							1,669	2,471
Other related parties							15,322	21,317
Dividend income								
Associates							29,574	71,874
Other related parties							45,200	33,900
Mark-up expense on deposits								
Associates							21,613	50,236
Key management personnel							115	379
Retirement benefit fund							1,595	589
Expenses for the year								
Remuneration to key management personnel							176,910	171,693
Non-executive director's fee / remuneration							18,854	19,028
Charge for defined contribution plan							16,550	14,375
Charge for defined benefit plan							16,283	14,250
Other comprehensive income								
Remeasurement of defined benefit obligation							1,529	7,343
Outright sale of Government Securities								
Subsidiary							108,960	277,381
Associates							5,493	10,840
Key management personnel							-	-
Retirement benefit fund							323,918	439,787
Outright purchase of Government Securities								
Subsidiary							-	79,467
Retirement benefit fund							423,027	425,697
Capital gain on Government Securities								
Subsidiary							(73)	-
Associates							550	93
Retirement benefit fund							1	81
Capital gain on shares & Mutual Funds								
Associates							67,582	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%.

Capital Structure

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 2016.

Scope of application

The Basel III Framework for capital adequacy is applicable to the Company both at the consolidated level (including subsidiaries) and also on standalone basis. Pak Oman Investment Company Limited is the only Company in the Group to which Basel III capital adequacy framework applies.

38.2 The Company's CAR as at 31 December 2016 was 28.34% 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 28.34% 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	2016	2015
		(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	984,427	843,304
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	972,325	776,899
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	8,106,752	7,770,203
10	Total regulatory adjustments applied to CET1 (Note 38.3.1)	1,020,457	631,839
11	Common Equity Tier 1	7,086,295	7,138,364
	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)	558,659	460,474
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)	7,086,295	7,138,364
	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	73	
27	Revaluation Reserves (net of taxes)	-	
28	of which: Revaluation reserves on fixed assets	-	
29	of which: Unrealized gains/losses on AFS	230,958	221,134
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)	394,845	340,804
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)	7,086,295	7,138,364
39	Total Risk Weighted Assets (RWA) {for details refer Note 38.6}	25,006,621	20,039,488
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	CET1 to total RWA	28.34%	35.62%
41	Tier-1 capital to total RWA	28.34%	35.62%
42	Total capital to total RWA	28.34%	35.62%
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%	6.00%
49	Tier 1 minimum ratio	7.5%	7.50%
50	Total capital minimum ratio	10.65%	10.25%

(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)	1,366		115	
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)	-			
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)	-			
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)				
15	Amount exceeding 15% threshold		1,430,362		1,371,192
16	of which: significant investments in the common stocks of financial entities				
17	of which: deferred tax assets arising from temporary differences		1,430,362		1,371,192
18	National specific regulatory adjustments applied to CET1 capital				
19	Investments in TFCs of other banks exceeding the prescribed limit	460,432	460,432	171,250	171,250
20	Any other deduction specified by SBP (mention details)	-			
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	558,659		460,474	
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	1,020,457		631,839	

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	394,845		340,804	
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	163,814		119,670	
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	558,659		460,474	

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	394,845		340,804	
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)	-			
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)	394,845		340,804	

2016

2015

(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		88,884	88,884
Balanced with other banks		1,670,921	1,670,921
Lending to financial institutions		935,826	935,826
Investments		20,831,182	20,831,182
Advances		14,834,851	14,834,851
Operating fixed assets		85,263	85,263
Deferred tax assets		439,434	439,434
Other assets		919,994	919,994
Total assets		39,806,355	39,806,355

Liabilities & Equity		Balance sheet of the published financial statements	Under regulatory scope of consolidation
		As at period end	As at period end
Bills payable		-	-
Borrowings		25,150,898	25,150,898
Deposits and other accounts		5,342,975	5,342,975
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		1,671	1,671
Deferred tax liabilities		-	-
Other liabilities		849,613	849,613
Total liabilities		31,345,157	31,345,157

Share capital/ Head office capital account		6,150,000	6,150,000
Reserves		984,427	984,427
Unappropriated/ Unremitted profit/ (losses)		972,325	972,325
Minority Interest		-	-
Surplus on revaluation of assets		354,446	354,446
Total liabilities & equity		39,806,355	39,806,355

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		88,884	88,884	
Balanced with other banks		1,670,921	1,670,921	
Lending to financial institutions		935,826	935,826	
Investments		20,831,182	20,831,182	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold				a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold				b
of which: Mutual Funds exceeding regulatory threshold				c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)				d
of which: others (mention details)				e
Advances		14,834,851	14,834,851	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital				f
Fixed Assets		85,263	85,263	g
Deferred Tax Assets		577,582	577,582	
of which: DTAs that rely on future profitability excluding those arising from temporary differences of which: DTAs arising from temporary differences exceeding regulatory threshold				h
Other assets		919,994	919,994	i
of which: Goodwill				j
of which: Intangibles				k
of which: Defined-benefit pension fund net assets				l
Total assets		39,944,503	39,944,503	
Liabilities & Equity				
Bills payable		-	-	
Borrowings		25,150,898	25,150,898	
Deposits and other accounts		5,342,975	5,342,975	
Sub-ordinated loans		-	-	
of which: eligible for inclusion in AT1				m
of which: eligible for inclusion in Tier 2				n
Liabilities against assets subject to finance lease		1,671	1,671	
Deferred tax liabilities		138,148	138,148	
of which: DTLs related to goodwill				o
of which: DTLs related to intangible assets				p
of which: DTLs related to defined pension fund net assets				q
of which: other deferred tax liabilities				r
Other liabilities		849,613	849,613	
Total liabilities		31,483,305	31,483,305	
Share capital				
of which: amount eligible for CET1		6,150,000	6,150,000	s
of which: amount eligible for AT1		6,150,000	6,150,000	t
Reserves				
of which: portion eligible for inclusion in CET1 (provide breakup)		984,427	984,427	u
of which: portion eligible for inclusion in Tier 2		984,427	984,427	v
Unappropriated profit/ (losses)		972,325	972,325	w
Minority Interest		-	-	
of which: portion eligible for inclusion in CET1		-	-	x
of which: portion eligible for inclusion in AT1		-	-	y
of which: portion eligible for inclusion in Tier 2		-	-	z
Surplus on revaluation of assets		354,446	354,446	
of which: Revaluation reserves on Fixed Assets				
of which: Unrealized Gains/Losses on AFS		354,446	354,446	aa
In case of Deficit on revaluation (deduction from CET1)				ab
Total liabilities & Equity		39,944,503	39,944,503	

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	984,427	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	972,325	(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)	1,366	(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)1 * 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	460,432	
28	of which: Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	558,659	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	1,020,457	
31	Common Equity Tier 1	7,086,295	
Additional Tier 1 (AT1) 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	394,845	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	163,814	
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	558,659	
46	Additional Tier 1 capital	-	
47	Additional Tier 1 capital recognized for capital adequacy		
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	7,086,295	
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	-	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	230,958	
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)	7,086,295	

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

	<u>Capital Requirements</u>		<u>Risk Weighted Assets</u>	
	2016	2015	2016	2015
<i>Credit Risk</i>				
----- (Rupees in '000) -----				
On-Balance sheet				
<u>Portfolios subject to standardized approach</u>				
<u>(Simple or Comprehensive)</u>				
Public Sector entities	9,373	3,595	93,725	35,949
Banks	256,116	137,575	2,561,161	1,375,751
Corporate	1,115,753	853,205	11,157,532	8,532,049
Retail	883	1,016	8,832	10,163
Residential Mortgages	3,830	3,944	38,300	39,436
Past Due loans	14,521	25,755	145,212	257,546
Operating Fixed Assets	8,390	8,220	83,897	82,201
Other assets	201,858	157,116	2,018,579	1,571,160
Off-Balance sheet				
Non-market related	188,722	96,280	1,887,220	962,801
Equity Exposure Risk in the Banking Book	131,615	133,465	1,316,150	1,334,653
Total Credit Risk	1,931,061	1,420,171	19,310,608	14,201,709
<i>Market Risk</i>				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	162,579	192,757	2,032,238	2,409,458
Equity position risk	112,063	115,879	1,400,787	1,448,488
Total Market Risk	274,642	308,636	3,433,025	3,857,946
<i>Operational Risk</i>				
<u>Capital Requirement for operational risks</u>	181,039	158,387	2,262,988	1,979,833
TOTAL	2,386,742	1,887,194	25,006,621	20,039,488
Capital Adequacy Ratios				
	<u>2016</u>		<u>2015</u>	
	Required	Actual	Required	Actual
CET1 to total RWA	10.00%	28.34%	10.00%	35.62%
Tier-1 capital to total RWA	10.00%	28.34%	10.00%	35.62%
Total capital to total RWA	10.00%	28.34%	10.00%	35.62%
Leverage Ratio	3.00%	16.19%	3.00%	24.68%

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
Securitizations	x	x	x
Others (Specify)	x	x	x

Credit exposures subject to Standardised Approach

Exposures	Rating Category	2016			2015		
		Amount Outstanding	Deduction CRM*	Net amount	Amount Outstanding	Deduction CRM*	Net amount
----- (Rupees in '000) -----							
Corporate	0	-	-	-	-	-	-
	1	883,198	197,512	1,080,710	876,589	362,824	1,239,413
	2	4,015,721	-	4,015,721	3,754,116	(292,824)	3,461,292
	3-4	-	-	-	-	-	-
	5-6	87,325	-	87,325	92,723	-	92,723
	Unrated	7,543,343	(197,512)	7,345,831	1,451,898	(70,000)	1,381,898
		<u>12,529,587</u>	<u>-</u>	<u>12,529,587</u>	<u>6,175,326</u>	<u>-</u>	<u>6,175,326</u>
Banks	0	-	-	-	-	-	-
	1	1,958,409	738,314	2,696,723	1,957,259	-	1,957,259
	2-3	4,340,586	(296,955)	4,043,631	1,768,598	-	1,768,598
	4-5	441,359	(441,359)	-	100,000	-	100,000
	Unrated	-	-	-	-	-	-
		<u>6,740,354</u>	<u>-</u>	<u>6,740,354</u>	<u>3,825,857</u>	<u>-</u>	<u>3,825,857</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

	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Financial institution	3,700,856	23.28	252,700	4.73	419,782	10.61
Textile	3,103,367	19.52	-	-	343,180	8.67
Transportation and communication	1,381,783	8.69	15,500	0.29	472,240	11.94
Power	1,033,241	6.50	-	-	296,726	7.50
Electronics	50,000	0.31	-	-	500,000	12.64
Food and beverage	1,205,270	7.58	-	-	115,600	2.92
Services	471,317	2.96	155,750	2.92	-	-
Engineering and allied products	288,842	1.82	-	-	48,050	1.21
Chemical and pharmaceuticals	665,978	4.19	100,000	1.87	44,740	1.13
Automobiles	67,986	0.43	-	-	-	-
Fuel and energy	639,552	4.02	-	-	-	-
Construction	809,916	5.09	-	-	350,000	8.85
Sugar	1,429,688	8.99	-	-	400,000	10.11
Paper and board /packaging	337,066	2.12	-	-	102,455	2.59
Healthcare	187,500	1.18	-	-	150,000	3.79
Individual	121,205	0.76	925,845	17.33	-	-
Others	406,562	2.56	3,893,180	72.86	713,519	18.04
	15,900,129	100.00	5,342,975	100.00	3,956,292	100.00

	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	-	-	-	-
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

39.2.2 Segment by sector

	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	187,450	1.18	700,000	13.10	-	-
Private	15,712,679	98.82	4,642,975	86.90	3,956,292	100.00
	15,900,129	100.00	5,342,975	100.00	3,956,292	100.00

	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

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

	2016		2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	----- (Rupees in '000) -----			
Automobile	67,985	67,985	113,309	113,309
Textile	399,725	377,129	414,019	399,330
Chemical and pharmaceuticals	29,486	27,082	29,486	27,082
Construction	4,435	3,675	55,250	53,675
Engineering and allied products	68,073	68,073	68,073	68,073
Electronics	50,000	50,000	50,000	25,452
Fuel and energy	232,095	232,095	313,111	125,611
Food and beverages	252,878	125,000	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	40,805	40,805	48,386	9,526
	1,218,843	1,065,205	1,193,866	914,462

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

	2016		2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	----- (Rupees in '000) -----			
Public / Government	-	-	-	-
Private	1,218,843	1,065,205	1,193,866	914,462
	1,218,843	1,065,205	1,193,866	914,462

39.2.5 Geographical segment analysis

	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
Pakistan	1,025,289	39,804,371	8,461,198	3,956,292
Middle East	-	1,984	-	-
	1,025,289	39,806,355	8,461,198	3,956,292

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.

Dealing activities of the Company include investment in government securities, term finance certificates, sukus / bonds, shares and mutual funds, and money market transactions catering to the needs of its customers. All such activities are carried out within the prescribed limits. Stress testing is performed as per guidelines of SBP as well as Company's internal policy.

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
		GAP	(Middle of time band)	Shock	Weighting factor	Shock (Stress)
1	Upto 1 Month	(3,090,044)	0.05%	1,545	0.08%	2,472
2	1 to 3 Months	5,037,273	0.20%	(10,075)	0.32%	(16,119)
3	3 to 6 Months	367,045	0.45%	(1,652)	0.72%	(2,643)
4	6 to 12 Months	(1,574,691)	0.90%	14,172	1.43%	22,518
5	1 to 2 Years	1,048,359	1.50%	(15,725)	2.77%	(29,040)
6	2 to 3 Years	606,885	2.50%	(15,172)	4.49%	(27,249)
7	3 to 4 Years	676,819	3.50%	(23,689)	6.14%	(41,557)
8	4 to 5 Years	1,466,745	4.50%	(66,004)	7.71%	(113,086)
9	5 to 7 Years	830,302	6.00%	(49,818)	10.15%	(84,276)
10	7 to 10 Years	116,282	8.50%	(9,884)	13.26%	(15,419)
11	Over 10 Years	29,468	12.50%	(3,684)	17.84%	(5,257)
		5,514,443		(179,986)		(309,656)

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	(3,090,044)	0.05%	1,545	0.08%	2,472
2	1 to 3 Months	5,037,273	0.20%	(10,075)	0.32%	(16,119)
3	3 to 6 Months	367,045	0.45%	(1,652)	0.72%	(2,643)
4	6 to 12 Months	(1,574,691)	0.90%	14,172	1.43%	22,518
5	1 to 2 Years	1,048,359	1.50%	(15,725)	2.77%	(29,040)
		1,787,942		(11,735)		(22,812)

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	39,805,951	31,345,157	-	8,460,794
United States Dollar	66	-	-	66
Omani Riyal	338	-	-	338
	39,806,355	31,345,157	-	8,461,198

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 2016

	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		88,884	-	-	-	-	-	-	-	-	-	88,884
Balances with other banks	7.12%	1,670,921	1,162,449	300,000	100,000	100,000	-	-	-	-	-	8,472
Lending to financial institutions	6.19%	935,826	935,826	-	-	-	-	-	-	-	-	-
Investments	7.07%	20,831,182	2,741,862	2,394,690	2,322,128	6,552,213	985,599	565,214	2,117,262	909,669	-	2,242,545
Advances	7.69%	14,834,851	2,783,919	6,109,323	4,254,931	264,231	101,686	209,584	341,974	727,959	29,468	11,776
Other assets		389,058	-	-	-	-	-	-	-	-	-	389,058
		<u>38,750,722</u>	<u>7,624,056</u>	<u>8,804,013</u>	<u>6,677,059</u>	<u>6,916,444</u>	<u>1,087,285</u>	<u>774,798</u>	<u>2,459,236</u>	<u>1,637,628</u>	<u>29,468</u>	<u>2,740,735</u>
Liabilities												
Borrowings from financial institutions	5.82%	25,150,898	9,458,193	2,859,723	5,134,765	6,491,984	32,596	167,531	315,062	691,044	-	-
Deposits and other accounts	6.28%	5,342,975	1,255,881	906,964	1,175,168	1,998,985	5,977	-	-	-	-	-
Liabilities against assets subject to finance leases	7.91%	1,671	26	53	81	166	353	382	610	-	-	-
Other liabilities		849,613	-	-	-	-	-	-	-	-	-	849,613
		<u>31,345,157</u>	<u>10,714,100</u>	<u>3,766,740</u>	<u>6,310,014</u>	<u>8,491,135</u>	<u>38,926</u>	<u>167,913</u>	<u>315,672</u>	<u>691,044</u>	<u>-</u>	<u>849,613</u>
On-balance sheet gap		<u>7,405,565</u>	<u>(3,090,044)</u>	<u>5,037,273</u>	<u>367,045</u>	<u>(1,574,691)</u>	<u>1,048,359</u>	<u>606,885</u>	<u>2,143,564</u>	<u>946,584</u>	<u>29,468</u>	<u>1,891,122</u>
Non-Financial assets		1,055,633										
Non-Financial liabilities		-										
Total Net Assets		<u>8,461,198</u>										
Total yield/profit risk sensitivity gap			<u>(3,090,044)</u>	<u>5,037,273</u>	<u>367,045</u>	<u>(1,574,691)</u>	<u>1,048,359</u>	<u>606,885</u>	<u>2,143,564</u>	<u>946,584</u>	<u>29,468</u>	
Cumulative yield/profit risk sensitivity gap			<u>(3,090,044)</u>	<u>1,947,229</u>	<u>2,314,274</u>	<u>739,583</u>	<u>1,787,942</u>	<u>2,394,827</u>	<u>4,538,391</u>	<u>5,484,975</u>	<u>5,514,443</u>	

Mismatch of interest rate sensitive assets and liabilities as at 31 December 2015

Effective yield / interest rate	Total	Exposed to yield / interest risk										
		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
		26,671,160	4,527,248	6,078,189	3,746,955	2,344,980	356,469	2,391,700	1,187,008	3,242,184	23,029	2,773,398
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
		19,020,582	14,205,046	1,583,691	502,714	1,205,981	584,688	374,124	21,074	13,955	-	529,309
On-balance sheet gap		7,650,578	(9,677,798)	4,494,498	3,244,241	1,138,999	(228,219)	2,017,576	1,165,934	3,228,229	23,029	2,244,089
Non - financial assets		523,469										
Non - financial liabilities		8,961										
Total Net Assets		8,165,086										
Total yield/profit risk sensitivity gap			(9,677,798)	4,494,498	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			(9,677,798)	(5,183,300)	(1,939,059)	(800,060)	(1,028,279)	989,297	2,155,231	5,383,460	5,406,489	

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 2015

	2015									
	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	93,725	93,725	-	-	-	-	-	-	-	-
Balances with other banks	1,586,956	1,436,956	150,000	-	-	-	-	-	-	-
Lending to financial institutions	362,824	362,824	-	-	-	-	-	-	-	-
Investments	14,073,356	328,064	315,916	110,293	2,348,594	1,163,514	2,846,918	2,888,780	4,071,277	-
Advances	9,993,263	108,690	535,448	691,474	1,420,753	2,447,346	2,090,138	2,162,924	495,697	40,793
Other assets	622,875	338,848	159,299	119,048	1,742	-	-	3,938	-	-
Operating fixed assets	82,316	6,290	5,241	7,861	12,645	18,960	16,845	6,751	7,723	-
Deferred tax assets	379,314	(49,600)	(18,460)	(34,443)	(234,292)	(94,977)	(38,468)	601,946	248,867	(1,259)
	27,194,629	2,625,797	1,147,444	894,233	3,549,442	3,534,843	4,915,433	5,664,339	4,823,564	39,534
Liabilities										
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	-	-
Others Liabilities	538,270	84,856	228,381	25,696	30,595	32,665	65,356	65,346	5,375	-
	19,029,543	14,289,902	1,812,072	528,410	1,236,576	617,353	439,480	86,420	19,330	-
Net assets	8,165,086	(11,664,105)	(664,628)	365,823	2,312,866	2,917,490	4,475,953	5,577,919	4,804,234	39,534
Share capital	6,150,000									
Reserves	843,304									
Unappropriated profit	776,899									
	7,770,203									
Surplus on revaluation of investment - net of tax	394,883									
	8,165,086									

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 2015

	2015									
	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	93,725	93,725	-	-	-	-	-	-	-	-
Balances with other banks	1,586,956	1,436,956	150,000	-	-	-	-	-	-	-
Lending to financial institutions	362,824	362,824	-	-	-	-	-	-	-	-
Investments	14,073,356	328,064	315,916	110,293	2,348,594	1,163,514	2,846,918	2,888,780	4,071,277	-
Advances	9,993,263	108,690	535,448	691,474	1,420,753	2,447,346	2,090,138	2,162,924	495,697	40,793
Other assets	622,875	338,848	159,299	119,048	1,742	-	-	3,938	-	-
Operating fixed assets	82,316	6,290	5,241	7,861	12,645	18,960	16,845	6,751	7,723	-
Deferred tax assets	379,314	(49,600)	(18,460)	(34,443)	(234,292)	(94,977)	(38,468)	601,946	248,867	(1,259)
	27,194,629	2,625,797	1,147,444	894,233	3,549,442	3,534,843	4,915,433	5,664,339	4,823,564	39,534
Liabilities										
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	-	-
Others Liabilities	538,270	84,856	228,381	25,696	30,595	32,665	65,356	65,346	5,375	-
	19,029,543	14,289,902	1,812,072	528,410	1,236,576	617,353	439,480	86,420	19,330	-
Net assets	8,165,086	(11,664,105)	(664,628)	365,823	2,312,866	2,917,490	4,475,953	5,577,919	4,804,234	39,534
Share capital	6,150,000									
Reserves	843,304									
Unappropriated profit	776,899									
	7,770,203									
Surplus on revaluation of investment - net of tax	394,883									
	8,165,086									

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, Pak Arab Fertilizers Limited, NRSP Microfinance Bank Limited and Al-Arabia Sugar Mills 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 02 March 2017 have:

- proposed 8% cash dividend amounting to Rs. 492 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 02 March 2017 by the Board of Directors of the Company.

KSM



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 2016



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 as at 31 December 2016 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 and its subsidiary company namely Pak Oman Asset Management Company Limited. 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 2016 and the results of their operations for the year then ended.

Date: 02 March 2017


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 2016

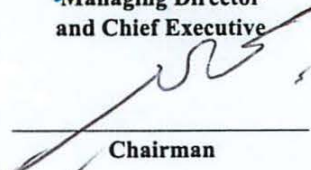
2016 (US Dollar in '000)	2015		Note	2016 (Rupees in '000)	2015
ASSETS					
850	896	Cash and balances with treasury banks	6	88,909	93,746
16,104	16,603	Balances with other banks	7	1,684,442	1,736,674
8,947	3,469	Lendings to financial institutions	8	935,826	362,824
199,435	132,856	Investments	9	20,860,575	13,896,511
141,852	95,569	Advances	10	14,837,460	9,996,425
921	795	Operating fixed assets	11	96,337	83,174
3,750	3,160	Deferred tax assets	12	392,221	330,528
9,116	6,234	Other assets	13	953,536	651,938
380,975	259,582			39,849,306	27,151,820
LIABILITIES					
-	-	Bills payable		-	-
240,452	138,429	Borrowings	14	25,150,898	14,479,440
51,081	38,336	Deposits and other accounts	15	5,342,975	4,009,860
-	-	Sub-ordinated loans		-	-
16	19	Liabilities against assets subject to finance lease	16	1,671	1,973
-	-	Deferred tax liabilities		-	-
8,327	5,243	Other liabilities	17	870,853	548,402
299,876	182,027			31,366,397	19,039,675
81,099	77,555	NET ASSETS		8,482,909	8,112,145
REPRESENTED BY					
58,796	58,796	Share capital	18	6,150,000	6,150,000
9,411	8,062	Reserves	19	984,427	843,304
9,409	6,824	Unappropriated profit		984,139	713,763
77,616	73,682			8,118,566	7,707,067
92	97	Non-controlling interest	20	9,664	10,119
77,708	73,779			8,128,230	7,717,186
3,391	3,776	Surplus on revaluation of assets - net of deferred tax	21	354,679	394,959
81,099	77,555			8,482,909	8,112,145
CONTINGENCIES AND COMMITMENTS					
			22		

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

KPMV

 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 2016

2016 (US Dollar in '000)		2015			2016 (Rupees in '000)		2015		
				Note					
21,941	21,533	Mark-up / return / interest earned	23	2,295,027	2,252,317				
13,732	12,967	Mark-up / return / interest expensed	24	1,436,373	1,356,296				
8,209	8,566	Net mark-up / interest income		858,654	896,021				
1,608	196	Provision against non-performing advances	10.5	168,179	20,548				
(1,654)	1,674	(Reversal) / provision for diminution in the value of investments	9.3	(172,986)	175,106				
-	-	Bad debts written off directly		-	-				
(46)	1,870	Net mark-up / interest income after provisions		(4,807)	195,654				
8,255	6,696			863,461	700,367				
NON MARK-UP / INTEREST INCOME									
765	495	Fee, commission and brokerage income		80,035	51,732				
876	680	Dividend income		91,662	71,135				
-	-	Income from dealing in foreign currencies		-	-				
5,465	5,800	Gain on sale of securities	25	571,673	606,690				
28	(110)	Unrealised gain / (loss) on revaluation of investments classified as held-for-trading		2,963	(11,480)				
2,060	347	Share of profit from associates - net of tax		215,445	36,264				
46	7	Other income	26	4,779	733				
9,240	7,219	Total non mark-up / interest income		966,557	755,074				
17,495	13,915			1,830,018	1,455,441				
NON MARK-UP / INTEREST EXPENSES									
6,055	4,836	Administrative expenses	27	633,316	505,848				
-	-	Other provisions / write offs	13.2	-	-				
823	403	Other charges	28	86,057	42,122				
6,878	5,239	Total non mark-up / interest expenses		719,373	547,970				
10,617	8,676			1,110,645	907,471				
-	-	Extra ordinary / unusual items		-	-				
10,617	8,676	PROFIT BEFORE TAXATION		1,110,645	907,471				
Taxation									
3,378	3,427	- current	29	353,373	358,482				
31	227	- prior years		3,206	23,716				
(249)	(143)	- deferred		(26,043)	(14,995)				
3,160	3,511	PROFIT AFTER TAXATION		330,536	367,203				
7,457	5,165			780,109	540,268				
PROFIT / (LOSS) ATTRIBUTABLE TO:									
7,461	5,173	Shareholders of the holding company		780,564	541,108				
(4)	(8)	Non-controlling interest		(455)	(840)				
7,457	5,165			780,109	540,268				
(US \$)				(Rupees)					
0.0121	0.0084	Basic and diluted earnings per share	30	1.27	0.88				

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 Statement of Comprehensive Income
For the year ended 31 December 2016

2016 (US Dollar in '000)	2015		Note	2016 (Rupees in '000)	2015
7,457	5,165	Profit after taxation		780,109	540,268
		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:			
(15)	(70)	Remeasurement of defined benefit obligation	33.9	(1,529)	(7,343)
5	22	Related tax impact		474	2,350
(10)	(48)			(1,055)	(4,993)
<u>7,447</u>	<u>5,117</u>	Comprehensive income for the year transferred to equity attributable to:		<u>779,054</u>	<u>535,275</u>
7,451	5,125	Shareholders of the holding company		779,509	536,115
(4)	(8)	Non-controlling interest		(455)	(840)
<u>7,447</u>	<u>5,117</u>	Comprehensive income for the year transferred to equity		<u>779,054</u>	<u>535,275</u>
		Component of comprehensive income for the year not transferred to equity			
(1,527)	1,068	Surplus on revaluation of 'available for sale' investments		(159,706)	111,742
584	(92)	Related tax impact		61,080	(9,582)
(943)	976			(98,626)	102,160
<u>6,504</u>	<u>6,093</u>	Total comprehensive income		<u>680,428</u>	<u>637,435</u>

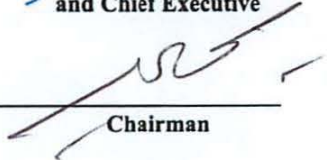
The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Komh

 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 2016

2016 (US Dollar in '000)		2015 (US Dollar in '000)		2016 (Rupees in '000)		2015 (Rupees in '000)	
				Note			
CASH FLOWS FROM OPERATING ACTIVITIES							
10,617	8,676	Profit before taxation			1,110,645	907,471	
876	680	Less: Dividend income			91,662	71,135	
9,741	7,996				1,018,983	836,336	
Adjustments:							
337	189	Depreciation		27	35,260	19,821	
1	2	Amortization of intangible assets		27	119	190	
(28)	110	Unrealised gain / (loss) on revaluation of investments classified as held-for-trading			(2,963)	11,480	
(43)	12	(Gain) / loss on sale of operating fixed assets		28 & 26	(4,531)	1,242	
(2,060)	(347)	Share of profit from associates - net of tax			(215,445)	(36,264)	
1,608	196	Provision against non-performing advances		10.5	168,179	20,548	
(1,654)	1,674	(Reversal) / provision for diminution in the value of investments		9.3	(172,986)	175,106	
-	-	Reversal held against other assets		13.2	-	-	
1	8	Finance charges on leased assets		27	146	805	
(1,838)	1,844				(192,221)	192,928	
7,903	9,840				826,762	1,029,264	
(Increase) / decrease in operating assets							
(5,478)	2,164	Landings to financial institutions			(573,002)	226,353	
(24,045)	(3,100)	Net investments in held-for-trading securities			(2,515,074)	(324,243)	
(47,890)	(9,050)	Advances			(5,009,214)	(946,659)	
(1,267)	51	Other assets (excluding taxation)			(132,533)	5,362	
(78,680)	(9,935)				(8,229,823)	(1,039,187)	
Increase / (decrease) in operating liabilities							
102,023	53,640	Borrowings			10,671,458	5,610,710	
12,745	(21,856)	Deposits and other accounts			1,333,115	(2,286,126)	
3,069	425	Other liabilities			320,922	44,470	
117,837	32,209				12,325,495	3,369,054	
47,060	32,114	Finance charges paid on leased assets			4,922,434	3,359,131	
(1)	(8)	Income tax paid			(146)	(805)	
(4,256)	(3,343)	Net cash from operating activities			(445,158)	(349,712)	
42,803	28,763				4,477,130	3,008,614	
CASH FLOWS FROM INVESTING ACTIVITIES							
(38,989)	(14,844)	Net investments in available-for-sale securities			(4,078,143)	(1,552,684)	
(1,330)	1,577	(Investments in) / sale of associates			(139,159)	164,919	
857	901	Dividend income received			89,634	94,252	
(444)	(416)	Purchase of operating fixed assets			(46,493)	(43,508)	
89	84	Sale proceeds on sale of property and equipments			9,264	8,786	
(39,817)	(12,698)	Net cash used in investing activities			(4,164,897)	(1,328,235)	
CASH FLOWS FROM FINANCING ACTIVITIES							
(3)	14	(Payments) / receipts of finance lease obligations			(302)	1,485	
(3,528)	(2,352)	Dividend paid			(369,000)	(246,000)	
(3,531)	(2,338)	Net cash used in financing activities			(369,302)	(244,515)	
(545)	13,727				(57,069)	1,435,864	
17,499	3,772	Cash and cash equivalents at beginning of the year			1,830,420	394,556	
16,954	17,499	Cash and cash equivalents at end of the year		31	1,773,351	1,830,420	

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 Statement Of Changes In Equity
 For the year ended 31 December 2016

	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 2015	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. 0.40 per share)	-	-	-	(246,000)	(246,000)	-	(246,000)
Increase in share of non-controlling interest	-	-	-	-	-	-	-
Balance as at 31 December 2015	6,150,000	831,674	11,630	713,763	7,707,067	10,119	7,717,186
Comprehensive income							
Profit / (loss) for the year ended 31 December 2016	-	-	-	780,564	780,564	(455)	780,109
Other comprehensive income - net of tax	-	-	-	(1,055)	(1,055)	-	(1,055)
Total comprehensive income for the year	-	-	-	779,509	779,509	(455)	779,054
Transfers							
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax				990	990		990
Transfer to statutory reserve - 20% of the holding company's profit for the year	-	141,123	-	(141,123)	-	-	-
Transaction with owners recognised directly in equity							
Dividend for the year ended 31 December 2015 (Re. 0.6 per share)	-	-	-	(369,000)	(369,000)	-	(369,000)
Balance as at 31 December 2016	6,150,000	972,797	11,630	984,139	8,118,566	9,664	8,128,230

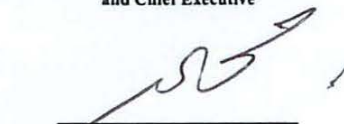
The annexed notes from 1 to 44 form an integral part of these consolidated financial statements.

Kim


 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 2016

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 1st Floor, Tower A, Shahrah-e-faisal, 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.

On 07 December 2016, the Board of Directors (BoD) of the POAMCL through their circular resolution approved the acquisition of Askari Investment Management Limited ("the Target Company") by way of acquisition of 33,500,000 ordinary shares of the Target Company for sale by Askari Bank Limited ("the Seller") for the purpose of enhancing the equity base of the POAMCL and to expand its business operations and investors base. Accordingly, the POAMCL offered bid of Rs. 551 million to Askari Bank Limited to acquire 100% shares of the Target Company.

The bidding process was completed on 07 December 2016 and the POAMCL received the consent letter from Askari Bank Limited for selection as successful bidder and invitation to finalize and enter into a Share Purchase Agreement ("SPA") in respect of the same on 10 January 2017.

For the purpose of above mentioned acquisition, POICL will provide financing to POAMCL by way of a five year sub-ordinated loan of Rs. 575 million at an interest rate of 6 months KIBOR plus 1.25%. The BoD of POAMCL has subsequently ratified the same resolution passed by circulation in their meeting held on 25 January 2017.

1.2 The Group's associates are as follows:

Entity	Country of incorporation	Nature of business	Holding %	
			2016	2015
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.	43.34	96.50
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.	38.50	99.96
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.	60.25	99.98

Entity	Country of incorporation	Nature of business	Holding %	
			2016	2015
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.	66.91	99.09
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.	11.29	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 2016 and the audited financial statements of the subsidiary (POAMCL) for the year ended 31 December 2016. 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. 104.5985 to 1 US Dollar has been used for 2016 and 2015 as it was the prevalent rate as on 31 December 2016.

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:

Non banking assets acquired in satisfaction of claims

Effective 1 January 2016, the holding Company has changed its accounting policy for recording of non-banking assets acquired in satisfaction of claims to comply with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated 1 January 2016. In line with the guidance provided in the Regulations, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised. Previously, Non-banking assets acquired in satisfaction of claims were carried at cost less impairment, if any. Had the accounting policy not been changed, Non banking assets (included in Other Assets in the statement of financial position) and surplus on revaluation of assets would have been lower by Rs. 77.98 million and Rs. 58.35 million respectively while profit after tax and deferred tax assets - net would have been higher by Rs. 4.74 million and Rs. 23.40 million respectively.

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

5.1 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of Approved Accounting Standards will be effective for accounting periods on or after 01 January 2017:

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on consolidated financial statements of the Group.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non - cash changes.
- Amendments to IFRS 2 - Share - based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash - settled share - based payments; (b) classification of share - based payments settled net of tax withholdings; and (c) accounting for a modification of a share - based payment from cash - settled to equity - settled. The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Group's consolidated financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on Group's consolidated financial statements.
- Annual improvements to IFRS standards 2014 - 2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:
 - Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 - 'Non - current Assets Held for Sale and Discontinued Operations'. The amendments are not likely to have an impact on Group's consolidated financial statements.
 - Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organisation and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non - investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Group's consolidated financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognised. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognised. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

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

5.2 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.

5.2.1 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.

5.3 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 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.

5.5 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.

5.6 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.

5.7 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 consolidated 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 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.

5.7.3 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 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.

5.8.2 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 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.

5.10 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 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.

5.11 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.

5.12 Staff retirement benefits

5.12.1 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 2016.

5.12.2 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.

5.12.3 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.

5.12.4 Compensated absences

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

5.13 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.

5.14 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.

5.15 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.

5.16 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.

5.17 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.

5.18 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 2016.

5.19 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.

5.20 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.

5.21 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.

5.22 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>	2016 (Rupees in '000)	2015
6 CASH AND BALANCES WITH TREASURY BANKS			
Cash in hand :			
local currency		109	127
foreign currency		149	150
Balances with State Bank of Pakistan in local currency - current account	6.1	<u>88,651</u>	93,469
		<u>88,909</u>	<u>93,746</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		8,217	1,685
deposit accounts	7.1	1,675,970	1,734,749
		<u>1,684,187</u>	1,736,434

Outside Pakistan - current accounts

255	240
<u>1,684,442</u>	<u>1,736,674</u>

7.1 These include term deposit receipts (TDRs) of Rs. 1,650 million (2015: Rs. 1,350 million) maturing between January 2017 to December 2017 (2015: January 2016 to February 2016). These carry mark-up rates ranging from 6.40 to 8.50 (2015: 6.75 to 7.25) percent per annum.

8 LENDINGS TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings	8.1	935,826	362,824
		<u>935,826</u>	<u>362,824</u>

8.1 These are short-term lendings to different financial institutions secured against government securities as disclosed in note 8.3 which are purchased under resale obligations. These carry mark-up rates ranging from 6.15 to 6.25 (2015: 6.55 to 7.25) percent per annum and will mature in January 2017 (2015: January 2016).

8.2 Particulars of lendings

In local currency	935,826	362,824
In foreign currency	-	-
	<u>935,826</u>	<u>362,824</u>

8.3 Securities held as collateral against lendings to financial institutions

	2016			2015		
	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	296,955	438,871	735,826	-	142,824	142,824
Pakistan Investment Bonds	-	200,000	200,000	-	220,000	220,000
8.3.1	<u>296,955</u>	<u>638,871</u>	<u>935,826</u>	-	<u>362,824</u>	<u>362,824</u>

8.3.1 Market value of the securities amounting to Rs. 941 million (2015: Rs. 370 million).

9 INVESTMENTS

		2016			2015		
		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	602,866	1,036,725	1,639,591	181,573	243,056	424,629
Market Treasury Bills (T-Bills)	9.4 & 9.5.1	430,275	1,370,506	1,800,781	247,051	215,250	462,301
Listed ordinary shares	9.5.2.1	41,106	-	41,106	110,705	-	110,705
Term finance certificates (TFCs)	9.5.4.1	66,943	-	66,943	34,950	-	34,950
	9.5.5.1						
		1,141,190	2,407,231	3,548,421	574,279	458,306	1,032,585
Available-for-sale securities							
Pakistan Investment Bonds (PIBs)	9.4 & 9.5.1	183,630	2,423,324	2,606,954	111,455	7,513,935	7,625,390
Market Treasury Bills (T-Bills)	9.4 & 9.5.1	194,832	9,733,012	9,927,844	74,201	144,555	218,756
Ijara Sukuk	9.4 & 9.5.1	-	-	-	300,000	-	300,000
Listed ordinary shares	9.5.2.2	653,703	-	653,703	682,716	-	682,716
Unlisted ordinary shares	9.5.3	121,333	226,000	347,333	121,333	226,000	347,333
Term finance certificates (TFCs)	9.5.4.2 & 9.5.5.2	1,723,926	-	1,723,926	2,233,215	-	2,233,215
Sukuk certificates	9.5.6	1,146,159	-	1,146,159	966,619	-	966,619
		4,023,583	12,382,336	16,405,919	4,489,539	7,884,490	12,374,029
Associates							
	9.5.7						
Japan Power Generation Limited		-	-	-	-	-	-
Pak Oman Advantage Islamic Income Fund		176,216	-	176,216	97,832	-	97,832
Pak Oman Islamic Asset Allocation Fund		161,201	-	161,201	112,161	-	112,161
Pak Oman Advantage Asset Allocation Fund		247,788	-	247,788	103,179	-	103,179
Pak Oman Government Securities Fund		334,813	-	334,813	251,378	-	251,378
Pak Oman Microfinance Bank Limited		358,338	-	358,338	359,045	-	359,045
		1,278,356	-	1,278,356	923,595	-	923,595
Investments at cost		6,443,129	14,789,567	21,232,696	5,987,413	8,342,796	14,330,209
Less: Provision for diminution in the value of investments	9.3	778,034	-	778,034	997,273	-	997,273
Investments - net of provisions		5,665,095	14,789,567	20,454,662	4,990,140	8,342,796	13,332,936
(Deficit) / surplus on revaluation of held-for-trading securities	9.6	(1,985)	(1,733)	(3,718)	(6,701)	782	(5,919)
Surplus on revaluation of available-for-sale securities	21	117,230	292,401	409,631	15,335	554,159	569,494
Total investments		5,780,340	15,080,235	20,860,575	4,998,774	8,897,737	13,896,511

	Note	2016 Rupees in '000	2015
9.2 Investments by segments			
Federal Government Securities			
Pakistan Investment Bonds (PIBs)	9.4, 9.5 & 9.6	4,246,545	8,050,019
Ijara Sukuk	9.4, 9.5 & 9.6	-	300,000
Market Treasury Bills (MTBs)	9.4, 9.5 & 9.6	<u>11,728,625</u>	681,057
		<u>15,975,170</u>	9,031,076
Fully paid up ordinary shares			
Listed companies	9.5.2	<u>694,809</u>	793,421
Unlisted companies	9.5.3.1	<u>347,333</u>	347,333
		<u>1,042,142</u>	1,140,754
Term finance certificates (TFCs)			
Listed	9.5.4	<u>934,341</u>	1,235,453
Unlisted	9.5.5	<u>856,528</u>	1,032,712
		<u>1,790,869</u>	2,268,165
Sukuk certificates	9.5.6	<u>1,146,159</u>	966,619
Investments in associates	9.5.7	<u>1,278,356</u>	923,595
Total investments at cost		<u>21,232,696</u>	14,330,209
Less: Provision for diminution in the value of investments	9.3	<u>778,034</u>	997,273
Investments - net of provisions		<u>20,454,662</u>	13,332,936
(Deficit) / surplus on revaluation of held-for-trading securities	9.6	<u>(3,718)</u>	(5,919)
Surplus on revaluation of available-for-sale securities	21	<u>409,631</u>	569,494
Total investments		<u>20,860,575</u>	13,896,511

9.3 Particulars of provision for diminution in the value of investments

Opening balance		997,273	866,313
Charge for the year		<u>68,365</u>	264,532
Reversal for the year	9.3.1	<u>(241,351)</u>	(89,426)
		<u>(172,986)</u>	175,106
Transfer to capital gain due to disposal of relevant investments		<u>(46,253)</u>	(44,146)
Closing balance	9.3.2	<u>778,034</u>	997,273

9.3.1 This includes reversal of Rs. 228.5 million against property swap of Rs. 301 million Pace Pakistan Ltd's TFCs.

9.3.2 Particulars of provision in respect of types and segments

Available-for-sale securities

Shares			
- Listed		55,989	73,076
- Unlisted		121,333	104,426
Term Finance Certificates			
- Listed		237,920	466,435
- Unlisted		179,455	179,455
Sukuk-unlisted		183,337	173,881
		<u>778,034</u>	997,273

9.4 The rates of return on PIBs maturing between March 2018 to April 2026 (2015: May 2016 to July 2022), range from 6.12 to 13.20 (2015: 6.50 to 13.20) percent per annum. The rates of return on Ijara Sukuk maturing in December 2018 is NIL (2015: 5.89) percent per annum. The rates of return on market treasury bills maturing between January 2017 to October 2017 (2015: January 2016 to September 2016), range from 5.81 to 6.22 (2015: 6.37 to 6.49) 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

2016		2015	
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	80,818	Unrated	114,824	Unrated
5 years	1,040,255	Unrated	76,360	Unrated
3 years	515,459	Unrated	235,063	Unrated
	1,636,532		426,247	

Market Treasury Bills (MTBs)

3 months	819,627	Unrated	19,931	Unrated
6 months	98,805	Unrated	195,490	Unrated
12 months	882,261	Unrated	246,899	Unrated
	1,800,693		462,320	

9.5.1.2 Available-for-sale

Pakistan Investment Bonds (PIBs)

20 years	23,621	Unrated	-	-
15 years	482,853	Unrated	466,028	Unrated
10 years	2,434,738	Unrated	3,904,909	Unrated
5 years	-	-	1,601,972	Unrated
3 years	-	-	2,208,512	Unrated
	2,941,212		8,181,421	

Ijara Sukuk - - 303,390 Unrated

Market Treasury Bills (MTBs)

6 months	-	-	19,643	Unrated
12 months	9,919,640	Unrated	199,118	Unrated
	9,919,640		218,761	
	16,298,077		9,592,139	

9.5.2	Listed shares	Rating	Number of shares held		Cost		Market value		
			2016	2015	2016	2015	2016	2015	
9.5.2.1	Held-for-trading		(Rupees in '000)						
	Chemical								
	Engro Corporation Limited	Unrated	-	45,500	-	13,782	-	12,712	
	Fauji Fertilizer Company Limited	Unrated	75,000	-	7,954	-	7,828	-	
	Electricity								
	Kot Addu Power Company Limited	AA+/A1+	-	61,000	-	5,365	-	4,941	
	Cable & Electrical Goods								
	Pak Elektron Limited	A+/A1	35,000	225,000	2,493	15,541	2,495	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								
	Hascol Petroleum Limited	A+/A-1	-	70,000	-	11,124	-	10,098	
	Mari Petroleum Company Limited	Unrated	-	9,100	-	6,407	-	6,343	
	Construction and materials (Cement)								
	D.G.Khan Cement Company Limited	Unrated	-	25,000	-	3,700	-	3,690	
	Lucky Cement Limited	Unrated	-	50,500	-	26,647	-	24,999	
	Commercial Banks								
	MCB Bank Limited	AAA/A1+	20,000	-	4,747	-	4,756	-	
	Refinery								
	National Refinery Limited	AA+/A1+	10,000	-	5,865	-	5,711	-	
	Automobile Assembler								
	Indus Motor Company Limited	Unrated	3,500	-	5,584	-	5,651	-	
	Millat Tractors Limited	Unrated	9,000	-	8,105	-	8,142	-	
	Al-Ghazi Tractors Limited	Unrated	10,000	-	6,358	-	5,708	-	
					41,106	110,705	40,291	102,525	
9.5.2.2	Available-for-sale								
	Construction and materials (Cement)								
	Cherat Cement Limited	A/A1	-	103,000	-	9,256	-	9,288	
	Fauji Cement Company Limited	AA/A1+	600,000	200,000	24,387	6,825	27,048	7,364	
	Kohat Cement Limited	Unrated	-	15,500	-	3,102	-	3,733	
	Lucky Cement Limited	Unrated	40,000	-	28,487	-	34,650	-	
	Maple Leaf Cement Factory Limited	A-/A1	-	100,000	-	7,075	-	7,458	
	DG Khan Cement Company Limited	Unrated	95,000	-	18,842	-	21,064	-	
	Electricity								
	HUB Power Company Limited	AA+/A1+	200,000	200,000	24,510	20,391	24,696	20,520	
	Kot Addu Power Company Limited	AA+/A1+	400,000	285,000	33,886	22,573	31,520	23,085	
	Lalpir Power Limited	AA/A1+	-	903,000	-	27,522	-	26,855	
	Nishat Chunan Power Limited	Unrated	550,000	650,000	30,641	35,911	30,514	35,782	
	Nishat Power Limited	A-/A1	400,000	402,500	22,194	22,502	25,636	21,606	
	Chemical								
	Agritech Limited (Note 9.5.5.2)	Unrated	1,926,616	1,629,911	67,449	57,046	24,429	15,240	
	Engro Corporation Limited	AA/ A1+	100,000	30,000	31,482	8,498	31,609	8,382	
	Engro Fertilizer Company Limited	AA-/A1+	-	120,000	-	10,172	-	10,096	
	Fauji Fertilizer Company Limited	AA/A1+	-	300,000	-	39,395	-	35,394	
	Commercial Banks								
	Allied Bank Limited	AA+/A1+	-	215,000	-	24,839	-	20,265	
	Habib Bank Limited	AAA/A1+	90,000	140,000	19,816	29,384	24,592	28,017	
	Habib Metro Bank Limited	AA+/A1+	700,000	1,000,000	24,847	36,407	25,900	30,470	
	JS Bank Limited	AA-/A1+	-	1,850,000	-	12,833	-	14,337	
	MCB Bank Limited	AAA/A1+	115,000	-	26,250	-	27,349	-	
	National Bank of Pakistan	AAA/A1+	200,000	-	14,626	-	14,978	-	
	United Bank Limited	AAA/A1+	205,000	315,700	39,346	50,310	48,974	48,918	
	Refinery / Oil & Gas								
	Attock Petroleum Limited	Unrated	-	22,050	-	11,372	-	11,138	
	Attock Refinery Limited	AA/A1+	30,000	-	10,829	-	12,759	-	
	Oil & Gas Development Company Limited	AAA/A1+	100,000	50,000	14,487	9,024	16,535	5,867	
	Pak Refinery Limited	A-/A2	-	437,000	-	25,131	-	19,757	
	Pakistan Oilfield Limited	Unrated	55,000	30,000	23,895	10,553	29,404	8,040	
	Pakistan Petroleum Limited	Unrated	90,000	-	15,105	-	16,936	-	
	Pakistan State Oil Company Limited	AA+/A1+	70,000	80,000	28,807	28,585	30,395	26,062	
	National Refinery Limited	AA/A1+	42,000	-	24,980	-	23,987	-	
	Mari Petroleum Company Limited	Unrated	4,750	-	6,595	-	6,531	-	
	Sui Northern Gas Company Limited	AA-/A1	-	294,500	-	9,904	-	7,080	
	Sui Southern Gas Company Limited	A-/A1	-	500,000	-	22,058	-	18,675	
	Paper and Board								
	Century Paper & Board	A+/A1	-	200,500	-	12,503	-	10,263	
	Cherat Packaging Limited	Unrated	5,000	50,000	1,756	13,091	1,690	15,155	
	Food & Personal care products								
	Engro Foods Limited	Unrated	55,000	-	8,917	-	10,557	-	
	Textile								
	Nishat Mills Limited	AA/A1+	159,500	140,000	23,645	17,649	24,287	13,282	
	Nishat (Chunan) Limited	Unrated	250,000	-	13,600	-	15,607	-	
	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	
	Engineering								
	International Industries Limited	Unrated	100,000	-	17,522	-	20,373	-	
	International Steels Limited	Unrated	75,000	-	6,077	-	7,330	-	
	Crescent Steel & Allied Products	Unrated	35,000	-	5,193	-	5,396	-	
	Amreli Steels Limited	Unrated	-	-	10,469	-	9,989	-	
	Mughal Iron & Steel Industries	Unrated	120,000	-	11,824	-	10,579	-	
	Automobile Assembler								
	Honda Atlas Cars (Pakistan) Limited	Unrated	15,000	-	8,824	-	10,030	-	
	Fertilizer								
	Engro Fertilizer Company Limited	AA-/A1+	215,000	-	14,302	-	14,616	-	
	Pharmaceuticals								
	The Searle Company Limited	Unrated	220	-	113	-	144	-	
	Industrial Transportation								
	Pakistan International Bulk Terminal Limited	Unrated	-	435,500	-	9,998	-	12,181	
					653,703	682,716	660,104	621,716	
					694,809	793,421	700,395	724,241	

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
	2016	2015	2016 (Rupees in '000)	2015				
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
Pakistan Textile City Limited (note 9.5.8)	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-2015**	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	22.99	30-Jun-2016*	Mr. Nadeem Baber
			347,333	347,333				

*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	Number of certificates held		Market value	
					2016	2015	2016 (Rupees in '000)	2015
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	5,000	25,187	25,600
9.5.4.2 Available-for-sale								
Commercial banks / DFIs								
Bank Alfalah Limited V	6 month Kibor + 1.25%	Half yearly	20-Feb-21	AA-	29,500	29,500	151,166	150,042
NIB Bank Limited	6 month Kibor + 1.15%	Half yearly	19-Jun-22	A+	35,000	35,000	176,810	173,146
Summit Bank Limited	6 month Kibor + 3.25%	Half yearly	27-Oct-18	A (SO)	10,000	10,000	50,358	51,197
Soneri Bank Limited	6 month Kibor + 1.35%	Half yearly	8-Jul-23	A+	60,000	60,000	305,278	293,915
Technology and communication								
WorldCall Telecom Limited	6 month Kibor + 1.6%	Half yearly	7-Oct-21	Unrated	108,623	108,623	-	-
Personal goods								
Azgard Nine Limited	6 month Kibor + 2.4%	Half yearly	20-Sep-17	Unrated	15,000	15,000	-	-
Miscellaneous								
Pace Pakistan Limited	6 month Kibor + 2%	Half yearly	15-Feb-17	Unrated	-	60,230	-	72,273
							708,799	766,173

9.5.4.3 The face value of each certificate held in listed TFCs is Rs. 5,000 (2015: 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	
					2016	2015	2016	2015
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
JS Bank limited - PPTFC	6 month Kibor + 1.40%	Half yearly	14-Dec-23	A+	8,400	-	42,000	-
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	75,456	153,068
Bank Alfalah Limited - IV	6 month Kibor + 2.5%	Half yearly	2-Dec-17	AA-	33,000	33,000	110,866	167,192
JS Bank limited - PPTFC	6 month Kibor + 1.40%	Half yearly	14-Dec-23	A+	60,000	-	300,000	-
The Bank of Punjab	6 month Kibor + 1%	Half yearly	23-Dec-26	AA-	30,000	-	150,000	-
Development Financial Institutions								
Pak-Libya Holding Co. (Pvt) Limited - PPTFC	6 month Kibor + 1.6%	Half yearly	7-Feb-16	Unrated	-	8,000	-	6,646
Pak-Libya Holding Co. (Pvt) Limited - PPTFC	3 month Kibor + 1.5%	Quarterly	23-Feb-20	Unrated	-	60,000	-	300,000
Chemical								
Engro Fertilizers Limited - PPTFC	6 month Kibor + 1.70%	Half yearly	18-Mar-18	Unrated	-	44,500	-	220,769
Agritech Limited (Note 9.5.5.2)	6 month Kibor + 1.75%	Half yearly	29-Nov-19	Unrated	20,000	20,000	-	-
Agritech Limited (Note 9.5.5.2)	Zero coupon	Half yearly	1-Jan-15	Unrated	4,309	4,309	-	-
Personal goods								
Azgard Nine Limited - III	6 month Kibor + 2.25%	Half yearly	4-Dec-17	Unrated	2,000	2,000	-	-
Azgard Nine Limited - IV	3 month Kibor + 1%	Quarterly	18-Nov-15	Unrated	5,000	5,000	-	-
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	-	-
							678,322	857,649

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 issued 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 Sukuks

9.5.6.1 Available-for-sale

	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificates held		Market value / Cost	
					2016	2015	2016	2015
(Rupees in '000)								
Personal Goods								
Amtext 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	-	-
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	178,279	207,466
K-Electric Limited	3 month Kibor + 2.25%	Quarterly	19-Mar-17	AA	8,000	8,000	40,347	40,717
Chemical								
Engro Fertilizers Limited	6 month Kibor + 1.75%	Half yearly	9-Jul-19	AA-	-	-	-	-
Banks								
Al-Baraka Bank (Pakistan) Limited	6 month Kibor + 1.25%	Half yearly	25-Sep-21	A	500	500	353,684	425,341
Oil & Gas Marketing Companies								
Hascol Petroleum Limited	3 month Kibor + 1.50%	Quarterly	6-Jan-22	AA-	60,000	-	310,991	-
Miscellaneous								
Al-Razi HealthCare (Private) Limited	6 month Kibor + 2.5%	Monthly	4-Feb-21	Unrated	30,000	30,000	66,875	95,833
New Allied Electronic Industries (Private) Limited	3 month Kibor + 2.6%	Quarterly	25-Jul-12	Unrated	272,000	272,000	-	-
							970,626	789,807

9.5.6.2 The face value of each certificate held in unlisted Sukuks is Rs. 5,000 (2015: 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 (2015: 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:

	2016	2015	2016	2015	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)	17,622,878	30,560,189	-	-	11.29%	(41.29)	30-Sep-16*	Mr. Amjad Awan
Pak Oman Islamic Asset Allocation Fund	2,251,397	2,000,000	161,201	112,161	38.50%	71.60	31-Dec-16**	Mr. Adeel Ahmad Khan
Pak Oman Advantage Asset Allocation Fund	3,676,558	2,000,000	247,788	103,179	60.25%	67.40	31-Dec-16**	Mr. Adeel Ahmad Khan
Pak Oman Advantage Islamic Income Fund	3,269,271	1,866,994	176,216	97,832	43.34%	53.90	31-Dec-16**	Mr. Adeel Ahmad Khan
Pak Oman Government Securities Fund	31,075,579	23,660,643	334,813	251,378	66.91%	10.77	31-Dec-16**	Mr. Adeel Ahmad Khan
Unquoted								
Pak Oman Microfinance Bank Limited (note 9.5.8)	38,470,788	38,470,788	358,338	359,045	33.40%	9.30	31-Dec-2016*	Mr. Munawar Suleman
			1,278,356	923,595				

* Unaudited financial statements

**Published Net Asset Value

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 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	411,118	434,244	425,866	506,470	11,411,551	1,260,498
Liabilities	4,485	15,553	14,576	6,069	16,979,961	188,155
Total income	16,464	21,261	86,118	51,976	381,491	219,539
Profit before taxation	19,969	91,995	78,607	32,291	(359,269)	14,770
Profit after taxation	19,969	91,995	78,607	32,291	(359,269)	6,486

* Published Net Asset Value

** 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	2016 (Rupees in '000)	2015
	Federal Government Securities			
	- Market Treasury Bills		(88)	19
	- Pakistan Investment Bonds		(3,059)	1,618
			<u>(3,147)</u>	<u>1,637</u>
	Shares - listed		(815)	(8,180)
	Term finance certificates (TFCs) - listed		244	646
	Term finance certificates (TFCs) - unlisted		-	(22)
			<u>(3,718)</u>	<u>(5,919)</u>
10	ADVANCES			
	In Pakistan			
	Loans, cash credit, running finance, etc. in Pakistan		13,048,162	9,021,789
	Net investment in finance leases in Pakistan	10.2	1,881,884	1,751,575
	Margin trading		841,195	-
	Advance against leases		7,683	8,138
	Staff loans	10.3	123,814	129,385
	Advances - Gross	10.1	<u>15,902,738</u>	<u>10,910,887</u>
	Less: Provision for non-performing loans and advances - Specific		<u>1,065,205</u>	<u>914,462</u>
	Provision for non-performing loans and advances - General		<u>73</u>	<u>-</u>
	Less: Provision for non-performing advances	10.5	<u>1,065,278</u>	<u>914,462</u>
	Advances - net of provision		<u>14,837,460</u>	<u>9,996,425</u>
10.1	Particulars of advances (Gross)			
10.1.1	In local currency	10.1.3	<u>15,902,738</u>	<u>10,910,887</u>
10.1.2	In foreign currency		<u>-</u>	<u>-</u>
10.1.3	Short term (for upto one year)		5,185,152	3,619,297
	Long term (for over one year)		10,717,586	7,291,590
			<u>15,902,738</u>	<u>10,910,887</u>

10.2 Net investment in finance lease

10.2.1 The periodic break-up of minimum lease payments due are as follows :

	2016			2015		
	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	928,720	822,021	1,750,741	795,324	895,471	1,690,795
Residual value	67,687	251,684	319,371	63,784	213,736	277,520
Minimum lease payments	996,407	1,073,705	2,070,112	859,108	1,109,207	1,968,315
Financial charges for future periods	(107,106)	(81,122)	(188,228)	(114,789)	(101,951)	(216,740)
Present value of minimum lease payments	<u>889,301</u>	<u>992,583</u>	<u>1,881,884</u>	<u>744,319</u>	<u>1,007,256</u>	<u>1,751,575</u>

10.2.1.1 In respect of the aforementioned finance leases, the Group holds an aggregate sum of Rs. 272.007 million (2015: Rs. 219.218 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (note 17).

10.2.1.2 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 2023 and are subject to finance income at rates ranging between 6.35 to 16.11 (2015: 8.03 to 16.11) percent per annum. Maximum amount of lease outstanding as at 31 December 2016 amounts to Rs. 628 million (2015: Rs. 379 million).

10.3 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 (2015: 5) percent per annum, while no mark-up is charged on personal loans.

10.3.1 Staff loans include an amount of Rs. 2.610 million (2015: Rs. 3.162 million) provided by subsidiary company to its Chief Executive.

10.4 Particulars of classification

10.4.1 Advances include Rs. 1,218.843 million (2015: Rs. 1,193.866 million) which have been placed under the non-performing status as detailed below:

	2016								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees in '000) -----								
Substandard	11,877	-	11,877	2,969	-	2,969	2,969	-	2,969
Doubtful	252,878	-	252,878	125,000	-	125,000	125,000	-	125,000
Loss	954,088	-	954,088	937,236	-	937,236	937,236	-	937,236
	<u>1,218,843</u>	<u>-</u>	<u>1,218,843</u>	<u>1,065,205</u>	<u>-</u>	<u>1,065,205</u>	<u>1,065,205</u>	<u>-</u>	<u>1,065,205</u>

	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>

10.5 Particulars of provisions against non-performing advances

	Note	2016			2015		
		Specific	General	Total	Specific	General	Total
		----- (Rupees in '000) -----					
Opening balance		914,462	-	914,462	893,914	-	893,914
Charge during the year		308,796	73	308,869	115,664	-	115,664
Reversal during the year		(140,690)	-	(140,690)	(95,116)	-	(95,116)
Net charge / (reversal)		168,106	73	168,179	20,548	-	20,548
Less: Amounts written off during the year	10.6	(17,363)	-	(17,363)	-	-	-
Closing balance		<u>1,065,205</u>	<u>73</u>	<u>1,065,278</u>	<u>914,462</u>	<u>-</u>	<u>914,462</u>

10.5.1 Particulars of provisions against non-performing advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	1,065,205	73	1,065,278	914,462	-	914,462
In foreign currency	-	-	-	-	-	-
	<u>1,065,205</u>	<u>73</u>	<u>1,065,278</u>	<u>914,462</u>	<u>-</u>	<u>914,462</u>

10.6 Particulars of write offs

2016 2015
(Rupees in '000)

Against provisions
Directly charged to profit and loss account

17,363	-
-	-
17,363	-

10.6.1 Write offs of Rs. 500,000 and above

Write offs of below Rs. 500,000

17,363	-
-	-
17,363	-

10.6.2 Statement showing written off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2016.

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	Husnain Cotex Limited 52 - Canal Bank Road, Lahore	Mr. Muhammad Ramzan Sheikh CNIC No. 35201-9041208-1 Mr. Adnan Yousaf Sheikh CNIC No. 35201-7360083-9	Mr. Muhammad Yousaf Sheikh Mr. Muhammad Yousaf Sheikh	50,000	14,489	51,752	116,241	-	489	52,017	52,506
2	Union Industries (Pvt) Limited B - 46, Estate Avenue. S.I.T.E., Karachi	Mr. Muhammad Jawed Habib CNIC No. 42301-1176752-3 Mr. Mirza Kamran ali Khan CNIC No. 42301-1791682-5	Mr. Abdul Habib Ahmed Mr. Zulfiqar Ali Khan	16,434	3,248	39,601	59,283	15,934	3,248	48,965	68,147
3	Masoom Ali Sons Plot No. 23, Sector 12 - D, North Karachi Industrial Area, Karachi	Mr. Muhammad Naveed Sheikh CNIC No. 42301-6359149-3 Mr. Tehseen Ahmed CNIC No. 42301-4877683-3 Mr. Muhammad Naseem CNIC No. 42301-8402170-9	Mr. Muhammad Naseem Mr. Muhammad Naseem Mr. Masoom Ali	2,429	224	5,191	7,844	1,429	224	5,689	7,342
				68,863	17,961	96,544	183,368	17,363	3,961	106,671	127,995

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

Note
2016 2015
(Rupees in '000)

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

Balance at beginning of the year	129,385	123,345
Loans granted during the year	38,996	46,280
Repayments	(44,567)	(40,240)
Balance at end of the year	123,814	129,385

Debts due by other related parties

Balance at beginning of the year	250,630	278,654
Loans granted during the year	-	-
Repayments	(31,896)	(28,024)
Balance at end of the year	218,734	250,630

10.8.1 **342,548** 380,015

10.7.1 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 2016.

10.8 Maximum total amount of advances including temporary advances granted during the year amounts to Rs. 383 (2015: Rs. 404) million. The maximum amount has been calculated by reference to month end balance.

11 OPERATING FIXED ASSETS

Note
2016 2015
(Rupees in '000)

Property and equipments	11.1	94,971	79,504
Intangible assets	11.2	1,366	115
Advance for capital expenditure		-	3,555
		96,337	83,174

11.1 Property and equipments

	Cost			Depreciation			Net book	Rate
	As at 1 January 2016	Additions / (deletions) during the year	As at 31 December 2016	As at 1 January 2016	During the year/ (on disposals)	As at 31 December 2016	As at 31 December 2016	
----- (Rupees in '000) -----								
Owned								
Office premises *	42,126	-	42,126	23,869	2,106	25,975	16,151	5
Improvements	23,300	11,408	24,623	19,232	1,881	11,292	13,331	20
Office equipments	14,246	(10,085)	14,528	11,040	(9,821)	11,187	3,341	20
Computer equipments	28,676	1,739	29,698	23,845	1,522	26,081	3,617	33.33
Furniture and fixtures	16,323	(1,457)	15,600	13,943	(1,375)	11,253	4,347	20
Vehicles	72,292	1,322	84,750	27,470	2,537	32,111	52,639	20
		(300)			(301)			
		3,205			955			
		(3,928)			(3,645)			
		(18,546)			(14,441)			
Assets subject to finance lease								
Vehicles	1,972	-	1,972	32	395	427	1,545	20
		-			-			
2016	198,935	48,678	213,297	119,431	28,478	118,326	94,971	
		(34,316)			(29,583)			
----- (Rupees in '000) -----								
	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	-	14,246	12,281	-	11,040	3,206	20
Computer equipments	24,379	2,331	28,676	22,205	605	23,845	4,831	33.33
Furniture and fixtures	15,849	(2,069)	16,323	14,304	(1,846)	13,943	2,380	20
Vehicles	66,628	4,635	72,292	30,110	1,968	27,470	44,822	20
		(338)			(328)			
		1,874			634			
		(1,400)			(995)			
		30,483			12,789			
		(24,819)			(15,429)			
		-			-			
Assets subject to finance lease								
Vehicles	1,727	1,972	1,972	1,439	320	32	1,940	20
		(1,727)			(1,727)			
2015	187,582	41,706	198,935	119,935	19,821	119,431	79,504	
		(30,353)			(20,325)			

* 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							
Honda City	700	700	-	140	140	Company policy	Mr. Tariq Hassan (Executive)
Toyota Corolla	1,399	1,399	-	280	280	Company policy	Mr. Saeed Rana (Executive)
Honda Civic	1,694	1,694	-	339	339	Company policy	Mr. Kashif Khan (Former Executive)
Toyota Corolla	1,529	1,529	-	306	306	Company policy	Mr. Nafees Ahmed (Executive)
Honda Civic	1,529	1,529	-	306	306	Company policy	Mr. Saeed Ahmed Bhayat (Executive)
Toyota Corolla	1,529	1,529	-	306	306	Company policy	Mr. Jehangir Shah (Executive)
Toyota Corolla	1,399	1,399	-	280	280	Company policy	Mr. Tasadduq Aslam (Executive)
Toyota Corolla	1,399	1,399	-	280	280	Company policy	Mr. Azhar Ali Shahidi (Executive)
Toyota Corolla	1,005	1,005	-	1,065	1,065	Negotiations	M/s Car Planet
Suzuki Alto	637	637	-	560	560	Negotiations	M/s Car Planet
Toyota Corolla	1,828	579	1,249	1,735	486	Company policy	Mr. Mohammad Shoaib (Former Executive)
Honda Motorcycle	50	50	-	16	16	Negotiations	M/s Bismillah Autos Karachi
Honda Civic	2,120	247	1,873	1,765	(108)	Negotiations	M/s N.K. Motors, Shop # 11, Muslimabad, Karachi
Toyota Corolla	1,628	651	977	1,520	543	Company policy	Mr. Zia-ul-Hasan (Former Employee)
	18,446	14,347	4,099	8,898	4,799		
Apple IPAD	88	88	-	-	-	Board Approval	Mr. Mustafa Bin Ali Sulaiman (Former Non-Executive Director)
Furniture and fixture	100	25	75	75	-	Company policy	Syed Muhammad Farhan Jaffer (Former Executive)
Furniture and fixture	250	250	-	-	-	Company policy	Mr. Kashif M. Khan (Former Executive)
Furniture and fixture	150	150	-	-	-	Company policy	Mr. Mohammad Shoaib (Former Executive)
Furniture and fixture	100	7	93	93	-	Company policy	Mr. Zia-ul-Hasan (Former Executive)
Others	15,182	14,716	466	198	(268)		
	34,316	29,583	4,733	9,264	4,531		

11.2 Intangible assets

	Cost		Amortization			Net book value		Rate
	As at 1 January 2016	Addition during the year	As at 31 December 2016	As at 1 January 2016	During the year	As at 31 December 2016	As at 31 December 2016	
	(Rupees in '000)							
Software licenses	20,081	1,370	21,451	19,966	119	20,085	1,366	33.33
	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

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

	Note	2016	2015
		(Rupees in '000)	
Improvements		7,504	6,851
Office equipments		6,449	6,369
Computer equipments		15,880	12,675
Furniture and fixtures		9,428	8,440
Vehicles		167	2,494
Intangible assets		19,837	11,426
		<u>59,265</u>	<u>48,255</u>

12 DEFERRED TAX ASSETS

Deferred tax assets arising in respect of:

Provision for diminution in the value of investments		201,620	271,007
Assets subject to finance leases		38	10
Provision against other assets		-	-
Amortisation of premium on Federal Government Securities		9,128	7,281
Provision against non-performing advances		319,583	283,483
		<u>530,369</u>	<u>561,781</u>

Less: Deferred tax liabilities arising in respect of:

Accelerated tax depreciation allowances		1,274	204
Revaluation on investments classified as available-for-sale	21	(113,531)	(174,611)
Revaluation on investments classified as held-for-trading		1,066	720
Net investment in finance leases		(3,350)	(57,566)
Revaluation on Non-banking assets		(23,395)	-
Dividend receivable		(212)	-
		<u>(138,148)</u>	<u>(231,253)</u>
	12.1	<u>392,221</u>	<u>330,528</u>

12.1 Movement of deferred tax

	1 January 2015	Recognized in		31 December 2015	Recognized in		31 December 2016
		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	256,757	14,250	-	271,007	(69,387)	-	201,620
Assets subject to finance leases	70	(60)	-	10	28	-	38
Provision against other assets	-	-	-	-	-	-	-
Amortisation of premium on Federal Government securities	573	6,708	-	7,281	1,847	-	9,128
Provision against non-performing advances	312,870	(29,387)	-	283,483	36,100	-	319,583
	<u>570,270</u>	<u>(8,489)</u>	<u>-</u>	<u>561,781</u>	<u>(31,412)</u>	<u>-</u>	<u>530,369</u>

Less: deferred tax liabilities arising in respect of:

Accelerated tax depreciation allowances	(21)	225	-	204	1,070	-	1,274
Revaluation on investments classified as available-for-sale	(165,029)	-	(9,582)	(174,611)	-	61,080	(113,531)
Revaluation on investments classified as held-for-trading	(1,394)	2,114	-	720	346	-	1,066
Net Investment in finance leases	(76,399)	18,833	-	(57,566)	54,216	-	(3,350)
Revaluation on Non-banking assets					2,035	(25,430)	(23,395)
Dividend receivable	(2,312)	2,312	-	-	(212)	-	(212)
	<u>(245,155)</u>	<u>23,484</u>	<u>(9,582)</u>	<u>(231,253)</u>	<u>57,455</u>	<u>35,650</u>	<u>(138,148)</u>
	<u>325,115</u>	<u>14,995</u>	<u>(9,582)</u>	<u>330,528</u>	<u>26,043</u>	<u>35,650</u>	<u>392,221</u>

13 OTHER ASSETS	Note	2016 (Rupees in '000)	2015
Mark-up / return / interest receivable in local currency		306,311	429,515
Dividend income receivable		2,028	-
Mark-up / profit receivable on purchase of securities		28,123	107,734
Security deposits		4,382	4,237
Prepayments		14,295	13,077
Receivable against sale of investments		48,927	16,240
Taxation		128,986	39,933
Non-banking assets acquired in satisfaction of claims	13.1	411,180	32,096
Receivable from funds		9,098	4,617
Staff gratuity		54	
Others		152	4,489
		<u>953,536</u>	<u>651,938</u>
Less: Provision held against other assets	13.2	-	-
		<u>953,536</u>	<u>651,938</u>
13.1 Market value of non-banking assets acquired in satisfaction of claims.		<u>417,962</u>	<u>37,760</u>
13.2 Provision against other assets			
Opening balance		-	-
Charge for the year		-	-
Reversals		-	-
		-	-
Amount written off		-	-
Closing balance		-	-
14 BORROWINGS			
In Pakistan		25,150,898	14,479,440
Outside Pakistan		-	-
		<u>25,150,898</u>	<u>14,479,440</u>
14.1 Particulars of borrowings with respect to currencies			
In local currency		25,150,898	14,479,440
In foreign currency		-	-
		<u>25,150,898</u>	<u>14,479,440</u>
14.2 Particulars of borrowings			
Secured			
Borrowings from the State Bank of Pakistan:			
- Long term financing facility (LTFF)	14.3	1,229,176	226,709
- Financing facility for storage of agricultural produce (FFSAP)	14.3	6,687	10,031
Repurchase agreement borrowings	14.4	5,351,991	9,006,240
Long term borrowings	14.5	4,546,640	1,550,000
Short term running finance	14.6	480,389	187,460
Bai Muajjal	14.7	9,851,015	-
		<u>21,465,898</u>	<u>10,980,440</u>
Unsecured			
Placements	14.8	685,000	799,000
Murabaha financing	14.9	3,000,000	2,700,000
		<u>25,150,898</u>	<u>14,479,440</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 Company at the date of maturity of the finances by directly debiting the current account maintained by the Company with the SBP. The rate of return ranges from 2 to 10.10 (2015: 6.25 to 10.10) percent per annum. These are repayable within 10 years (2015: 7 years).
- 14.4** The rate of return on these repurchase agreement borrowings, maturing in January 2017 (2015: January 2016), ranges between 5.70 to 5.93 (2015: 6.20 to 6.45) percent per annum. Securities having cost of Rs 15,202.438 million (2015: Rs 8,479.620 million) have been pledged against these borrowings.
- 14.5** The rate of return on these long-term borrowings ranges from 6.32 to 6.56 (2015: 6.83 to 7.54) percent per annum. The above facilities are secured against advances receivable.
- 14.6** The rate of return on these short-term running finance facilities are three month KIBOR + 0.25% (2015: three month KIBOR + 0.25%). The above facilities are secured against loan and advances receivable.
- 14.7** The mark up rate on these Bai Muajjal secured against government securities, maturing in January 2017 to October 2017 (2015: nil) ranges between 5.65 to 5.87 (2015: nil) percent per annum.
- 14.8** The rates of return on these placements, maturing between January 2017 to February 2017 (2015: January 2016 to February 2016) ranges between 5.85 to 6.30 (2015: 6.10 to 7) percent per annum.
- 14.9** The mark up rate on these murabaha financing, maturing in January 2017 to June 2017 (2015: January 2016) ranges between 6.15 to 6.25 (2015: 6.25 to 6.35) percent per annum.

15 DEPOSITS AND OTHER ACCOUNTS

2016 2015
(Rupees in '000)

Certificates of investment - remunerative (in local currency)

Financial institutions

Others

252,700	985,726
5,090,275	3,024,134
5,342,975	4,009,860

15.1 Particular of deposits

In local currency

In foreign currency

5,342,975	4,009,860
-	-
5,342,975	4,009,860

- 15.2** The rate of return on deposits maturing between January 2017 to May 2018 (2015: January 2016 to May 2017) ranges between 6 to 12 (2015: 6.05 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. 28.54 million (2015: Rs. 5.36 million).
- 15.4** These include Certificate of Investments purchased by Pak Oman Microfinance Bank Limited (associate) of the Company amounting to Rs. 174.7 million (2015: Rs. 536 million).

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2016			2015		
	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	105	326	431	130	301
Later than one year but not later than five years	1,490	145	1,345	1,921	249	1,672
	1,921	250	1,671	2,352	379	1,973

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 (2015: 7.90) 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>	2016	2015
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		347,506	127,724
Accrued expenses		204,743	81,778
Staff gratuity	33.2	-	8,961
Security deposits against investment in finance leases	10.2.1.1	272,007	219,218
Payable against purchase of investments		-	11,566
Others		46,597	99,155
		870,853	548,402

18 SHARE CAPITAL

18.1 Authorized Capital

2016	2015		2016	2015
Number of shares			(Rupees in '000)	
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 - Fully paid in cash	6,150,000	6,150,000
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 (2015: 307,495,900) ordinary shares of the holding Company. While 4,100 (2015: 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

	2016	2015
	(Rupees in '000)	
Opening balance	10,119	10,959
Change during the year	(455)	(840)
Closing balance	9,664	10,119

21	SURPLUS ON REVALUATION OF ASSETS		2016	2015
	- net of deferred tax	<i>Note</i>	(Rupees in '000)	
21.1 Surplus on revaluation of available-for-sale securities				
Federal Government Securities				
	- Pakistan Investment Bonds (PIBs)		334,258	556,031
	- Ijara Sukuk		-	3,390
	- Treasury Bills (T-Bills)		(8,204)	5
			326,054	559,426
	Shares-listed		62,390	12,076
Term Finance Certificates				
	- Listed		12,134	(3,491)
	- Unlisted		1,249	4,414
			13,383	923
	Sukuk certificates		7,804	(2,931)
			409,631	569,494
	Deferred tax asset recognized	12	(113,531)	(174,611)
			296,100	394,883
	Associate's share of deficit on revaluation of available-for-sale securities		233	76
21.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims				
Revaluation of fixed assets / non-banking assets during the period / year				
			84,766	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period				
			(1,414)	-
			83,352	-
Less: Related deferred tax liability on:				
	- Revaluation of fixed assets / non-banking assets during the period / year		(25,430)	-
	- Incremental depreciation charged during the period / year		424	-
			(25,006)	-
			58,346	-
			354,679	394,959

21.2.1 Surplus on revaluation of non-banking asset arising on the property located in Lahore having a market value of Rs. 374.538 million on valuation report September 08, 2016 and property located in Karachi having a market value of Rs. 43.424 million on valuation report April 07, 2016. The factors taken include the nature, physical condition of building & civil structure, location, market feedback, the property buying and selling activity, buyers' purchasing power, prevailing market conditions, return on investment, adverse factors, threats and opportunities of real estate industry, etc.

22	CONTINGENCIES AND COMMITMENTS	Note	2016 (Rupees in '000)	2015
	Transaction related contingent liability			
	Pledge of shares on behalf of Japan Power Generation Limited	22.1	<u>70,726</u>	<u>70,726</u>
	Pledge of shares on behalf of Orient Power Company (Pvt.) Limited	22.2	<u>226,000</u>	<u>226,000</u>
	Commitments for:			
	- Sale of government securities		<u>219,782</u>	<u>-</u>
	Purchase of shares under put option		<u>-</u>	<u>10,385</u>
	Commitments for advances and net investment in finance leases		<u>3,393,784</u>	<u>1,412,393</u>
	Commitments for operating fixed assets		<u>-</u>	<u>5,000</u>
	Commitment for sale of non-banking assets		<u>46,000</u>	<u>-</u>

22.1 Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2015: 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 Rs. 500 million respectively. During year 2011 the management rights of the Fund were transferred to another asset management company.

In 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.

22.4 Workers' Welfare Fund

The Finance Act 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Khyber Peshawar High Court. The Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act 2008 are ultra-vires to the Constitution.

The Federal Board of Revenue has filed many Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice. Accordingly, the POAMCL has recognised provision for Sindh WWF for the current period amounting to Rs. 83,255.

23	MARK-UP / RETURN / INTEREST EARNED	2016	2015
		(Rupees in '000)	
	On loans and advances to		
	Customers	893,792	866,754
	Financial institutions	207,568	152,530
		<u>1,101,360</u>	<u>1,019,284</u>
	On investments in		
	Available-for-sale securities	826,516	831,580
	Held-for-trading securities	283,842	241,015
		1,110,358	1,072,595
	On securities purchased under resale agreements	35,126	126,943
	On deposit with financial institutions	47,825	23,779
	On placements	358	520
	On certificate of investments	-	9,196
		<u>2,295,027</u>	<u>2,252,317</u>
24	MARK-UP / RETURN / INTEREST EXPENSED		
	On secured borrowings		
	Securities sold under repurchase agreements	468,791	584,450
	Long-term borrowings	256,485	138,861
	Bai Muajjal	173,959	-
	Short-term borrowings	12,091	5,150
		<u>911,326</u>	<u>728,461</u>
	On unsecured borrowings and deposits		
	Placements	72,886	106,164
	Murabaha borrowing	118,484	54,354
	Certificate of investments	333,677	467,317
		525,047	627,835
		<u>1,436,373</u>	<u>1,356,296</u>
25	GAIN ON SALE OF SECURITIES		
	Federal Government Securities		
	- Market Treasury Bills (MTBs)	1,555	47,142
	- Pakistan Investment Bonds (PIBs)	460,783	392,432
		<u>462,338</u>	<u>439,574</u>
	Term Finance Certificates and sukuk certificates	(4,388)	(16,329)
	Mutual funds	-	-
	Shares / units		
	- Listed	113,723	183,445
	- Unlisted	-	-
		113,723	183,445
		<u>571,673</u>	<u>606,690</u>
26	OTHER INCOME		
	Net gain on sale of property and equipment	4,531	-
	Others	248	733
		<u>4,779</u>	<u>733</u>

27	ADMINISTRATIVE EXPENSES	2016	2015
	<i>Note</i>	(Rupees in '000)	
Salaries, allowances and employees' benefits		324,827	233,655
Contribution to defined contribution plan		17,899	14,942
Charge for defined benefit plan	33.8	16,283	14,250
Non-executive directors' fee / remuneration	35	18,854	19,028
Non-executive directors' fee of Subsidiaries		1,325	188
Chief executive's remuneration	35	71,129	75,971
Traveling and accommodation		9,449	12,306
Rent, rates and taxes		53,703	21,903
Utilities		4,839	4,741
Communication		8,958	7,848
Professional training		1,138	2,801
Advertisement and business promotion		1,858	1,668
Membership and subscriptions		6,770	14,991
Printing, stationery and periodicals		2,526	5,129
Depreciation	11.1 & 27.3	35,260	19,821
Amortization of intangible assets	11.2	119	190
Auditors' remuneration	27.1	2,682	3,242
Legal and professional charges		19,086	14,850
Repairs and maintenance		9,023	10,078
Transportation		10,106	10,288
Insurance		10,984	8,780
Finance charges on leased assets		146	805
Entertainment and canteen expenses		3,201	3,695
Donation	27.2	574	1,180
Shahriah advisor fee		300	600
Others		2,277	2,898
		<u>633,316</u>	<u>505,848</u>
27.1	Auditors' remuneration		
	Audit fee	534	508
	Half yearly review	185	177
	Auditors' remuneration of subsidiary company	681	333
	Special certifications and others	1,020	2,003
	Out of pocket expenses	262	221
		<u>2,682</u>	<u>3,242</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:		
	Developments in Literacy	300	-
	The Citizen Foundation	-	154
	Al-Mehrab Tibbi Imdad	105	140
	Burns Centre	105	140
	Patients' Aid Foundation of Jinnah Post Graduate Medical Centre	-	550
		<u>510</u>	<u>984</u>
27.3	This includes depreciation on non-banking assets Rs. 6.782 million.		
28	OTHER CHARGES		
	Fees, commission and others	78,537	34,768
	Loss on sale of fixed assets	-	1,242
	Transaction cost on issue of shares - subsidiary	7,520	6,012
	SBP penalties	-	100
		<u>86,057</u>	<u>42,122</u>
28.1	This includes provision for Sindh Worker's Welfare Fund amounting to Rs. 57.85 million.		

29	TAXATION	2016	2015
		<i>Note</i>	Rupees in '000
	For the year		
	- Current	353,373	358,482
	- Prior	3,206	23,716
	- Deferred	12.1 (26,043)	(14,995)
		<u>330,536</u>	<u>367,203</u>

29.1 Relationship between tax expense and accounting profit

Profit before taxation	<u>1,110,645</u>	<u>907,471</u>
Tax at the applicable rate of 31% (2015: 32%)	344,300	290,391
Tax effect due to change in tax rate	17,827	62,559
Tax effect of income taxed at different rate	(21,792)	(18,169)
Tax effect of capital loss / (gain) on listed shares and mutual funds	(21,984)	(20,229)
Tax effect of provision for diminution in the value of listed shares and mutual funds	3,949	13,470
Prior	3,206	23,718
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge	<u>5,030</u>	<u>15,463</u>
	<u>330,536</u>	<u>367,203</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 2016, the total unrecognised deferred tax asset is amounting to Rs. 61.877 million (31 December 2015: Rs. 63.485 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 for the tax years 2004, 2009, 2010, 2011, 2012, 2013, 2014 and 2015, wherein major issues raised by the authorities were related to applicability of Workers Welfare Fund (WWF), disallowance of allocation of common expenses and disallowance of losses claimed on early termination of leased assets. The Company's appeals are pending at various appellate forums. For the tax year 2005 and 2008, the Commissioner Inland Revenue (Appeals) [CIR(A)] has adjudicated that the proceeding initiated by the department under section 122(5A) for respective tax years were barred in time, thereby, the amended assessment order has been annulled. Thereafter, the department being aggravated by the CIR(A) decision, filed appeal before the Appellate Tribunal Inland Revenue for the respective tax years. Further, for the matter of WWF, Supreme Court (SC) in its recent decision has annulled the amendments made through Finance Act 2006 and 2008. However, Federal Board of Revenue (FBR) has now filed review petition in the SC against the SC decision in the matter of WWF. Management estimates that sufficient provisions have been made and no further provision is required.

Pak Oman Asset Management Company Limited

The tax charge for the current year represents minimum tax on gross management and investment advisory income under section 153(b), tax on dividend income under section 5 and tax on capital gain under the section 37 A of the Income Tax Ordinance, 2001 (the Ordinance). The income tax assessments of the Company have been finalised up to six months transitional tax year ended 31 December 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 additions amounted to the loss declared in the return filed by the Company. 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 Company has filed an appeal before the Commissioner Inland Revenue (Appeals) against the orders passed by the tax officer and the hearing on the case has been done. However, based on the opinion of the tax advisor, management is confident that the matter would be decided in favor of the POAMCL.

29.3 Taxation - prior

This includes Rs 38.746 million (2015: Rs 23.718 million) super tax at 3% on the taxable income for the tax year 2016 & tax year 2015 for rehabilitation of temporarily displaced persons imposed through Finance Act, 2016 & 2015 respectively. This also includes reversal of provision of tax amounting to Rs 35.54 million which is in excess of latest assessment orders passed by the Income Tax Authorities of the holding company.

30	EARNINGS PER SHARE	2016	2015
	Profit attributable to shareholders of the holding company	<i>Rupees in '000</i> <u>780,564</u>	<u>541,108</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>1.27</u>	<u>0.88</u>
	Diluted earnings per share	<i>Rupees</i> <u>1.27</u>	<u>0.88</u>

30.1 There were no convertible dilutive potential ordinary shares outstanding on 31 December 2015 and 2016.

31 CASH AND CASH EQUIVALENTS	<i>Note</i>	2016 (Rupees in '000)	2015
Cash and balances with treasury banks	6	88,909	93,746
Balances with other banks	7	1,684,442	1,736,674
Placements	8	-	-
		<u>1,773,351</u>	<u>1,830,420</u>

32 STAFF STRENGTH		2016 (Number)	2015
Permanent		81	77
Temporary / contractual		5	4
Group's own staff strength at end of the year		<u>86</u>	<u>81</u>
Outsource		<u>31</u>	<u>30</u>
Total staff strength		<u>117</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:

	2016 (Percent per annum)	2015
Discount rate	8.00	10.00
Expected rate of increase in salary levels	8.00	10.00
Expected rate of return on plan assets	8.00	10.00

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

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

33.2 Reconciliation of amount payable to defined benefit plan	<i>Note</i>	2016 (Rupees in '000)	2015
Present value of defined benefit obligation	33.3	118,450	111,643
Fair value of plan assets	33.5	(118,504)	(102,682)
	33.4	<u>(54)</u>	<u>8,961</u>

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

Present value of obligation as at January 1	111,643	93,349
Current service cost	16,728	14,690
Interest cost	10,254	9,730
Benefits paid	(18,210)	(13,721)
Actuarial loss on remeasurement of obligation	(1,965)	7,595
Present value of obligation as at 31 December	<u>118,450</u>	<u>111,643</u>

33.4 Movement in payable to defined benefit plan:	Note	2016 (Rupees in '000)	2015
Opening liability		8,961	4,817
Expense for the year	33.8	16,283	14,250
Other Comprehensive Income		1,529	7,343
Contributions to the fund		(26,827)	(17,449)
Closing liability		<u>(54)</u>	<u>8,961</u>

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

Fair value of plan assets as at 1 January		102,682	88,532
Expected return on plan assets		10,699	10,170
Contributions		26,827	17,449
Benefits paid		(18,210)	(13,721)
Actuarial gain on remeasurement of plan assets		(3,494)	252
Fair value of plan assets as at 31 December	33.7	<u>118,504</u>	<u>102,682</u>

33.6 Actual return on plan assets during the year was Rs. 7.205 million (2015: Rs. 10.422 million).

33.7 The plan assets are comprised as follows:

Note	2016 Rating	2015 Rating	2016 (Rupees in '000)		2015 (Rupees in '000)	
			%	%		
Market Treasury Bills	-	-	-	-	-	-
Pakistan Investment Bonds	Unrated	Unrated	15,502	13.08	39,086	38.07
Special Saving Certificates (SSCs)	Unrated	Unrated	61,127	51.58	60,239	58.67
Term Deposit receipts	Unrated	-	25,145	21.22		
Term Finance Certificates - WorldCall Telecom Limited	D	D	812	0.69	747	0.73
Certificate of Investments	33.7.1 Unrated	Unrated	13,969	11.79	2,223	2.16
Bank balance	Unrated	Unrated	1,949	1.64	387	0.37
			<u>118,504</u>	<u>100.00</u>	<u>102,682</u>	<u>100.00</u>

33.7.1 These include Certificate of Investment held with the holding company. These carry mark-up at rates ranging from 6.00 to 6.15 (2015: 6.35 to 6.50) percent per annum.

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

Note	2016 (Rupees in '000)	2015
Current service cost	16,728	14,690
Net Interest	(445)	(440)
Expected return on plan assets	-	-
Actuarial loss recognised	-	-
	<u>16,283</u>	<u>14,250</u>

33.9 Actuarial (losses) / gains

Net unrecognised actuarial (losses) / gains as at 1 January		-	-
Actuarial loss on remeasurement of obligation	33.9.1	1,965	(7,595)
Actuarial gain on remeasurement of plan assets	33.9.1	(3,494)	252
		<u>(1,529)</u>	<u>(7,343)</u>
Actuarial loss recognised in:			
- Other comprehensive income		1,529	7,343
- Profit and loss account		-	-
Net unrecognised actuarial (losses) / gains as at 31 December		<u>-</u>	<u>-</u>

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

	Actuarial loss / (gain) on remeasurement of			
	Obligation		Plan assets	
	2016	2015	2016	2015
	(Rupees in '000)		(Rupees in '000)	
Demographic assumptions	-	-	-	-
Financial loss	(1,091)	4,748	-	(2,278)
Experience adjustment	(874)	2,847	3,494	2,026
	(1,965)	7,595	3,494	(252)

33.10 Sensitivity analysis

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	%	(Rupees in '000)	
Discount rate	1	(10,788)	12,613
Salary growth rate	1	13,093	(11,381)

33.11 Maturity profile of defined benefit obligation

Benefit payments	2016	2015
Distribution of timing of benefit payments	(Rupees in '000)	
Years		
1	4,676	4,745
2	4,363	4,588
3	4,251	4,394
4	36,448	16,977
5	3,276	17,909
6 to 10	24,802	26,410
11 and above	241,592	357,832

33.12 The expected gratuity expense for the next year ending 31 December 2017 works out to Rs. 15.939 million.

33.13 The average duration of the benefit obligation at 31 December 2016 is 9.88 years (2015: 10.50 years).

34 DEFINED CONTRIBUTION PLAN

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

34.2	2016	2015
Contribution to the fund made during the year by the holding company	(Rupees in '000)	
Contribution from the holding company	16,550	14,375
Contribution from the employees of holding company	16,550	14,375
	33,100	28,750

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

Contribution from the subsidiary company	1,349	567
Contribution from the employees of subsidiary company	1,349	567
	2,698	1,134

35 **COMPENSATION OF DIRECTORS AND EXECUTIVES**

	Chief Executive		Non-Executive Directors		Executives	
	2016	2015	2016	2015	2016	2015
	----- (Rupees in '000) -----					
Fees / remuneration	-	-	18,854	19,028	-	-
Managerial remuneration	67,063	73,809	-	-	236,366	202,973
Charge for defined benefit plan	2,255	2,395	-	-	13,857	11,671
Contribution to defined contribution plan	2,658	2,085	-	-	14,080	12,448
Medical	730	763	-	-	-	1,197
Utilities	1,842	979	-	-	2,418	258
Membership fee	181	156	-	-	37	44
Others	1,313	264	-	-	4,149	638
	76,042	80,451	18,854	19,028	270,907	229,229
Number of persons	1	2	5	5	80	70

35.1 In 2015 includes Rs 30.998 million being compensation package in addition to the remuneration of Rs 40.704 million paid till 9 October 2015 to the then 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**

	2016		2015	
	Book value	Fair value	Book value	Fair value
	----- (Rupees in '000) -----			
Assets				
Cash and balances with treasury banks	88,909	88,909	93,746	93,746
Balances with other banks	1,684,442	1,684,442	1,736,674	1,736,674
Lendings to financial institutions	935,826	935,826	362,824	362,824
Investments - net	20,860,575	20,959,087	13,896,511	14,017,529
Advances - net	14,837,460	14,837,460	9,996,425	9,996,425
Other assets	399,021	399,021	566,832	566,832
	38,806,233	38,904,745	26,653,012	26,774,030
Liabilities				
Borrowings	25,150,898	25,150,898	14,479,440	14,479,440
Deposits and other accounts	5,342,975	5,342,975	4,009,860	4,009,860
Liabilities against assets subject to finance lease	1,671	1,671	1,973	1,973
Other liabilities	870,853	870,853	539,441	539,441
	31,366,397	31,366,397	19,030,714	19,030,714
	7,439,836	7,538,348	7,622,298	7,743,316

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 2016

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	3,437,225	12,860,852	-	-	-	16,298,077	-	16,298,077	-	16,298,077		
	Listed Term Finance Certificates	25,187	683,612	-	-	-	708,799	-	708,799	-	708,799		
	Unlisted Term Finance Certificates	-	678,322	-	-	-	678,322	-	678,322	-	678,322		
	Sukuk Certificates	-	970,626	-	-	-	970,626	-	970,626	-	970,626		
	Listed shares	40,291	660,104	-	-	-	700,395	700,395	-	-	700,395		
- Associates													
	Listed shares	-	-	-	-	-	-	98,512	-	-	98,512		
	Mutual funds	-	-	-	-	920,018	920,018	920,018	-	-	920,018		
Financial assets not measured at fair value													
	- Cash and bank balances with treasury banks	36.3.1	-	-	88,909	-	88,909	-	-	-	-		
	- Balances with other banks	36.3.1	-	-	1,684,442	-	1,684,442	-	-	-	-		
	- Lending to financial instruments	36.3.1	-	-	935,826	-	935,826	-	-	-	-		
	- Unlisted shares	36.3.1	-	226,000	-	-	226,000	-	-	-	-		
	- Associates - unlisted shares	36.3.1	-	-	-	358,338	358,338	-	-	-	-		
	- Advances	36.3.1	-	-	14,837,460	-	14,837,460	-	-	-	-		
	- Other assets	36.3.1	-	-	-	399,021	399,021	-	-	-	-		
			3,502,703	16,079,516	-	17,546,637	1,677,377	-	38,806,233	1,718,925	18,655,824	-	20,374,749
Financial liabilities not measured at fair value													
	- Borrowings from financial institutions	36.3.1	-	-	-	-	25,150,898	25,150,898	-	-	-	-	
	- Deposits and other accounts	36.3.1	-	-	-	-	5,342,975	5,342,975	-	-	-	-	
	- Liabilities against assets subject to finance lease	36.3.1	-	-	-	-	1,671	1,671	-	-	-	-	
	- Other liabilities	36.3.1	-	-	-	-	870,853	870,853	-	-	-	-	
			-	-	-	-	31,366,397	31,366,397	-	-	-	-	
			3,502,703	16,079,516	-	17,546,637	1,677,377	(31,366,397)	7,439,836	1,718,925	18,655,824	-	20,374,749

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											
	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	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 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 repriced 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) -----				
2016				
Total income	13,207	2,038,750	1,140,517	69,110
Total expenses	93,083	850,052	1,135,766	72,038
Net (loss) / income	<u>(79,876)</u>	<u>1,188,698</u>	<u>4,751</u>	<u>(2,928)</u>
Segment assets (Gross)	-	24,902,262	16,451,501	338,855
Segment non-performing advances	-	-	1,218,843	-
Investments provided for	-	921,482	-	-
Segment provision required *	-	778,034	1,065,278	-
Segment liabilities	-	18,438,620	12,906,537	21,240
Segment return on net assets (%)	-	20.91%	0.19%	-0.92%
Segment return on assets (ROA) (%)	-	4.93%	0.03%	-0.86%
Segment cost of funds (%)	-	4.75%	4.74%	-
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%	-

* 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 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	2016				2015			
	As at January 1, 2016	Given during the year	Repaid during the year	As at December 31, 2016	As at January 1, 2015	Given during the year	Repaid during the year	As at December 31, 2015
----- (Rupees in '000) -----								
Investments								
Associates	923,595	354,761	-	1,278,356	1,051,527	219,000	(346,932)	923,595
Other related parties	226,000	-	-	226,000	226,000	-	-	226,000
	<u>1,149,595</u>	<u>354,761</u>	<u>-</u>	<u>1,504,356</u>	<u>1,277,527</u>	<u>219,000</u>	<u>(346,932)</u>	<u>1,149,595</u>
Advances								
Associates	68,200	-	-	68,200	68,200	-	-	68,200
Key Management personnel	49,225	4,497	(17,682)	36,040	49,859	19,973	(20,607)	49,225
Other related parties	182,429	-	(31,896)	150,533	210,454	-	(28,025)	182,429
	<u>299,854</u>	<u>4,497</u>	<u>(49,578)</u>	<u>254,773</u>	<u>328,513</u>	<u>19,973</u>	<u>(48,632)</u>	<u>299,854</u>
Deposits								
Associates	535,926	896,437	(1,257,663)	174,700	732,747	592,926	(789,747)	535,926
Key Management personnel	2,149	12,906	(13,445)	1,610	4,988	19,198	(22,037)	2,149
Retirement benefit fund	5,358	159,879	(136,697)	28,540	-	36,555	(31,197)	5,358
	<u>543,433</u>	<u>1,069,222</u>	<u>(1,407,805)</u>	<u>204,850</u>	<u>737,735</u>	<u>648,679</u>	<u>(842,981)</u>	<u>543,433</u>
							2016	2015
							(Rupees in '000)	
Other receivable								
Gratuity fund							54	-
Other payable								
Gratuity fund							-	8,961
Management fee receivable from associates							9,098	4,618
Management fee received from associates							13,844	11,562
Mark-up income								
Key Management personnel							1,669	2,471
Other related parties							15,322	21,317
Dividend income								
Associates							30,966	73,231
Other related parties							45,200	33,900
Mark-up expense on deposits								
Associates							21,613	50,236
Key Management personnel							115	379
Retirement benefit fund							1,595	589
Expenses for the year								
Remuneration to key management personnel							192,787	173,773
Non-executive director's fee / remuneration							18,854	19,028
Charge for defined contribution plan							17,899	14,942
Charge for defined benefit plan							16,283	14,250
Other comprehensive income								
Retirement benefit fund							1,529	7,343
Outright sale of Government Securities								
Associates							5,493	10,840
Key Management personal							-	-
Retirement benefit fund							323,918	439,787
Outright purchase of Government Securities								
Retirement benefit fund							423,027	425,697
Capital gain on Government Securities								
Associates							550	93
Retirement benefit fund							1	81
Capital gain on shares & Mutual Funds								
Associates							67,582	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%.

Capital Structure

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 2016.

Scope of application

The Basel III Framework for capital adequacy is applicable to the Company both at the consolidated level (including subsidiaries) and also on standalone basis. Pak Oman Investment Company Limited is the only Company in the Group to which Basel III capital adequacy framework applies.

39.2 The Group's CAR as at 31 December 2016 was 28.15% 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 28.15% 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:

2016

2015

(Rupees in '000)

Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves	2016	2015
		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	984,427	843,304
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	984,139	713,763
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)	4,545	6,384
9	CET 1 before Regulatory Adjustments	8,123,111	7,713,451
10	Total regulatory adjustments applied to CET1 (Note 39.3.1)	1,062,309	544,589
11	Common Equity Tier 1	7,060,802	7,168,862
	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)	535,740	332,980
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)	7,060,802	7,168,862
	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)	61	
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	73	
27	Revaluation Reserves (net of taxes)	-	
28	of which: Revaluation reserves on fixed assets	-	
29	of which: Unrealized gains/losses on AFS	231,140	221,177
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)	383,507	277,079
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)	7,060,802	7,168,862
39	Total Risk Weighted Assets (RWA) {for details refer Note 39.6}	25,079,553	19,609,286
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	CET1 to total RWA	28.15%	36.56%
41	Tier-1 capital to total RWA	28.15%	36.56%
42	Total capital to total RWA	28.15%	36.56%
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%	6.0%
49	Tier 1 minimum ratio	7.5%	7.5%
50	Total capital minimum ratio	10.65%	10.25%

2016

2015

(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)	1,366		115	
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)	-			
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)	-			
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)				
15	Amount exceeding 15% threshold		1,432,647		1,358,314
16	of which: significant investments in the common stocks of financial entities				
17	of which: deferred tax assets arising from temporary differences		1,432,647		1,358,314
18	National specific regulatory adjustments applied to CET1 capital				
19	Investments in TFCs of other banks exceeding the prescribed limit	525,203	525,203	211,494	211,494
20	Any other deduction specified by SBP (mention details)	-			
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	535,740		332,980	
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	1,062,309		544,589	

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	383,507		277,079	
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	152,233		55,901	
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	535,740		332,980	

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	383,507		277,079	
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)	-			
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)	383,507		277,079	

2016

2015

(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		88,909	88,909
Balanced with other banks		1,684,442	1,684,442
Lending to financial institutions		935,826	935,826
Investments		20,860,575	20,860,575
Advances		14,837,460	14,837,460
Operating fixed assets		96,337	96,337
Deferred tax assets		392,221	392,221
Other assets		953,536	953,536
Total assets		39,849,306	39,849,306
Liabilities & Equity			
Bills payable		-	-
Borrowings		25,150,898	25,150,898
Deposits and other accounts		5,342,975	5,342,975
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		1,671	1,671
Deferred tax liabilities		-	-
Other liabilities		870,853	870,853
Total liabilities		31,366,397	31,366,397
Share capital/ Head office capital account		6,150,000	6,150,000
Reserves		984,427	984,427
Unappropriated/ Unremitted profit/ (losses)		984,139	984,139
Minority Interest		9,664	9,664
Surplus on revaluation of assets		354,679	354,679
Total liabilities & equity		39,849,306	39,849,306

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		88,909	88,909	
Balanced with other banks		1,684,442	1,684,442	
Lending to financial institutions		935,826	935,826	
Investments		20,860,575	20,860,575	
<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		14,837,460	14,837,460	
<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		96,337	96,337	
Deferred Tax Assets		530,369	530,369	
<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		953,536	953,536	
<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		39,987,454	39,987,454	
Liabilities & Equity				
Bills payable		-	-	
Borrowings		25,150,898	25,150,898	
Deposits and other accounts		5,342,975	5,342,975	
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		1,671	1,671	
Deferred tax liabilities		138,148	138,148	
<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		870,853	870,853	
Total liabilities		31,504,545	31,504,545	
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		984,427	984,427	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>		984,427	984,427	u
<i>of which: portion eligible for inclusion in Tier 2</i>				v
Unappropriated profit/ (losses)		984,139	984,139	w
Minority Interest		9,664	9,664	
<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		354,679	354,679	
<i>of which: Revaluation reserves on Fixed Assets</i>				aa
<i>of which: Unrealized Gains/Losses on AFS</i>		354,679	354,679	
<i>In case of Deficit on revaluation (deduction from CET1)</i>				ab
Total liabilities & Equity		39,987,454	39,987,454	

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	984,427 (u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-
6	Unappropriated/unremitting profits/ (losses)	984,139 (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)	1,366 (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	525,203
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	535,740
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	1,062,309
31	Common Equity Tier 1	7,056,257
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	383,507
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	152,233
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	535,740
46	Additional Tier 1 capital	-
47	Additional Tier 1 capital recognized for capital adequacy	-
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	7,056,257
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	231,140
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)	7,056,257

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>	
	2016	2015	2016	2015
<i>Credit Risk</i>				
On-Balance sheet				
<u>Portfolios subject to standardized approach</u> <u>(Simple or Comprehensive)</u>				
Public Sector entities	9,373	3,595	93,725	35,949
Banks	259,746	142,049	2,597,459	1,420,489
Corporate	1,115,753	816,769	11,157,531	8,167,690
Retail	1,079	1,253	10,789	12,534
Residential Mortgages	3,830	3,944	38,300	39,436
Past Due loans	14,521	25,755	145,212	257,546
Operating Fixed Assets	9,497	8,306	94,971	83,059
Other assets	193,409	147,826	1,934,089	1,478,258
Off-Balance sheet				
Non-market related	188,722	96,280	1,887,220	962,801
Equity Exposure Risk in the Banking Book	127,836	128,795	1,278,355	1,287,953
Total Credit Risk	1,923,766	1,374,572	19,237,651	13,745,715
<i>Market Risk</i>				
<u>Capital Requirement for portfolios subject to</u> <u>Standardized Approach</u>				
Interest rate risk	162,579	192,757	2,032,236	2,409,457
Equity position risk	112,063	115,879	1,400,787	1,448,488
Total Market Risk	274,642	308,636	3,433,023	3,857,945
<i>Operational Risk</i>				
<u>Capital Requirement for operational risks</u>	192,710	160,450	2,408,879	2,005,626
TOTAL	2,391,118	1,843,658	25,079,553	19,609,286

Capital Adequacy Ratios	2016		2015	
	Required	Actual	Required	Actual
CET1 to total RWA	10.00%	28.15%	10.00%	36.56%
Tier-1 capital to total RWA	10.00%	28.15%	10.00%	36.56%
Total capital to total RWA	10.00%	28.15%	10.00%	36.56%
Leverage Ratio	3.00%	16.12%	3.00%	24.83%

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
Securitized	x	x	x
Others (Specify)	x	x	x

Credit exposures subject to Standardised Approach

Exposures	Rating Category	2016			2015		
		Amount Outstanding	Deduction CRM*	Net amount	Amount Outstanding	Deduction CRM*	Net amount
----- (Rupees in '000) -----							
Corporate	0	-	-	-	-	-	-
	1	883,198	197,512	1,080,710	876,589	362,824	1,239,413
	2	4,015,721	-	4,015,721	3,754,116	(292,824)	3,461,292
	3-4	-	-	-	-	-	-
	5-6	87,325	-	87,325	92,723	-	92,723
	Unrated	7,543,343	(197,512)	7,345,831	1,451,898	(70,000)	1,381,898
		<u>12,529,587</u>	<u>-</u>	<u>12,529,587</u>	<u>6,175,326</u>	<u>-</u>	<u>6,175,326</u>
Banks	0	-	-	-	-	-	-
	1	1,971,930	738,314	2,710,244	2,116,951	-	2,116,951
	2-3	4,407,774	(296,955)	4,110,819	1,794,198	-	1,794,198
	4-5	441,359	(441,359)	-	100,000	-	100,000
	Unrated	-	-	-	-	-	-
		<u>6,821,063</u>	<u>-</u>	<u>6,821,063</u>	<u>4,011,149</u>	<u>-</u>	<u>4,011,149</u>

Sovereigns etc.

Unrated

*CRM= Credit Risk Mitigation

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

40.2 Segmental information

40.2.1 Segment by class of business

	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Financial institution	3,700,856	23.27	252,700	4.73	419,782	10.61
Textile	3,103,367	19.51	-	-	343,180	8.67
Transportation and communication	1,381,783	8.69	15,500	0.29	472,240	11.94
Power	1,033,241	6.50	-	-	396,726	10.03
Electronics	50,000	0.31	-	-	500,000	12.64
Food and beverage	1,205,270	7.58	-	-	115,600	2.92
Services	471,317	2.96	155,750	2.92	-	-
Engineering and allied products	288,842	1.82	-	-	48,050	1.21
Chemical and pharmaceuticals	665,978	4.19	100,000	1.87	44,740	1.13
Automobiles	67,986	0.43	-	-	-	-
Fuel and energy	639,552	4.02	-	-	-	-
Construction	809,916	5.09	-	-	350,000	8.85
Sugar	1,429,688	8.99	-	-	400,000	10.11
Paper and board /packaging	337,066	2.12	-	-	2,455	0.06
Healthcare	187,500	1.18	-	-	150,000	3.79
Individual	123,814	0.78	925,845	17.33	-	-
Others	406,562	2.56	3,893,180	72.87	713,519	18.04
	15,902,738	100.00	5,342,975	100.01	3,956,292	100.00

	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	-	-	-	-
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

40.2.2 Segment by sector

	2016					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	187,450	1.18	700,000	13.10	-	-
Private	15,715,288	98.82	4,642,975	86.90	3,956,292	100.00
	15,902,738	100.00	5,342,975	100.00	3,956,292	100.00

	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

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

	2016		2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	----- (Rupees in '000) -----			
Automobile	67,985	67,985	113,309	113,309
Textile	399,725	377,129	414,019	399,330
Chemical and pharmaceuticals	29,486	27,082	29,486	27,082
Construction	4,435	3,675	55,250	53,675
Engineering and allied products	68,073	68,073	68,073	68,073
Electronics	50,000	50,000	50,000	25,452
Fuel and energy	232,095	232,095	313,111	125,611
Food and beverages	252,878	125,000	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	40,805	40,805	48,386	9,526
	1,218,843	1,065,205	1,193,866	914,462

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

	2016		2015	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	----- (Rupees in '000) -----			
Public / Government	-	-	-	-
Private	1,218,843	1,065,205	1,193,866	914,462
	1,218,843	1,065,205	1,193,866	914,462

40.2.5 Geographical segment analysis

	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
	Pakistan	1,110,645	39,847,322	8,482,909
Middle East	-	1,984	-	-
	1,110,645	39,849,306	8,482,909	3,956,292

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.

Dealing activities of the Group include investment in government securities, term finance certificates, sukuks / bonds, shares and mutual funds, and money market transactions catering to the needs of its customers. All such activities are carried out within the prescribed limits. Stress testing is performed as per guidelines of SBP as well as Company's internal policy.

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	(3,076,523)	0.05%	1,538	0.08%	2,461
2	1 to 3 Months	5,039,882	0.20%	(10,080)	0.32%	(16,128)
3	3 to 6 Months	367,045	0.45%	(1,652)	0.72%	(2,643)
4	6 to 12 Months	(1,574,691)	0.90%	14,172	1.43%	22,518
5	1 to 2 Years	1,048,359	1.50%	(15,725)	2.77%	(29,040)
6	2 to 3 Years	606,885	2.50%	(15,172)	4.49%	(27,249)
7	3 to 4 Years	676,819	3.50%	(23,689)	6.14%	(41,557)
8	4 to 5 Years	1,466,745	4.50%	(66,004)	7.71%	(113,086)
9	5 to 7 Years	830,202	6.00%	(49,812)	10.15%	(84,266)
10	7 to 10 Years	116,382	8.50%	(9,892)	13.26%	(15,432)
11	Over 10 Years	29,468	12.50%	(3,684)	17.84%	(5,257)
		5,530,573		(180,000)		(309,679)

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	(3,076,523)	0.05%	1,538	0.08%	2,461
2	1 to 3 Months	5,039,882	0.20%	(10,080)	0.32%	(16,128)
3	3 to 6 Months	367,045	0.45%	(1,652)	0.72%	(2,643)
4	6 to 12 Months	(1,574,691)	0.90%	14,172	1.43%	22,518
5	1 to 2 Years	1,048,359	1.50%	(15,725)	2.77%	(29,040)
		1,804,072		(11,747)		(22,832)

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	39,848,902	31,366,397	-	8,482,505
United States Dollar	66	-	-	66
Omani Riyal	338	-	-	338
	<u>39,849,306</u>	<u>31,366,397</u>	<u>-</u>	<u>8,482,909</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 2016

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	88,909	-	-	-	-	-	-	-	-	-	-	88,909
Balances with other banks	7.12% 1,684,442	1,175,970	300,000	100,000	100,000	-	-	-	-	-	-	8,472
Lending to financial institutions	6.19% 935,826	935,826	-	-	-	-	-	-	-	-	-	-
Investments	7.07% 20,860,575	2,741,862	2,394,690	2,322,128	6,552,213	985,599	565,214	2,117,262	909,669	-	-	2,271,938
Advances	7.69% 14,837,460	2,783,919	6,111,932	4,254,931	264,231	101,686	209,584	341,974	727,959	29,468	-	11,776
Other assets	399,021	-	-	-	-	-	-	-	-	-	-	399,021
	38,806,233	7,637,577	8,806,622	6,677,059	6,916,444	1,087,285	774,798	2,459,236	1,637,628	29,468	-	2,780,116
Liabilities												
Borrowings from financial institutions	5.82% 25,150,898	9,458,193	2,859,723	5,134,765	6,491,984	32,596	167,531	315,062	691,044	-	-	-
Deposits and other accounts	6.28% 5,342,975	1,255,881	906,964	1,175,168	1,998,985	5,977	-	-	-	-	-	-
Liabilities against assets subject to finance leases	7.91% 1,671	26	53	81	166	353	382	610	-	-	-	-
Other liabilities	870,853	-	-	-	-	-	-	-	-	-	-	870,853
	31,366,397	10,714,100	3,766,740	6,310,014	8,491,135	38,926	167,913	315,672	691,044	-	-	870,853
On-balance sheet gap	7,439,836	(3,076,523)	5,039,882	367,045	(1,574,691)	1,048,359	606,885	2,143,564	946,584	29,468	-	1,909,263
Non-financial assets	1,043,073	-	-	-	-	-	-	-	-	-	-	-
Non-financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Assets	8,482,909	-	-	-	-	-	-	-	-	-	-	-
Total yield / profit risk sensitivity gap		(3,076,523)	5,039,882	367,045	(1,574,691)	1,048,359	606,885	2,143,564	946,584	29,468	-	-
Cumulative yield / profit risk sensitivity gap		(3,076,523)	1,963,359	2,330,404	755,713	1,804,072	2,410,957	4,554,521	5,501,105	5,530,573	-	-

Mismatch of interest rate sensitive assets and liabilities for the year ended December 31, 2015

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	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	-	-

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 2016

	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	88,909	88,909	-	-	-	-	-	-	-	-
Balances with other banks	1,684,442	1,184,442	300,000	100,000	100,000	-	-	-	-	-
Lending to financial institutions	935,826	935,826	-	-	-	-	-	-	-	-
Investments	20,860,575	1,883,001	1,967,483	1,857,737	6,737,186	1,884,156	936,723	3,915,303	1,678,986	-
Advances	14,837,460	173,496	1,249,189	1,186,563	1,728,360	3,356,794	2,942,610	2,954,087	1,216,893	29,468
Other assets	953,536	148,230	145,851	649,310	5,883	74	-	4,188	-	-
Operating fixed assets	96,337	3,281	6,561	19,454	13,957	23,016	20,239	4,212	5,617	-
Deferred tax assets	392,221	(48,022)	(22,800)	(42,601)	(210,774)	(98,215)	(30,474)	559,469	284,649	989
	39,849,306	4,369,163	3,646,284	3,770,463	8,374,612	5,165,825	3,869,098	7,437,259	3,186,145	30,457
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	25,150,898	8,958,193	1,401,390	3,262,751	7,458,277	1,798,516	1,016,785	563,942	691,044	-
Deposits and other accounts	5,342,975	1,255,881	906,964	1,175,168	1,998,985	5,977	-	-	-	-
Liabilities against assets subject to finance leases	1,671	26	53	81	166	353	382	610	-	-
Other liabilities	870,853	130,414	301,629	84,711	132,498	65,583	137,390	8,753	9,875	-
Deferred taxation	-	-	-	-	-	-	-	-	-	-
	31,366,397	10,344,514	2,610,036	4,522,711	9,589,926	1,870,429	1,154,557	573,305	700,919	-
Net assets	8,482,909	(5,975,351)	1,036,248	(752,248)	(1,215,314)	3,295,396	2,714,541	6,863,954	2,485,226	30,457
Share capital	6,150,000									
Reserves	984,427									
Unappropriated profit	984,139									
	8,118,566									
Surplus on revaluation of investment - net of tax	354,679									
Non controlling interest	9,664									
	8,482,909									

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										
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	-
	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									

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 2016

	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	88,909	88,909	-	-	-	-	-	-	-	-
Balances with other banks	1,684,442	1,184,442	300,000	100,000	100,000	-	-	-	-	-
Lending to financial institutions	935,826	935,826	-	-	-	-	-	-	-	-
Investments	20,860,575	1,883,001	1,967,483	1,857,737	6,737,186	1,884,156	936,723	3,915,303	1,678,986	-
Advances	14,837,460	173,496	1,249,189	1,186,563	1,728,360	3,356,794	2,942,610	2,954,087	1,216,893	29,468
Other assets	953,536	148,230	145,851	649,310	5,883	74	-	4,188	-	-
Operating fixed assets	96,337	3,281	6,561	19,454	13,957	23,016	20,239	4,212	5,617	-
Deferred tax assets	392,221	(48,022)	(22,800)	(42,601)	(210,774)	(98,215)	(30,474)	559,469	284,649	989
	39,849,306	4,369,163	3,646,284	3,770,463	8,374,612	5,165,825	3,869,098	7,437,259	3,186,145	30,457
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	25,150,898	8,958,193	1,401,390	3,262,751	7,458,277	1,798,516	1,016,785	563,942	691,044	-
Deposits and other accounts	5,342,975	1,255,881	906,964	1,175,168	1,998,985	5,977	-	-	-	-
Liabilities against assets subject to finance leases	1,671	26	53	81	166	353	382	610	-	-
Other liabilities	870,853	130,414	301,629	84,711	132,498	65,583	137,390	8,753	9,875	-
Deferred taxation	-	-	-	-	-	-	-	-	-	-
	31,366,397	10,344,514	2,610,036	4,522,711	9,589,926	1,870,429	1,154,557	573,305	700,919	-
Net assets	8,482,909	(5,975,351)	1,036,248	(752,248)	(1,215,314)	3,295,396	2,714,541	6,863,954	2,485,226	30,457
Share capital	6,150,000									
Reserves	984,427									
Unappropriated profit	984,139									
	8,118,566									
Surplus on revaluation of investment - net of tax	354,679									
Non controlling interest	9,664									
	8,482,909									

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										
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	-
	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									

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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, Pak Arab Fertilizers Limited, NRSP Microfinance Bank Limited and Al-Arabia Sugar Mills 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 02 March 2017 have:

- proposed 8% cash dividend amounting to Rs 492 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 02 March 2017 by the Board of Directors of the holding company.

Amr



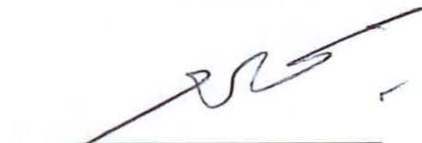
Chief Financial Officer



**Managing Director
and Chief Executive**



**Managing Director
and Chief Executive**



Chairman