



# ANNUAL REPORT 2017

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 pleasure to share with you the performance of Pak Oman Investment Company. The Company completed a difficult year being affected adversely by the political instability. Our result has shown that we are in the right markets, with the right strategy and have the right leadership in place to deliver consistent value to our shareholders.

- In a challenging environment active balance sheet expansion helped Company to arrest downward spread impact and managed to achieve net mark-up income of Rs 856 million (US\$ 7.8 million) in 2017 compared to net mark-up income of 2016 Rs 852 million (US\$ 7.7 million). In 2017, the Company achieved profit after tax of Rs 437 million (US\$ 4.0 million) compared to Rs 706 million of 2016 (US\$ 6.4 million). The lower profitability is mainly attributed to maturity of high yielding PIBs and bearish spell in the stock market.
- Advances portfolio witnessed an increase of 27% in 2017 over 2016, while, Company's total assets increased to Rs 65 billion (US\$ 585.7 million) from Rs 40 billion (US\$ 360.5 million) as at December 31, 2017, showing an increase of 62%.
- 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

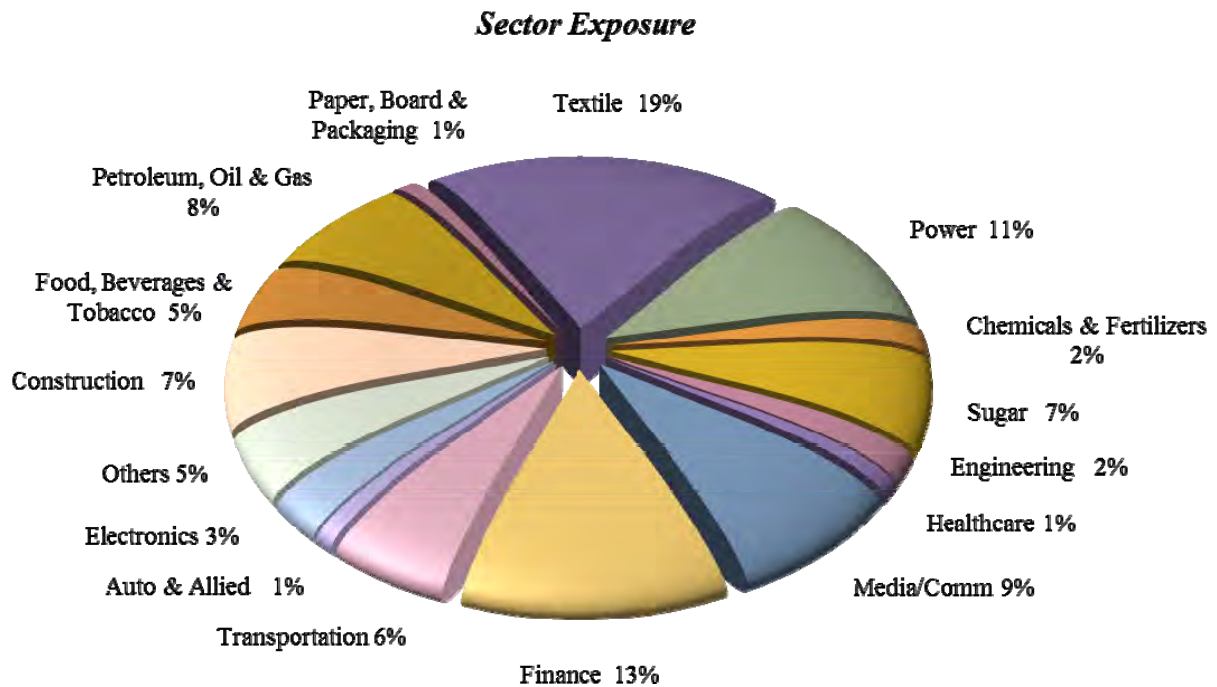
In 2017, Corporate Banking Department, by targeting growth industries and top existing customers to grow the portfolio, disbursed Rs 9,133 million compared to Rs 8,901 million in 2016, thereby maintaining its advances portfolio as largest amongst the DFIs. In addition, the SME unit also made disbursements of Rs 108 million during the year (2016: Rs 75 million).

Corporate Banking managed to maintain a well-diversified portfolio with Textile sector having the largest share in the total loan portfolio at 19%, followed by Finance, Power and Media & Communication sectors with exposures of 13%, 11% and 9% of the loan portfolio respectively.

In 2017, majority of the portfolio comprised of long term finance, 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 189.45 million during the year.

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



### **Investment Banking**

During 2017, Pak Oman acted as the sole Advisor & Arranger to the first ever issued tier II capital instrument of a microfinance bank in the form of Rated, Unsecured & Subordinated and Privately Placed TFC Issue for U Microfinance Bank Limited and also participated in the same. Besides this, Pak Oman participated in tier II capital in the form of Privately Placed TFC Issue of JS Bank Limited and The Bank of Punjab Limited. It also participated in the Commercial Paper Issue of Pak Elektron Limited. Pak Oman also underwrote right shares of The Bank of Punjab Limited.

In addition, Pak Oman is also acting as the Trustee to various TFC Issues including NRSP Microfinance Bank Limited, Pakistan Refinery Limited, Askari Bank Limited, Pak Arab Fertilizer Limited, Al Arabia Sugar Mills Limited and FINCA Microfinance Bank Limited.

## **Treasury**

State Bank of Pakistan keep the discount rate unchanged throughout the year at 6.25%. Treasury department efficiently and effectively managed liquidity management. Pak Oman took a proactive approach and reduced longer term portfolio (Pakistan Investment Bonds) and total duration of portfolio simultaneously exposure in shorter tenor Treasury Bills increased aligning Government Securities portfolio with expected interest scenario. The Company booked Capital Gains of Rs 291 million and net mark-up income of Rs 202 million earned during the year.

Corporate sales desk is actively participating in government and corporate debt securities trading with its corporate clients. The corporate sales team also provides investment advisory services to its clients.

Deposit mobilization from retail clients has increased reducing the dependence on fewer clients with large deposits, helped in bringing down the average cost of deposits.

State Bank of Pakistan renewed Primary Dealership of Pak Oman Investment Company for the year 2017-18, depicting confidence in the Company to develop Government Securities market.

## **Risk Management**

The Company's stringent and robust risk management policies and procedures are the cornerstone of prudent and effective risk management and has always been a significant success factor in steering the Company's growth and profitability. 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 CSR initiatives are as follows:

### **Patients' Aid Foundation of Jinnah Post Graduate Medical Centre**

Patients' Aid Foundation of Jinnah Post Graduate Medical Centre to date, has completed nine large-scale projects at Jinnah Hospital. It has installed CyberKnife- robotic radio surgery for the treatment of whole body cancerous tumours- which is now operational. This CyberKnife facility is the first ever medical centre in the world which offers "free of cost" treatment to the poor and needy patients. Further, Foundation has now launched another major project "The Jinnah Institute of Cancer and Research" costing Rs. 6 billion, to be the largest centre for awareness, prevention and cure for all kinds of cancer in the region. The institute will be operational by 2020.

### **Hisaar Foundation**

Hisaar Foundation is work for water, food and livelihood security. Foundation focuses on small urban spaces and rural areas; water and food security in desert areas and work through "Adopt a Village program".

### **The Health Foundation**

The Health Foundation (THF) is focusing on awareness, prevention, collaboration and treatment of Hepatitis. Currently, THF is running projects in Karachi, Sanghar, Thar, Ghotki and Lahore. To date more than 600,000 people sensitized regarding Hepatitis B & C protection and prevention through multiple awareness sessions; 400,000 persons fully immunized against Hepatitis B and Over 4,000 patients have been treated for Hepatitis B & C free of cost.

## **2018 and Beyond**

We remain cautious on the economic outlook, besides, 2018 is the election year. However, with a proven strategy. I believe we are well positioned to capitalize on growth opportunities in the coming year to the benefit our shareholders, employees and customers.

As mentioned in 2016, during the year the planned acquisition / amalgamation of Askari Investment Management Limited into/with Pak Oman Asset Management Company Limited (POAMCL) has been completed. This acquisition / amalgamation has increased POAMCL's AUM's from Rs 1.98 billion to Rs 6.17 billion and POAMCL has tangible existence across the country with proper retail offices in Lahore and Islamabad. In 2017 POAMCL has also

won an international accolade for investment performance for 'Pak Oman Advantage Islamic Income Fund; 'Thompson Reuters - Lipper Fund Award for the best performing Pakistan Rupee Bond Fund in one year in the Global Islamic Category for FY 2017. With this acquisition of Askari Investment Management Limited, we expect higher returns to the shareholders' going forward.

As reported last year, a new shareholder having international exposure in SME finance and microfinance sector has inducted into Pak Oman Microfinance Bank Limited. Post induction the new shareholder has 50.1% shareholding while your Company's shareholding is reduced to 16.67% from 33.4%. This will certainly improve the performance of Pak Oman Microfinance Bank Limited and improve the value of its investment.

### **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 08, 2018

## **DIRECTORS' REPORT**

On behalf of the Board of Directors, I am pleased to present the Sixteenth Annual Report and Financial Statements of your Company, along with the Consolidated Audited Financial Statements for the year ended December 31, 2017, together with Auditors' Report thereon.

### **Economy**

Pakistan's economy is showing growth on the back of improved security condition, power supply and availability of gas to industrial sector through imported LNG. Large-scale Manufacturing has shown healthy and broad based growth (7.2 percent growth in July-Nov 2017). In view of currency depreciation and recovery in global oil prices, inflation level is likely to increase in coming months. SBP has though raised the policy rate by 25 bps bringing it to 6% indicating an end of soft monetary policy, it is expected that progress on China Pakistan Economic Corridor related projects and improving energy supply at the back of LNG imports significantly boost private investments and growth in the coming years.

However, serious concerns are brewing on country's balance of payment position owing to slowing exports, tapering off home remittances and mounting external debt level. Further, the continuity of political uncertainty in the country is also influencing the economy. Correction of external account, addressing the struggling export sector, broadening of tax base, increasing FDI (except under CPEC), restructuring / privatization of State Owned Enterprises and divert funds to more productive developments will remain major challenges for 2018.

## **Financial Highlights**

<b>As at</b>			<b>As at</b>	
<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>		<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
<b>US \$ in million</b>			<b>Rs in million</b>	
585.7	360.5	Total Assets	64,670	39,806
170.2	134.4	Advances	18,788	14,835
364.4	188.7	Investments	40,241	20,831
7.8	7.7	Net mark-up income	856	852
4.0	6.4	Profit after taxation	437	706
0.0064	0.0104	Earning per Share (basic & diluted) of Rs 10/- each	0.71	1.15

## **Operational Review**

Growth of your Company's core business in the period under review remained strong. Banking industry witnessed stiff competition and shrinking of spreads in 2017 as large banks taking advantage of low funding cost followed aggressive approach. In this back ground, Pak Oman successfully grabbed available opportunities and able to build its loan portfolio over Rs. 19 billion ensuring a stable mark-up income stream for the future viz a viz managed to arrest downward spread impact through its growth strategy.

In 2017, active balance sheet expansion in view of the low interest environment helped Company to arrest downward spread impact and managed to achieve net mark-up income of Rs 856 million (US\$ 7.8 million) compared to net mark-up income of 2016 Rs 852 million (US\$ 7.7 million). In 2017, the Company earned non mark-up income of Rs 340 million (US\$ 3.1 million), thus making total revenue achieved from operations at the level of Rs 1,196 million (US\$ 10.8 million). The Company achieved profit before tax of Rs 745 million (US\$ 6.7 million), after accounting for administrative and other expenses of Rs 620 million (US\$ 5.6 million) and

reversal of provisions against bad debts/investments-net Rs 168 million (US\$ 1.5 million).The Company recorded Profit after tax of Rs 437 million (US\$ 4.0 million) which is lower compared to corresponding period amount of Rs 706 million (US\$ 6.4 million). The lower profitability is mainly attributed to maturity of high yielding PIBs and bearish spell in the stock market. The extension in super tax levy for another year caused additional tax liability of Rs 39 million (US\$ 0.4 million).

During 2017, Pak Oman Investment Company Limited continued to improve its well-diversified asset portfolio, comprising of loans and leases, corporate bonds and investment in government securities. Advances portfolio witnessed an increase of 27% in 2017 over 2016, while, Company’s total assets rose to Rs 65 billion (US\$ 585.7 million) from Rs 40 billion (US\$ 360.5 million) as at December 31, 2016, showing an increase of 62%.

### **Appropriations**

The Board has recommended following appropriations:

	<i>For the Year ended 2017</i>	
	<i>Rs million</i>	<i>US\$ million</i>
To Statutory Reserve	87.3	0.79
Cash Dividend @ Rs 0.70 per share	430.5	3.90

### **Change in Accounting Estimate**

During the year, the Company has changed its depreciation rate for leasehold improvements from 20% to 10% to reflect the pattern in which the asset’s future economic benefits are expected to be consumed. The effect of change in accounting estimate in accordance with IAS 8 - “Accounting Policies, Changes in Accounting Estimates and Errors” has been incorporated in the financial statements.

### **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 2017-2018.

### **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;

	2017	2016
Branches	19	16
Service Centre	14	14
Borrowers since inception	120,866	100,164
Borrowers for the year	20,702	17,119
Disbursement since inception	Rs 3,717,010,000	Rs 2,786,938,000
Disbursement for the year	Rs 930,072,000	Rs 702,178,000
Average loan size for the year	Rs 45,000	Rs 41,017
Outstanding Loans	Rs 688,126,566	Rs 428,478,754
Deposits	Rs 9,033,264	Rs 148,895,471
Profit Before Tax	Rs 43,743,657	Rs 14,769,836
Profit After Tax	Rs 29,561,612	Rs 6,485,684
Earnings per Share	Rs 0.171	Rs 0.063

As reported last year, a new shareholder having international exposure in SME finance and microfinance sector has inducted into Pak Oman Microfinance Bank Limited. Post induction the new shareholder has 50.1% shareholding while your Company's shareholding is reduced to 16.67% from 33.4%. This will certainly improve the performance of Pak Oman Microfinance Bank Limited and improve the value of its investment.

### **Pak Oman Asset Management Company**

During the year the planned acquisition / amalgamation of Askari Investment Management Limited into/with Pak Oman Asset Management Company Limited (POAMCL) has been completed. This acquisition / amalgamation has increased POAMCL's AUM's from Rs 1.98 billion to Rs 6.17 billion and POAMCL has tangible existence across the country with proper retail offices in Lahore and Islamabad. In 2017 POAMCL has also

won an international accolade for investment performance for ‘Pak Oman Advantage Islamic Income Fund; ‘Thompson Reuters – Lipper Fund Award for the best performing Pakistan Rupee Bond Fund in one year in the Global Islamic Category for FY 2017. With this acquisition of Askari Investment Management Limited, we expect higher returns to the shareholders’ going forward.

### **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 provides principles for identifying, assessing and monitoring risks within the Company. These principals are stringent but adaptable to keep up with the changing risk requirement by being innovative and proactive and helping in making improved and informed decision making 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 6	Meetings Held 6	Meetings Held 4	Meetings Held 1	Meetings Held 4
H.E. Yahya Bin Said Bin Abdullah Al-Jabri	6	6	*	1	*
Mr. M. Zubair Motiwala	6	6	3	1	4
Mr. Hamed Sloom Mubarak Al Athobi	6	*	4	1	4
Mr. Noor Ahmed	6	5	4	*	*
H.H. Juland Jaifar Salim Al Said	6	6	3	*	3
Mr. Bahauddin Khan	6	6	*	*	*

\*Not member.

Subsequent to December 2017, Government of Sultanate of Oman has nominated Mr. Haitham Yousuf Juma Al Zadjali Director of Development Loans & BSMP project Manager Ministry of Finance, as director of Pak Oman Investment Company Limited in place of Mr. Hamed Sloom Mubarak Al Athobi. The Company is in the process of completing regularity requirements to appointment of Mr. Haitham Yousuf Juma Al Zadjali.

### **Statement of Investments of Provident & Gratuity funds**

Investments of Provident & Gratuity funds as at December 31, 2017 according to their un-audited financial statements were Rs 190 million and Rs 153 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, 2018 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 08, 2018

## ڈائریکٹرز کی رپورٹ

میں بورڈ کے ڈائریکٹرز کی جانب سے کمپنی کی سولویں سالانہ رپورٹ معہ 31 دسمبر 2017 کو ختم ہونے والے مالی سال کے مالیاتی گوشوارے بمع کنسولیدیشن شدہ مالیاتی گوشوارے بمع محاسب کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔

### معیشت

امن وامان، توانائی کی فراہمی کی صورت حال اور درآمد شدہ LNG کے ذریعے سے صنعتی شعبے کو گیس کی فراہمی میں بہتری کے پس منظر میں پاکستان کی معیشت نمود کھارہی ہے۔ بڑی پیمانے کے صنعتی پیداواری شعبہ صحت مند اور وسیع بنیاد نمود کھا چکا ہے (جولائی-نومبر 2017 میں 7.2 فیصد نمو)۔ روپے کی قدر میں کمی اور عالمی تیل کی قیمتوں کی بحالی کے تناظر میں توقع ہے کہ آنے والے مہینوں میں افراط زر میں اضافہ ہوگا۔ اگرچہ SBP پالیسی نرخ میں 25 bps میں اضافے سے 6 فیصد پر لے آئی ہے جو نرم مالیاتی پالیسی کا اختتام ظاہر کر رہی ہے، یہ توقع کی جا رہی ہے کہ پاکستان چین اقتصادی راہداری سے منصوبوں میں اضافہ اور LNG کی درآمدات کے پس منظر میں توانائی کی بہتر ہوتی ہوئی صورت حال سے آنے والے سالوں میں نجی سرمایہ کاری اور ترقی میں اضافہ ہوگا۔

تاہم، گھٹتی ہوئی برآمدات، ملکی ترسیل زر میں بتدریج کمی اور بڑھتے ہوئے بیرونی قرضوں کی بڑھتی ہوئی سطح کی وجہ سے ملک کے ادائیگی کے توازن کی صورت حال بڑی تشویش پیدا کر رہا ہے۔ مزید یہ کہ ملک میں جاری غیر یقینی سیاسی صورت حال بھی معیشت کو متاثر کر رہی ہے۔ سال 2018 میں بیرونی کھاتوں کی درستی، برآمدات کے شعبے پر توجہ، محصولات کی بنیاد میں توسیع، FDI کا بڑھانا (ماسوائے CPEC کے تحت)، حکومتی ملکیت والے اداروں میں ڈھانچاتی تبدیلی/نچکاری اور فنڈز کا رخ زیادہ سود مند ترقی کی طرف موڑنا ایک بڑا چیلنج رہے گا۔

## مالیاتی جھلکیاں

31 دسمبر پر			31 دسمبر پر	
2016	2017		2016	2017
ملین پاکستانی روپے			ملین امریکی ڈالر	
39,806	64,670	کل اثاثہ جات	360.5	585.7
14,835	18,788	قرضہ جات	134.4	170.2
20,831	40,241	سرمایہ کاری	188.7	364.4
852	856	خالص مارک اپ آمدنی	7.7	7.8
706	437	منافع بعد از محصول	6.4	4.0
1.15	0.71	ہر 10 روپے کے حصص (بنیادی اور گھٹا ہوئے) پر آمدنی فی حصص	0.0104	0.0064

## آپریشن کا جائزہ

زیر غور مدت میں آپ کے کمپنی کے بنیادی کاروبار میں ترقی مستحکم رہی۔ بڑے بینکوں نے فنڈز کی کم لاگت کا فائدہ اٹھاتے ہوئے جارحانہ اطوار اپنایا جس کی وجہ سے 2017 میں بینکاری کی صنعت نے سخت مقابلہ اور اسپریڈ میں کمی دیکھی۔ اس پس منظر میں، پاک عملان نے نمو کی حکمت عملی سے گرتے ہوئے اسپریڈ کے اثرات پر قابو پایا اور ساتھ ساتھ کامیابی سے دستیاب مواقعوں سے فائدہ اٹھایا اور مستحکم مارک اپ کے بہاؤ کو یقینی بناتے ہوئے قرضہ جات کے پورٹ فولیو 19 ارب روپے تک پہنچایا۔

سال 2017 میں، کم سودی نرخ کے پس منظر میں متحرک بیلنس شیٹ نے کمپنی کے اسپریڈ میں گراوٹ کے اثرات کو قابو پانے میں معاونت کی جس کی وجہ سے 2016 کی خالص مارک اپ آمدنی 852 ملین روپے (7.7 ملین امریکی ڈالر) کے مقابلے میں 2017 میں خالص مارک اپ آمدنی 856 ملین روپے (7.8 ملین امریکی ڈالر) رہی۔ سال 2017 میں، کمپنی نے 340 ملین روپے (3.1 ملین امریکی ڈالر) کی غیر مارک اپ آمدنی حاصل کی اور اس طرح آپریشنز سے کل آمدنی (revenue) 1,196 ملین روپے (10.8 ملین امریکی ڈالر) کی سطح تک پہنچ گئی۔ کمپنی نے، 620 ملین روپے (5.6 ملین امریکی ڈالر) کے انتظامی اور دیگر اخراجات اور خالص 168 ملین روپے (1.5 ملین امریکی ڈالر) چھینے ہوئے قرضہ جات / سرمایہ کے لیے مختصات کی واپسی کے حساب کتاب (accounting) کے بعد 745 ملین روپے (6.7 ملین امریکی ڈالر) کا منافع قبل از محصول حاصل کیا۔ کمپنی نے 437 ملین روپے (4.0 ملین امریکی ڈالر) کے منافع بعد از محصول کا اندراج کیا جو گذشتہ سال اسی مدت کے 706 ملین روپے (6.4 ملین امریکی ڈالر) کے مقابلے میں کم ہے۔ کم منافع بخشی کی اصل وجہ زیادہ منافع دینے والی PIBs کی ادائیگی کی تکمیل اور حصص منڈی میں کمی کا رجحان ہیں۔ سپر ٹیکس لیوی (levy) میں ایک سال کی مزید توسیع کی وجہ سے 39 ملین روپے (0.4 ملین امریکی ڈالر) کی اضافی محصول کی مالی ذمہ داری بھی پڑ گئی۔

سال 2017 میں پاکستان عُمَلان 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 2016 کے مقابلے میں سال 2017 میں 27 فیصد اضافہ دیکھا گیا، جبکہ، سال 2016 میں کمپنی کے کل اثاثہ جات 40 بلین روپے (360.5 ملین امریکی ڈالر) سے بڑھ کر سال 2017 میں 65 بلین روپے (585.7 ملین امریکی ڈالر) ہو گئے جو 62 فیصد کا اضافہ دکھارہے ہیں۔

## مختص

بورڈ آف ڈائریکٹرز نے مندرجہ ذیل رقوم مختص کیں ہیں؛

برائے سال 2017		
ملین امریکی ڈالر	ملین پاکستانی روپے	
0.79	87.3	دستوری ذخائر کی مد میں
3.90	430.5	کیش ڈیویڈنڈ @ 0.70 روپیہ فی حصص

## حساب کتاب کے تخمینے (Accounting Estimates) میں تبدیلی

اس مدت کے دوران پٹہ (leasehold) پر اثاثہ جات کے حق استعمال کے شرح فرسودگی (depreciation) کو 20 فیصد سے 10 فیصد کر دیا ہے جو اثاثہ جات کے مستقبل کا معاشی فوائد کا رجحان ظاہر کرتا ہے۔ حساب کتاب کے تخمینے میں تبدیلی کے اثر کو IAS-8 "اکاؤنٹنگ پالیسیز، چینجز ان اکاؤنٹنگ ایسٹیمٹ اینڈ ایئر" کے مطابق مالیاتی گوشوارہ میں شامل کیا جا چکا ہے۔

### 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 ڈیلر شپ

حکومتی بانڈز کی پرائمری اور ثانوی مارکیٹ کی ترقی/ترویج میں پاک عملان کے کردار کو سراہتے ہوئے بینک دولت پاکستان نے پاک عملان کو سال 2017-2018 کے لیے دوبارہ بطور پرائمری ڈیلر منتخب کر چکا ہے۔

## پاک عُمان مائکروفنانس بینک

پاک عُمان مائکروفنانس بینک لمیٹڈ (پی او ایم ایف بی ایل) ایک ملکی سطح کا مائکروفنانس 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 مائکروفنانس بینک کی کارکردگی کے خاص نکات درج ذیل ہیں؛

2016	2017	
16	19	شاخیں
14	14	خدمات کے مرکز
100,164	120,866	آغاز سے قرض خواہ کی تعداد
17, 119	20,702	سال میں قرض خواہ کی تعداد
2,786,938,000 روپے	3,717,010,000 روپے	آغاز سے قرضوں کی فراہمی
702,178,000 روپے	930,072,000 روپے	سال میں قرضوں کی فراہمی
41,017 روپے	45,000 روپے	سال میں قرضوں کی اوسط حجم
428,478,754 روپے	688,126,566 روپے	کل قرضہ جات
148,895,471 روپے	9,033,264 روپے	ڈپازٹس
14,769,836 روپے	43,743,657 روپے	منافع قبل از محصول
6,485,684 روپے	29,561,612 روپے	منافع بعد از محصول
0.063 روپے	0.171 روپے	آمدنی فی حصص

جیسا کہ گذشتہ سال بیان کیا گیا تھا کہ SME فنانس اور مائیکرو فنانس کے شعبے کا بین الاقوامی پس منظر رکھنے والے ایک حصص کنندہ کو پاک عثمان مائیکرو فنانس میں شامل کیا گیا ہے۔ اس نئے حصص کنندہ کی شمولیت کے بعد اس کا حصہ 50.1 فیصد ہو گیا ہے جبکہ آپ کی کمپنی کا حصہ 33.4 فیصد سے کم ہو کر 16.67 فیصد رہ گیا ہے۔ یہ عمل پاک عثمان مائیکرو فنانس بینک لمیٹڈ کی کارکردگی یقینی طور پر بہتر کرے گی اور اس کے سرمایہ کی قدر میں بہتری لائے گی۔

### پاک عثمان ایٹ مینجمنٹ کمپنی لمیٹڈ

سال کے دوران پ پاک عثمان ایٹ مینجمنٹ کمپنی لمیٹڈ (POAMCL) میں عسکری انویسٹمنٹ مینجمنٹ لمیٹڈ کا طے شدہ حصول / انضمام مکمل ہو چکا ہے۔ اس حصول / انضمام سے POAMCL کا AUM 1.98 ارب روپے سے بڑھ کر 6.17 ارب روپے ہو گیا اور POAMCL کی ملک بھر میں موجودگی اور اسلام آباد اور لاہور میں باقاعدہ ریٹیل دفاتر ہو گئے ہیں۔ سال 2017 میں، پاک عثمان ایڈوائسنگ اسلامیک انکم فنڈ نے سال 2017 کا عالمی اسلامی کیٹیگری میں تھا مسن رائٹرز۔ لیپر فنڈ ایوارڈ برائے عمدہ ترین کارکردگی بھی حاصل کیا۔ عسکری انویسٹمنٹ مینجمنٹ لمیٹڈ کے حصول سے مستقبل میں ہم حصص کنندگان کو زیادہ آمدنی کی توقع کر رہے ہیں

### خطرے سے نپٹنے کا انتظامی ڈھانچہ

کاروباری خطرات کے آپریشنل اندازے / تخفیف سے نپٹنے کے انتظام کی ذمہ داری بورڈ کے ناظمین (Directors) سے انتظامیہ کے پاس آتی ہے۔ پاک عثمان کا خطرات سے نپٹنے کا انتظامی ڈھانچہ کمپنی میں خطرات شناخت، تخمینہ اور نگرانی کے لیے اصول فراہم کرتا ہے۔ یہ اصول، فعال، جدید، معاونت کرنے والے، سخت ہیں لیکن اپنائے جاسکتے ہیں تاکہ خطرات کی تبدیل ہوتی ہوئی ضروریات سے ہم آہنگ ہوا جاسکے اور کمپنی بھر کے آپریشن کے سلسلے میں معلومات کی بنیاد پر فیصلہ سازی کی جاسکے۔ کمپنی SBP کی BASEL اور خطرہ کے انتظام کے سلسلے میں اس کی ہدایات کی مکمل تعمیل 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 اکاؤنٹنگ کی مناسب حکمت عملی یکساں طور پر اپنائی گئی ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط پر کھ 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 کاڈیزائن پائیدار بنیادوں پر تیار کیا گیا ہے اور اس کا 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 ٹریگ سرٹیفیکیشن" مکمل کیا۔ ایک ڈائریکٹر کو اس سرٹیفیکیشن سے استثنیٰ مل گیا ہے دوسروں نے اور یہ منٹیشن 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 ڈائریکٹر کی حاضری

بورڈ کی				بورڈ آف ڈائریکٹرز	
ر سک کمیٹی	مشاہرہ اور معاوضہ کمیٹی	آڈٹ کمیٹی	ایگزیکٹیو کمیٹی		
4	1	4	6	6	منعقدہ اجلاس کی تعداد
*	1	*	6	6	ایچ۔ ای۔ یحییٰ بن سعید بن عبداللہ الجابری
4	1	3	6	6	جناب ایم زبیر موتی والا
4	1	4	*	6	جناب حمد سلوم مبارک العذوبی
*	*	4	5	6	جناب نور احمد
3	*	3	6	6	ایچ۔ ایچ۔ جلند جیفر سلم آل سعید
*	*	*	6	6	جناب بہاؤ الدین خان

\* رکن نہیں ہیں

دسمبر 2017 کے بعد، سلطنت عُمان کی حکومت نے وزارت مالیات کے ڈائریکٹر ڈیویلمپمنٹ، لون اور BSMP پروجیکٹ مینجر جناب ہیشتم یوسف جمعة الزدجالی کو پاک عُمان انویسٹمنٹ کمپنی لمیٹڈ میں جناب حمد سلوم مبارک العذوبی کی جگہ ڈائریکٹر نامزد کیا ہے۔ کمپنی جناب ہیشتم یوسف جمعة الزدجالی کے انتخاب کے سلسلے میں ضابطے کی کاروائیوں کی تکمیل میں مصروف ہے۔

## پراویڈینٹ اور گریجویٹ فنڈز کی سرمایہ کاری کا اسٹیٹمنٹ

31 دسمبر 2017 تک پراویڈینٹ اور گریجویٹ فنڈز کے غیر تصدیق شدہ گوشواروں کے مطابق سرمایہ کاری کی تفصیل بالترتیب 190

ملین اور 153 ملین پاکستانی روپے رہی۔

### محاسب

موجودہ محاسب میسرز کے پی ایم جی تاسیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹ، کمدت 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 2018 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%	وزارت مالیات،	حکومت پاکستان
0.01%	سیکریٹری، اقتصادی معاملات ڈیویژن	
49.99%	وزارت مالیات	حکومت سلطنت عمان
0.01%	وزارت تجارت و صنعت	

اعتراف

سرپرست

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

قانون ساز گراں ادارے

بورڈ اس موقع کو پر بینک دولت پاکستان کی مسلسل رہنمائی اور حمایت 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

بہاؤ الدین خان

میجنگ ڈائریکٹر اور چیف ایگزیکٹو

کراچی، 8 مارچ 2018

# Pak Oman Investment Company Limited

## Six Years Financial Summary

	Rupees in '000					
December 31	2017	2016	2015	2014	2013	2012
<b>STATEMENT OF FINANCIAL POSITION</b>						
<b>ASSETS</b>						
Cash and balances with treasury and other banks	2,182,200	1,759,805	1,680,681	369,085	284,645	260,159
Lendings to financial institutions	2,038,288	935,826	362,824	614,177	1,206,521	833,119
Investments	40,240,634	20,831,182	14,073,356	12,179,521	7,629,301	10,229,027
Advances	18,788,493	14,834,851	9,993,263	9,070,314	7,493,690	6,347,059
Operating fixed assets	81,901	85,263	82,316	68,669	51,086	58,725
Other assets	1,337,874	1,359,428	1,002,189	1,063,857	1,062,467	849,852
<b>Total assets</b>	<b>64,669,390</b>	<b>39,806,355</b>	<b>27,194,629</b>	<b>23,365,623</b>	<b>17,727,710</b>	<b>18,577,941</b>
<b>LIABILITIES</b>						
Borrowings	44,607,690	25,150,898	14,479,440	8,868,730	5,721,831	6,546,367
Deposits and other accounts	10,501,149	5,342,975	4,009,860	6,295,986	4,433,848	4,351,000
Other liabilities	1,437,194	851,284	540,243	488,736	371,186	519,504
<b>Total Liabilities</b>	<b>56,546,033</b>	<b>31,345,157</b>	<b>19,029,543</b>	<b>15,653,452</b>	<b>10,526,865</b>	<b>11,416,871</b>
<b>NET ASSETS</b>	<b>8,123,357</b>	<b>8,461,198</b>	<b>8,165,086</b>	<b>7,712,171</b>	<b>7,200,845</b>	<b>7,161,070</b>
<b>REPRESENTED BY</b>						
Share capital	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000
Reserves & Unappropriated profit	1,909,817	1,956,752	1,620,203	1,268,725	1,134,203	1,008,022
	<b>8,059,817</b>	<b>8,106,752</b>	<b>7,770,203</b>	<b>7,418,725</b>	<b>7,284,203</b>	<b>7,158,022</b>
Surplus / (deficit) on revaluation of assets - net of deferred tax	63,540	354,446	394,883	293,446	(83,358)	3,048
	<b>8,123,357</b>	<b>8,461,198</b>	<b>8,165,086</b>	<b>7,712,171</b>	<b>7,200,845</b>	<b>7,161,070</b>
<b>PROFITABILITY</b>						
Mark-up/Return/Interest earned	3,955,607	2,287,972	2,242,063	2,117,169	1,564,799	2,048,783
Mark-up/Return/Interest expensed	(3,099,597)	(1,436,373)	(1,356,296)	(1,360,752)	(892,690)	(1,304,300)
<b>Net mark-up/interest income</b>	<b>856,010</b>	<b>851,599</b>	<b>885,767</b>	<b>756,417</b>	<b>672,109</b>	<b>744,483</b>
Fee, commission and brokerage income	61,204	60,302	39,488	29,699	9,900	13,969
Capital gain & dividend income	277,563	762,621	750,484	371,072	270,560	331,868
Other income	1,670	4,750	-	1,903	1,039	1,978
<b>Total non markup/interest income</b>	<b>340,437</b>	<b>827,673</b>	<b>789,972</b>	<b>402,674</b>	<b>281,499</b>	<b>347,815</b>
<b>Gross Income</b>	<b>1,196,447</b>	<b>1,679,272</b>	<b>1,675,739</b>	<b>1,159,091</b>	<b>953,608</b>	<b>1,092,298</b>
Administrative expenses and other charges	(620,227)	(647,335)	(504,340)	(392,775)	(339,705)	(311,967)
<b>Profit before provisions</b>	<b>576,220</b>	<b>1,031,937</b>	<b>1,171,399</b>	<b>766,316</b>	<b>613,903</b>	<b>780,331</b>
Reversals / (Provisions)	168,313	(6,648)	(196,135)	(221,033)	(126,139)	(174,808)
<b>Profit before taxation</b>	<b>744,533</b>	<b>1,025,289</b>	<b>975,264</b>	<b>545,283</b>	<b>487,764</b>	<b>605,523</b>
Taxation	(307,865)	(319,675)	(372,793)	(161,690)	(112,224)	(177,169)
<b>Profit after taxation</b>	<b>436,668</b>	<b>705,614</b>	<b>602,471</b>	<b>383,593</b>	<b>375,540</b>	<b>428,354</b>
<b>CASH FLOW STATEMENT - SUMMARY</b>						
Cash flow from operating activities	288,193	4,624,456	3,080,661	4,768,958	(1,839,497)	2,533,492
Cash flow from investing activities	626,527	(4,176,030)	(1,549,550)	(4,684,421)	2,390,954	(2,324,966)
Cash flow from financing activities	(492,325)	(369,302)	(244,515)	(251,097)	(250,971)	(224,072)
Cash and cash equivalents at the beginning of the year	1,759,805	1,680,681	394,085	560,645	260,159	275,705
* Cash and cash equivalents at the end of the year	2,182,200	1,759,805	1,680,681	394,085	560,645	260,159
<b>Financial Ratios</b>						
Return on Equity	5.4%	8.9%	7.9%	5.2%	5.2%	6.1%
Return on Assets	0.8%	2.1%	2.4%	1.9%	2.1%	2.3%
Profit before tax ratio	62.2%	61.1%	58.2%	47.0%	51.1%	55.4%
Gross spread ratio	21.6%	37.2%	39.5%	35.7%	43.0%	36.3%
Total Assets to shareholders' fund	7.96	4.70	3.33	3.03	2.46	2.59
Weighted average cost of debt	5.87%	6.18%	7.54%	9.91%	9.38%	11.12%
Capital adequacy ratio (CAR)	21.45%	28.34%	35.62%	31.17%	36.60%	41.45%
<b>Share Information</b>						
Cash dividend per share	7%	8%	6%	4%	4%	4%
Basic and diluted earnings per share	0.71	1.15	0.98	0.62	0.61	0.70
Breakup value per shares - Without surplus on revaluation of assets	13.11	13.18	12.63	12.06	11.84	11.64
Breakup value per shares - With surplus on revaluation of assets	13.21	13.76	13.28	12.54	11.71	11.64

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



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

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

## **Auditor's Review Report to the Members on Statement of Compliance with the Code of Corporate Governance for the year ended 31 December 2017**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Pak Oman Investment Company Limited** (the Company) for the year ended 31 December 2017 to comply with the regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan.

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

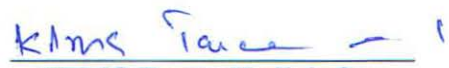
As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control 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 Code requires 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 of 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 best practices contained in the Code as applicable to the Company for the year ended 31 December 2017.

**Date: 08 March 2018**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

# Statement of Compliance with the best practices of Code of Corporate Governance

## For the Year Ended December 31, 2017

This statement is being presented to comply with the best practices contained in the Code of Corporate Governance (the Code) to comply with the regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan.

The Company has complied with best practices contained in the Code 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"><li>• Mr. Bahauddin Khan, MD &amp; CEO</li></ul>
Non-Executive Directors	<ul style="list-style-type: none"><li>• H.E. Yahya Bin Said Bin Abdullah Al-Jabri</li><li>• Mr. M. Zubair Motiwala</li><li>• H.H. Juland Jaifar Salim Al Said</li><li>• Mr. Hamed Sloom Mubarak Al Athobi</li><li>• Mr. Noor Ahmed</li></ul>

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

2. No casual vacancy occurred on the Board during the year ended December 31, 2017.
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 NBFBI or, being a member of a Stock Exchange has been declared as a defaulter by that Stock Exchange.
4. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
5. (a) The Company has prepared a "Statement of Ethics & Business Practices (“the Code of Conduct”) and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website ([www.pakoman.com](http://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. 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.
12. 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.
13. 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.

14. 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.
15. 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.
16. The Board has formed the following Board Sub- Committees:

<b>Committee</b>	<b>Name of Chairman / Members</b>
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

17. 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.
18. 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.
19. The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company.
20. A formal and transparent procedure for fixing the remuneration packages of Executive Director has been set in place.

21. The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer, before approval of the Board.
22. The Audit Committee has met at least once every quarter of the financial year ended December 31, 2017. 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.
23. 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.
24. 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.
25. The Company has complied with all the corporate and financial reporting requirements of applicable clauses of the Code
26. 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).
27. 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  
Karachi: March 08, 2018

**Bahauddin Khan**  
Managing Director & Chief Executive Officer

## **STATEMENT OF INTERNAL CONTROLS**

For the year ended December 31, 2017

### **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.

During the year State Bank of Pakistan has granted exemption, to the company from the requirement of Statutory Auditors' long from report on ICFR. Accordingly, w.e.f. year ended December 31, 2017, the Company will submit the Audit Committee's annual assessment report on the efficacy of the internal control over financial reporting as required under OSED circular number 01 dated February 07, 2014.

**Mohammad Jamal Nasir**  
Chief Financial Officer

**Sajjad Arif**  
Chief Compliance Officer

**S. Abdullah Jamal Ahmed**  
Chief Internal Auditor

Karachi: March 08, 2018



**KPMG Taseer Hadi & Co.**  
Chartered Accountants

**Pak Oman Investment Company  
Limited**

**Unconsolidated  
Financial Statements  
For the year ended  
31 December 2017**



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

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

### Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of **Pak Oman Investment Company Limited** ("the Company") as at 31 December 2017 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 repealed 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 international standards on auditing 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 repealed 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 repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;



- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the repealed 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 2017 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: 8 March 2018**


**Karachi**


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

**Pak Oman Investment Company Limited**  
**Unconsolidated Statement of Financial Position**  
*As at 31 December 2017*

2017 (US Dollar in '000)	2016		Note	2017 (Rupees in '000)	2016
<b>ASSETS</b>					
1,539	805	Cash and balances with treasury banks	6	169,886	88,884
18,225	15,133	Balances with other banks	7	2,012,314	1,670,921
18,460	8,475	Lendings to financial institutions	8	2,038,288	935,826
364,442	188,659	Investments - net	9	40,240,634	20,831,182
170,159	134,353	Advances - net	10	18,788,493	14,834,851
742	772	Operating fixed assets	11	81,901	85,263
5,054	3,980	Deferred tax assets - net	12	558,070	439,434
7,062	8,332	Other assets	13	779,804	919,994
<b>585,683</b>	<b>360,509</b>			<b>64,669,390</b>	<b>39,806,355</b>
<b>LIABILITIES</b>					
-	-	Bills payable		-	-
403,992	227,781	Borrowings	14	44,607,690	25,150,898
95,104	48,389	Deposits and other accounts	15	10,501,149	5,342,975
-	-	Sub-ordinated loans		-	-
12	15	Liabilities against assets subject to finance lease	16	1,346	1,671
-	-	Deferred tax liabilities		-	-
13,006	7,694	Other liabilities	17	1,435,848	849,613
<b>512,114</b>	<b>283,879</b>			<b>56,546,033</b>	<b>31,345,157</b>
<b>73,569</b>	<b>76,630</b>	<b>NET ASSETS</b>		<b>8,123,357</b>	<b>8,461,198</b>
<b>REPRESENTED BY</b>					
55,698	55,698	Share capital	18	6,150,000	6,150,000
9,706	8,916	Reserves	19	1,071,761	984,427
7,590	8,806	Unappropriated profit		838,056	972,325
<b>72,994</b>	<b>73,420</b>			<b>8,059,817</b>	<b>8,106,752</b>
575	3,210	Surplus on revaluation of assets - net of deferred tax	20	63,540	354,446
<b>73,569</b>	<b>76,630</b>			<b>8,123,357</b>	<b>8,461,198</b>
<b>CONTINGENCIES AND COMMITMENTS</b> 21					

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

*14/12/17*  
  
 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 2017

2017 (US Dollar in '000)	2016		Note	2017 (Rupees in '000)	2016
35,824	20,721	Mark-up / return / interest earned	22	3,955,607	2,287,972
28,072	13,009	Mark-up / return / interest expensed	23	3,099,597	1,436,373
7,752	7,712	<b>Net mark-up / interest income</b>		<b>856,010</b>	<b>851,599</b>
(1,688)	1,523	(Reversal) / provision against non-performing advances	10.5	(186,343)	168,179
163	(1,463)	Provision / (reversal) for diminution in the value of investments	9.3	18,030	(161,531)
-	-	Bad debts written off directly		-	-
(1,525)	60	<b>Net mark-up / interest income after provisions</b>		<b>(168,313)</b>	<b>6,648</b>
9,277	7,652			<b>1,024,323</b>	<b>844,951</b>
<b>NON MARK-UP / INTEREST INCOME</b>					
554	546	Fee, commission and brokerage income		61,204	60,302
855	1,098	Dividend income		94,429	121,236
-	-	Income from dealing in foreign currencies		-	-
1,645	5,785	Gain on sale of securities	24	181,622	638,804
14	23	Unrealised gain on revaluation of investments classified as held-for-trading		1,512	2,581
15	43	Other income	25	1,670	4,750
3,083	7,495	<b>Total non mark-up / interest income</b>		<b>340,437</b>	<b>827,673</b>
12,360	15,147			<b>1,364,760</b>	<b>1,672,624</b>
<b>NON MARK-UP / INTEREST EXPENSES</b>					
5,192	5,151	Administrative expenses	26	573,254	568,798
-	-	Other provisions / write offs	13.2	-	-
425	711	Other charges	27	46,973	78,537
5,617	5,862	<b>Total non mark-up / interest expenses</b>		<b>620,227</b>	<b>647,335</b>
6,743	9,285			<b>744,533</b>	<b>1,025,289</b>
-	-	Extra ordinary / unusual items		-	-
6,743	9,285	<b>PROFIT BEFORE TAXATION</b>		<b>744,533</b>	<b>1,025,289</b>
<b>Taxation</b>					
2,514	3,088	- current	28	277,563	340,939
352	29	- prior years		38,904	3,206
(78)	(222)	- deferred		(8,602)	(24,470)
2,788	2,895			<b>307,865</b>	<b>319,675</b>
3,955	6,390	<b>PROFIT AFTER TAXATION</b>		<b>436,668</b>	<b>705,614</b>
8,806	7,036	Unappropriated profit brought forward		972,325	776,899
12,761	13,426	Profit available for appropriation		<b>1,408,993</b>	<b>1,482,513</b>
<b>(US \$)</b>		<b>(Rupees)</b>			
0.0064	0.0104	Basic and diluted earnings per share	29	0.71	1.15

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

KML  
  
 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 2017*

2017 (US Dollar in '000)	2016		Note	2017 (Rupees in '000)	2016
3,955	6,390	<b>Profit after taxation</b>		436,668	705,614
		<b>Other comprehensive income for the year</b>			
-	-	Items that may be reclassified subsequently to profit and loss account		-	-
		Items that will not be reclassified subsequently to profit and loss account:			
70	(14)	Remeasurement of defined benefit obligation	32.9	7,758	(1,529)
(21)	4	Related tax impact		(2,327)	474
49	(10)			5,431	(1,055)
<u>4,004</u>	<u>6,380</u>	<b>Comprehensive income for the year transferred to equity</b>		<u>442,099</u>	<u>704,559</u>
		<b>Component of comprehensive income for the year not transferred to equity</b>			
(3,604)	(1,448)	Deficit on revaluation of 'available for sale' investments		(397,974)	(159,863)
997	553	Related tax impact		110,034	61,080
(2,607)	(895)			(287,940)	(98,783)
<u>1,397</u>	<u>5,485</u>	<b>Total comprehensive income</b>		<u>154,159</u>	<u>605,776</u>

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

Krmh



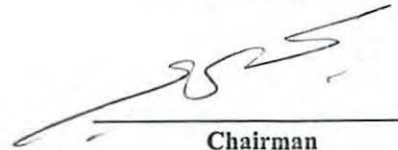
Chief Financial Officer



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 2017

2017 (US Dollar in '000)	2016		Note	2017 (Rupees in '000)	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
6,743	9,285	Profit before taxation		744,533	1,025,289
(855)	(1,098)	Less: Dividend income		(94,429)	(121,236)
<u>5,888</u>	<u>8,187</u>			<u>650,104</u>	<u>904,053</u>
<b>Adjustments:</b>					
435	308	Depreciation	26	48,047	33,970
5	1	Amortization of intangible assets	26	498	119
(14)	(23)	Unrealised (gain) / loss on revaluation of investments classified as held-for-trading		(1,512)	(2,581)
(15)	(43)	Gain on sale of property and equipment	27 & 25	(1,670)	(4,750)
(1,688)	1,523	(Reversal) / provision against non-performing advances	10.5	(186,343)	168,179
163	(1,463)	Provision / (reversal) for diminution in the value of investments	9.3	18,030	(161,531)
1	1	Finance charges on leased assets	26	106	130
-	-	Provision / (reversal) held against other assets		-	-
<u>(1,113)</u>	<u>304</u>			<u>(122,844)</u>	<u>33,536</u>
4,775	8,491			527,260	937,589
<b>(Increase) / decrease in operating assets</b>					
(9,985)	(5,189)	Lendings to financial institutions		(1,102,462)	(573,002)
(184,542)	(22,495)	Net investments in held-for-trading securities		(20,376,629)	(2,483,843)
(34,119)	(45,371)	Advances - net		(3,767,299)	(5,009,767)
82	(1,161)	Other assets (excluding taxation)		9,078	(128,232)
<u>(228,564)</u>	<u>(74,216)</u>			<u>(25,237,312)</u>	<u>(8,194,844)</u>
<b>Increase / (decrease) in operating liabilities</b>					
176,212	96,647	Borrowings		19,456,792	10,671,458
46,715	12,073	Deposits and other accounts		5,158,174	1,333,115
4,875	2,805	Other liabilities		538,266	309,814
<u>227,802</u>	<u>111,525</u>			<u>25,153,232</u>	<u>12,314,387</u>
4,013	45,800			443,180	5,057,132
(1)	(1.00)	Finance charges paid on leased assets		(106)	(130)
<u>(1,403)</u>	<u>(3,917)</u>	Income tax paid		<u>(154,881)</u>	<u>(432,546)</u>
2,609	41,882	Net cash from operating activities		288,193	4,624,456
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
5,005	(36,934)	Net investments in available-for-sale securities		552,685	(4,078,143)
-	(829)	Investments in associates		-	(91,591)
-	(906)	Investment in subsidiary		-	(100,000)
874	1,080	Dividend income received		96,457	119,208
(240)	(313)	Purchase of operating fixed assets		(26,543)	(34,589)
36	82	Sale proceeds on sale of property and equipments		3,928	9,085
<u>5,675</u>	<u>(37,820)</u>	Net cash from / (used) in investing activities		<u>626,527</u>	<u>(4,176,030)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
(3)	(3)	Payments of finance lease obligations		(325)	(302)
(4,456)	(3,342)	Dividend paid		(492,000)	(369,000)
<u>(4,459)</u>	<u>(3,345)</u>	Net cash used in financing activities		<u>(492,325)</u>	<u>(369,302)</u>
3,825	717	Increase in cash and cash equivalents		422,395	79,124
15,938	15,221	Cash and cash equivalents at beginning of the year		1,759,805	1,680,681
<u>19,763</u>	<u>15,938</u>	Cash and cash equivalents at end of the year	30	<u>2,182,200</u>	<u>1,759,805</u>

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

  
Chief Financial Officer

  
Managing Director  
and Chief Executive

  
Managing Director  
and Chief Executive

  
Chairman

**Pak Oman Investment Company Limited**  
**Unconsolidated Statement of Changes in Equity**  
*For the year ended 31 December 2017*

	Issued, subscribed and paid-up capital	(Reserves)		Unappropriated profit	Total
		Statutory reserve	General reserve		
(Rupees in '000)					
Balance as at 1 January 2016	6,150,000	831,674	11,630	776,899	7,770,203
<b>Total comprehensive income</b>					
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
<b>Transfers</b>					
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)	-
<b>Transaction with owners recognised directly in equity</b>					
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
<b>Total comprehensive income</b>					
Profit for the year ended 31 December 2017	-	-	-	436,668	436,668
Other comprehensive income - net of tax	-	-	-	5,431	5,431
Total comprehensive income for the year	-	-	-	442,099	442,099
<b>Transfers</b>					
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	2,966	2,966
Transfer to statutory reserve - 20% of the profit for the year	-	87,334	-	(87,334)	-
<b>Transaction with owners recognised directly in equity</b>					
Dividend for the year ended 31 December 2016 (Re. 0.8 per share)	-	-	-	(492,000)	(492,000)
Balance as at 31 December 2017	6,150,000	1,060,131	11,630	838,056	8,059,817

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

*Kamran*

*Vom. C. N. C. I.*  
 Chief Financial Officer

*[Signature]*  
 Managing Director  
 and Chief Executive

*[Signature]*  
 Managing Director  
 and Chief Executive

*[Signature]*  
 Chairman

**Pak-Oman Investment Company Limited**  
**Notes to the Unconsolidated Financial Statements**  
*For the year ended 31 December 2017*

**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 have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 04, dated 17 February 2006. Furthermore, SBP vide BPRD Circular No. 02 dated 25 January 2018 has notified a new format of financial statements effective from the accounting year ending 31 December 2018. The new format would result in additional disclosures and certain changes in the financial statements presentation.

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. 110.4172 to 1 US Dollar has been used for 2017 and 2016 as it was the prevalent rate as on 31 December 2017.

**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.

*kmh*

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.

During the year, the Company has changed its depreciation rate for leasehold improvements from 20% to 10% to reflect the pattern in which the asset's future economic benefits are expected to be consumed. The management has incorporated the effect of change in accounting estimate in accordance with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" in the financial statements. The effect of these changes on actual and expected depreciation expense are recognised in profit and loss account as follows:

	2017	2018	2019	2020	2021	Later
	(Rupees)					
Increase / (decrease) in depreciation expense	(2,268,040)	(2,628,324)	(2,467,922)	(1,979,859)	(1,722,421)	11,066,566

**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.

**g) Non- banking assets acquired in satisfaction of claims.**

Non banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued as per SBP's requirement by independent professionally qualified valuers taking into consideration assumptions and estimates.

**h) Provisions against off - balance sheet obligations**

The Company, in the ordinary course of business, issues guarantees. The commission against such contracts is recognised in the profit and loss account under "fees, commission and brokerage income". The Company's liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

**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 repealed Companies Ordinance, 1984 and the directives issued by the SBP. In case requirements differ, the provisions of and directives issued under the repealed Companies Ordinance, 1984 and directives issued by the SBP shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP under Circular No.23 dated 04 October 2017, these unconsolidated financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

*Kam*

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 principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented.

##### **5.1 Cash and cash equivalents**

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

##### **5.2 Revenue recognition**

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

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. In case of advances including finance lease and debt security investments classified under the Prudential Regulations, interest / mark-up is recognized on receipt basis. Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations of SBP.

Dividend income on equity investments and mutual funds is recognized when the 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, 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.

*14/11/08*

### **5.3 Investments**

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

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

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

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

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

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

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

### **5.4 Derivatives**

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

### **5.5 Advances and net investment in finance lease**

#### **5.5.1 Advances**

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

#### **5.5.2 Provision against non-performing advances**

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

*Kam*

### **5.5.3 Net investment in lease**

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

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

## **5.6 Operating fixed assets**

### **5.6.1 Property and equipment – owned**

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

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

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

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

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

### **5.6.2 Property and equipment - leased**

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

### **5.6.3 Capital work-in-progress**

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

### **5.6.4 Intangible assets**

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

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

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

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

## **5.7 Repurchase and resale agreements**

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

KMM

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

## **5.8 Taxation**

### **5.8.1 Current**

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

### **5.8.2 Deferred**

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

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

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

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

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

## **5.9 Borrowings**

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

## **5.10 Staff retirement benefits**

### **5.10.1 Defined benefit plan**

The Company operates a funded-gratuity scheme for all its permanent employees. The scheme was established on 1 November 2002 and approved by the Commissioner of Income Tax with effect from 31 January 2003. Contribution to the fund is made every year based on actuarial valuation. The actuarial valuation is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. All actuarial gains and losses are recognized in Other Comprehensive Income (OCI) in the periods in which they occur. The actuarial valuation was conducted as at 31 December 2017.

### **5.10.2 Defined contribution plan**

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

*Kann*

#### **5.11 Compensated absences**

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

#### **5.12 Foreign currencies translation**

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

#### **5.13 Provisions**

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

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

#### **5.14 Offsetting**

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

#### **5.15 Dividend and reserves**

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

#### **5.16 Impairment**

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

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

#### **5.17 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at 31 December 2017.

#### **5.18 Financial instruments**

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

ksm

## 5.19 Certificates of investment (COI)

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

## 5.20 Segment information

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

### Business segments

#### - Corporate finance

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

#### - Trading & sales

Involves the businesses of equity trading and fixed income securities.

#### - Commercial banking

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

## 5.21 Non-banking assets acquired in satisfaction of claims.

Non banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their carrying value. 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 cost and direct cost of acquiring title of property is charged to profit and loss account and not capitalised.

## 5.22 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 beginning on or after 01 January 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 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 recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [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 organization 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 financial statements.

Kenma

- 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 recognized. 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 recognized. 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 application of interpretation is not likely to have an impact on Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by SBP till further (as explained in note 3).
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2018 and are not likely to have an impact on Company's unconsolidated financial statements.

In addition, the Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 1 January 2018 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017.

KSM

<b>6.</b>	<b>CASH AND BALANCES WITH TREASURY BANKS</b>	<i>Note</i>	<b>2017</b>	<b>2016</b>
			(Rupees in '000)	
	Cash in hand:			
	local currency		320	84
	foreign currency		158	149
	Balances with State Bank of Pakistan in local currency - current account	6.1	<u>169,408</u>	<u>88,651</u>
			<u>169,886</u>	<u>88,884</u>

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

<b>7.</b>	<b>BALANCES WITH OTHER BANKS</b>	<i>Note</i>	<b>2017</b>	<b>2016</b>
			(Rupees in '000)	
	In Pakistan:			
	current accounts		6,346	8,217
	deposit accounts	7.1	<u>2,005,642</u>	<u>1,662,449</u>
			<u>2,011,988</u>	<u>1,670,666</u>
	Outside Pakistan:			
	current accounts		<u>326</u>	<u>255</u>
			<u>2,012,314</u>	<u>1,670,921</u>

7.1 These include term deposit receipts (TDRs) of Rs. 2,000 million (2016: Rs. 1,650 million) maturing between January 2018 to June 2018 (2016: January 2017 to December 2017). These carry mark-up rates ranging from 6.75 to 9 (2016: 6.40 to 8.50) percent per annum.

<b>8.</b>	<b>LENDINGS TO FINANCIAL INSTITUTIONS</b>	<i>Note</i>	<b>2017</b>	<b>2016</b>
			(Rupees in '000)	
	Repurchase agreement lendings	8.1	2,038,288	935,826
	Certificate of investments (COIs)		-	-
			<u>2,038,288</u>	<u>935,826</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 5.70 to 6.25 (2016: 6.15 to 6.25) percent per annum and will mature in January 2018 (2016: January 2017).

<b>8.2</b>	<b>Particulars of lendings</b>		<b>2017</b>	<b>2016</b>
			(Rupees in '000)	
	In local currency		2,038,288	935,826
	In foreign currency		-	-
			<u>2,038,288</u>	<u>935,826</u>

8.3 Securities held as collateral against lendings to financial institutions

		2017			2016		
		Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
		(Rupees in '000)					
	Market Treasury Bills	-	1,328,288	1,328,288	296,955	438,871	735,826
	Pakistan Investment Bonds	-	710,000	710,000	-	200,000	200,000
		8.3.1	<u>-</u>	<u>2,038,288</u>	<u>2,038,288</u>	<u>296,955</u>	<u>638,871</u>
				<u>2,038,288</u>	<u>296,955</u>	<u>638,871</u>	<u>935,826</u>

8.3.1 Market value of these securities amount to Rs. 2,099 million (2016: Rs. 941 million).

1/3/2018

9. INVESTMENTS

	Note	2017			2016		
		Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
(Rupees in '000)							
<b>9.1 Investments by types</b>	<b>9.5</b>						
<b>Held-for-trading securities</b>							
Pakistan Investment Bonds (PIBs)	9.4 & 9.5.1	1,266,154	149,771	1,415,925	602,866	1,036,725	1,639,591
Market Treasury Bills (T-Bills)	9.4 & 9.5.1	2,530,885	19,906,888	22,437,773	430,275	1,370,506	1,800,781
Listed ordinary shares	9.5.2.1	4,409	-	4,409	41,106	-	41,106
		<b>3,801,448</b>	<b>20,056,659</b>	<b>23,858,107</b>	<b>1,074,247</b>	<b>2,407,231</b>	<b>3,481,478</b>
<b>Available-for-sale securities</b>							
Pakistan Investment Bonds (PIBs)	9.4 & 9.5.1	59	1,081,861	1,081,920	183,630	2,423,324	2,606,954
Ijara Sukuks	9.4 & 9.5.1	-	-	-	-	-	-
Market Treasury Bills (T-Bills)	9.4 & 9.5.1	242,727	10,347,683	10,590,410	194,832	9,733,012	9,927,844
Listed ordinary shares	9.5.2.2	145,807	-	145,807	653,703	-	653,703
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	2,675,835	-	2,675,835	1,723,926	-	1,723,926
Sukuk certificates	9.5.6	866,086	-	866,086	1,146,159	-	1,146,159
Commercial papers	9.5.7	47,479	-	47,479	-	-	-
		<b>4,099,326</b>	<b>11,655,544</b>	<b>15,754,870</b>	<b>4,023,583</b>	<b>12,382,336</b>	<b>16,405,919</b>
<b>Associates</b>							
Japan Power Generation Limited	9.5.8	-	70,726	70,726	-	70,726	70,726
Pak Oman Microfinance Bank Limited		384,708	-	384,708	384,708	-	384,708
Pak Oman Advantage Islamic Income Fund		165,025	-	165,025	165,025	-	165,025
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
		<b>975,225</b>	<b>70,726</b>	<b>1,045,951</b>	<b>975,225</b>	<b>70,726</b>	<b>1,045,951</b>
<b>Subsidiary</b>							
Pak Oman Asset Management Company Limited	9.5.9	498,300	-	498,300	498,300	-	498,300
<b>Investments at cost</b>							
		<b>9,374,299</b>	<b>31,782,929</b>	<b>41,157,228</b>	<b>6,571,355</b>	<b>14,860,293</b>	<b>21,431,648</b>
Less: Provision for diminution in the value of investments	9.3	855,075	70,726	925,801	935,409	70,726	1,006,135
<b>Investments - net of provisions</b>							
		<b>8,519,224</b>	<b>31,712,203</b>	<b>40,231,427</b>	<b>5,635,946</b>	<b>14,789,567</b>	<b>20,425,513</b>
Deficit on revaluation of held-for-trading securities	9.6	(883)	(1,567)	(2,450)	(2,229)	(1,733)	(3,962)
Surplus / (deficit) on revaluation of available-for-sale securities	20	13,532	(1,875)	11,657	117,230	292,401	409,631
<b>Total investments</b>							
		<b>8,531,873</b>	<b>31,708,761</b>	<b>40,240,634</b>	<b>5,750,947</b>	<b>15,080,235</b>	<b>20,831,182</b>

kmL

## 9.2 Investments by segments

	Note	2017 (Rupees in '000)	2016
<b>Federal Government Securities</b>			
Pakistan Investment Bonds (PIBs)	9.4, 9.5 & 9.6	2,497,845	4,246,545
Ijara Sukuk	9.4, 9.5 & 9.6	-	-
Market Treasury Bills (MTBs)	9.4, 9.5 & 9.6	33,028,183	11,728,625
		<u>35,526,028</u>	<u>15,975,170</u>
<b>Fully paid up ordinary shares</b>			
Listed companies	9.5.2	150,216	694,809
Unlisted companies	9.5.3	347,333	347,333
		497,549	1,042,142
<b>Term finance certificates (TFCs)</b>			
Listed	9.5.4	1,244,127	909,398
Unlisted	9.5.5	1,431,708	814,528
		2,675,835	1,723,926
<b>Sukuk certificates</b>	9.5.6	866,086	1,146,159
<b>Commercial papers</b>	9.5.7	47,479	-
<b>Investment in associates</b>	9.5.8	1,045,951	1,045,951
<b>Investments in subsidiary</b>	9.5.9	498,300	498,300
<b>Total investments at cost</b>		<u>41,157,228</u>	<u>21,431,648</u>
Less: Provision for diminution in the value of investments	9.3	925,801	1,006,135
<b>Investments (net of provisions)</b>		<u>40,231,427</u>	<u>20,425,513</u>
Deficit on revaluation of held-for-trading securities	9.6	(2,450)	(3,962)
Surplus on revaluation of available-for-sale securities	20	11,657	409,631
<b>Total investments</b>		<u>40,240,634</u>	<u>20,831,182</u>

## 9.3 Particulars of provision for diminution in the value of investments

Opening balance		1,006,135	1,257,431
Charge for the year		113,486	79,820
Reversals for the year	9.3.1	(95,456)	(241,351)
		18,030	(161,531)
Transfer to capital gain due to disposal of relevant investments		(98,364)	(89,765)
Closing balance	9.3.2	<u>925,801</u>	<u>1,006,135</u>

9.3.1 In 2016 reversal of provision Rs. 228.5 million against property swap of Rs 301 million Pace Pakistan Ltd's TFCs.

15mm

**9.3.2 Particulars of provision in respect of types and segments**

**2017**                      **2016**  
**(Rupees in '000)**

**Available-for-sale securities**

**Shares**

- Listed

71,111

55,989

- Unlisted

121,333

121,333

**Term Finance Certificates**

- Listed

213,517

237,920

- Unlisted

130,694

179,455

Sukuk

161,045

183,337

697,700

778,034

**Associate**

70,726

70,726

**Subsidiary**

157,375

157,375

925,801

1,006,135

**9.4** The rates of return on PIBs maturing between March 2018 to July 2024 (2016: March 2018 to April 2026), range from 6 to 8.25 (2016: 6.12 to 13.20) percent per annum. The rate of return on market treasury bills maturing between January 2018 to April 2018 (2016: January 2017 to October 2017), range from 5.93 to 6.02 (2016: 5.81 to 6.22) percent per annum.

**9.4.1** PIBs and T-Bills having face value amounting to Rs. 626 million have been collateralized against a loan sanctioned to Pak Oman Asset Management Company Limited by Habib Bank Limited for the acquisition of Askari Investment Management Limited (AIML).

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

**9.5.1 Government Securities**

2017		2016	
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

347,842

Unrated

80,818

Unrated

5 years

74,917

Unrated

1,040,255

Unrated

3 years

992,319

Unrated

515,459

Unrated

1,415,078

1,636,532

**Market Treasury Bills (MTBs)**

3 months

10,856,114

Unrated

819,627

Unrated

6 months

11,580,047

Unrated

98,805

Unrated

12 months

-

882,261

Unrated

22,436,161

1,800,693

**9.5.1.2 Available-for-sale**

**Pakistan Investment Bonds (PIBs)**

20 years

-

23,621

Unrated

15 years

-

482,853

Unrated

10 years

579,759

Unrated

2,434,738

Unrated

5 years

-

-

3 years

503,013

Unrated

-

1,082,772

2,941,212

**Ijara Sukuk**

-

-

**Market Treasury Bills (MTBs)**

6 months

4,590,475

Unrated

-

12 months

5,997,129

Unrated

9,919,640

Unrated

10,587,604

9,919,640

35,521,615

16,298,077

*15/11/17*

9.5.2	Listed shares	Rating	No. of shares held		Cost		Market value	
			2017	2016	2017	2016	2017	2016
9.5.2.1	Held-for-trading				(Rupees in '000)			
	<b>Chemical</b>							
	Fauji Fertilizer Company Limited	Unrated	-	75,000	-	7,954	-	7,828
	<b>Power generation &amp; Distribution</b>							
	K- Electric Limited	AA/A1+	700,000	-	4,409	-	4,418	-
	<b>Cable &amp; Electrical Goods</b>							
	Pak Elektron Limited	A+/A1	-	35,000	-	2,493	-	2,495
	<b>Commercial Banks</b>							
	MCB Bank Limited	AAA / A1+	-	20,000	-	4,747	-	4,756
	<b>Refinery</b>							
	National Refinery Limited	AA+/A1+	-	10,000	-	5,865	-	5,711
	<b>Automobile Assembler</b>							
	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
					4,409	41,106	4,418	40,291
9.5.2.2	Available-for-sale							
	<b>Construction and materials (Cement)</b>							
	Fauji Cement Company Limited	AA/A1+	-	600,000	-	24,387	-	27,048
	Lucky Cement Limited	Unrated	-	40,000	-	28,487	-	34,650
	DG Khan Cement Company Limited	Unrated	-	95,000	-	18,842	-	21,064
	<b>Electricity</b>							
	HUB Power Company Limited	AA+ / A1+	-	200,000	-	24,510	-	24,696
	Kot Addu Power Company Limited	AA+/A1+	-	400,000	-	33,886	-	31,520
	Nishat Chumian Power Limited	Unrated	-	550,000	-	30,641	-	30,514
	Nishat Power Limited	A+ / A1	-	400,000	-	22,194	-	25,636
	<b>Chemical</b>							
	Agritech Limited ( Note 9.5.5.2)	Unrated	1,326,728	1,926,616	46,435	67,449	6,460	24,429
	Engro Corporation Limited	AA/ A1+	-	100,000	-	31,482	-	31,609
	<b>Commercial Banks</b>							
	Bank of Punjab Limited	AA/ A1+	8,281,077	-	99,372	-	68,236	-
	Habib Bank Limited	AAA/A1+	-	90,000	-	19,816	-	24,592
	Habib Metro Bank Limited	AA+/A1+	-	700,000	-	24,847	-	25,900
	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	-	39,346	-	48,974
	<b>Refinery / Oil &amp; Gas</b>							
	Attock Refinery Limited	AA/A1+	-	30,000	-	10,829	-	12,759
	Oil & Gas Development Company Limited	AAA/A1+	-	100,000	-	14,487	-	16,535
	Pakistan Oilfield Limited	Unrated	-	55,000	-	23,895	-	29,404
	Pakistan Petroleum Limited	Unrated	-	90,000	-	15,105	-	16,936
	Pakistan State Oil Company Limited	AA+ / A1+	-	70,000	-	28,807	-	30,395
	National Refinery Limited	AA/A1+	-	42,000	-	24,980	-	23,987
	Mari Petroleum Company Limited	Unrated	-	4,750	-	6,595	-	6,531
	<b>Paper and Board</b>							
	Cherat Packaging Limited	Unrated	-	5,000	-	1,756	-	1,690
	<b>Food &amp; Personal care products</b>							
	Engro Foods Limited	Unrated	-	55,000	-	8,917	-	10,557
	<b>Textile</b>							
	Nishat Mills Limited	AA/ A1+	-	159,500	-	23,645	-	24,287
	Nishat (Chumian) Limited	Unrated	-	250,000	-	13,600	-	15,607
	<b>Engineering</b>							
	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
	Amerli Steels Limited	Unrated	-	150,000	-	10,469	-	9,989
	Mughal Iron & Steel Industries	Unrated	-	120,000	-	11,824	-	10,579
	<b>Automobile Assembler</b>							
	Honda Atlas Cars (Pakistan) Limited	Unrated	-	15,000	-	8,824	-	10,030
	<b>Fertilizer</b>							
	Engro Fertilizer Company Limited	AA-/A1+	-	215,000	-	14,302	-	14,616
	<b>Pharmaceuticals</b>							
	The Searle Company Limited	Unrated	-	220	-	113	-	144
					145,807	653,703	74,696	660,104
					159,216	694,809	79,114	700,395

### 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
	2017	2016	2017	2016				
			(Rupees in '000)					
<b>Shareholding upto 10%</b>								
Alhamra Avenue (Private) Limited	5,000,000	5,000,000	50,000	50,000	3.12	9.21	30-June-2012***	Mr. Muhammad Iqbal
Pakistan Textile City Limited (Note 9.5.111)	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	6.96	31-Dec-2016**	Mr. Keween Qadre Khawaja / Mr. Salman Akhter (Co CEOs)
Oricon Power Company (Private) Limited (Note 21.2)	22,600,000	22,600,000	226,000	226,000	5.43	24.88	30-Jun-2017*	Mr. Nadeem Baber
			<u>347,333</u>	<u>347,333</u>				

\*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	
					2017	2016	2017	2016
							(Rupees in '000)	
<b>Commercial banks / DFIs</b>								
Bank Al-Falah Limited V	6 month Kibor + 1.25%	Half yearly	20-Feb-21	AA	29,500	29,500	149,854	151,166
Habib Bank Limited	6 month Kibor + 0.5%	Half yearly	19-Feb-26	AA+	1,000	-	99,056	-
MCB Bank Limited (Formerly NIB Bank Limited)	6 month Kibor + 1.15%	Half yearly	19-Jun-22	AAA	70,000	35,000	354,946	176,810
Summit Bank Limited	6 month Kibor + 3.25%	Half yearly	27-Oct-18	A - (SO)	10,000	10,000	50,263	50,358
Soochri Bank Limited	6 month Kibor + 1.35%	Half yearly	8-Jul-23	Unrated	76,700	60,000	383,576	305,278
<b>Technology and communication</b>								
WorldCall Telecom Limited	6 month Kibor + 1.6%	Half yearly	7-Oct-21	Unrated	108,623	108,623	-	-
<b>Personal goods</b>								
Arzard Nine Limited	6 month Kibor + 2.4%	Half yearly	20-Sep-17	Unrated	-	15,000	-	-
							<u>1,037,695</u>	<u>683,612</u>

9.5.4.2 The face value of each certificate held in listed TFCs is Rs. 5,000 except Habib Bank Limited Rs 100,000 (2016: 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	
					2017	2016	2017	2016
							(Rupees in '000)	
<b>Commercial banks</b>								
Askari Bank Limited	6 months Kibor + 1.20%	Half yearly	30-Sep-24	AA-	50,000	-	250,283	-
Faysal Bank Limited - PPFTC	6 month Kibor + 2.25%	Half yearly	27-Dec-17	AA-	-	30,000	-	75,456
Bank Al-Falah Limited - IV	6 month Kibor + 2.5%	Half yearly	2-Dec-17	AA-	-	33,000	-	110,866
Bank Al-Habib Limited	6 month Kibor + 0.75%	Half yearly	17-Mar-26	AA-	40,012	-	200,140	-
JS Bank Limited - PPFTC	6 months Kibor + 1.40%	Half yearly	14-Dec-23	A+	60,000	60,000	299,909	300,000
JS Bank Limited - PPFTC II	6 months Kibor + 1.40%	Half yearly	29-Dec-24	A+	40,000	-	200,000	-
The Bank of Punjab	6 months Kibor + 1%	Half yearly	23-Dec-26	AA-	2,500	1,500	249,650	150,000

10/1/2017

	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificates held		Market value		
					2017	2016	2017	2016	
					(Rupees in '000)				
<b>Chemical</b>									
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	-	-	
<b>Personal goods</b>									
Azgard Nine Limited - III	6 month Kibor + 2.25%	Half yearly	4-Dec-17	Unrated	-	2,000	-	-	
Azgard Nine Limited - IV	3 month Kibor + 1%	Quarterly	18-Nov-15	Unrated	-	5,000	-	-	
Azgard Nine Limited - V	Zero coupon	Half yearly	31-Mar-17	Unrated	-	5,687	-	-	
<b>Microfinance Banks</b>									
U Microfinance Bank Limited	6 month Kibor + 3.5%	Half yearly	29-Jun-24	BBB+	20,000	-	100,000	-	
<b>Leasing</b>									
Security Leasing Corporation Limited	-	-	29-Jan-22	Unrated	12,000	12,000	-	-	
							<b>1,399,982</b>	<b>636,322</b>	

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 issue 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.

9.5.5.3 The face value of each certificate held in unlisted TFCs is Rs. 5,000 (2016: Rs 5,000) except The Bank of Punjab Rs 100,000 (2016: Rs. 100,000) per certificate as at issue date.

#### 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		
					2017	2016	2017	2016	
					(Rupees in '000)				
<b>Personal Goods</b>									
Amtek Limited	3 month Kibor + 2%	Quarterly	12-Oct-12	Unrated	22,000	22,000	20,450	20,450	
<b>Leasing</b>									
Security Leasing Corporation Limited II	-	Monthly	19-Jan-22	Unrated	10,000	10,000	-	-	
<b>Energy</b>									
Liberty Power Tech (Private) Limited	3 month Kibor + 3%	Quarterly	18-Mar-21	A+	60,000	60,000	143,878	178,279	
K-Electric Limited	3 month Kibor + 2.25%	Quarterly	19-Mar-17	AA	-	8,000	-	40,347	
<b>Banks</b>									
Al- Baraka Bank (Pakistan) Limited	6 months Kibor + 1.25%	Half yearly	25-Sep-21	A	500	500	285,594	353,684	
<b>Oil &amp; Gas Marketing Companies</b>									
Haseol Petroleum Limited	3 months Kibor + 1.50%	Quarterly	6-Jan-22	AA	60,000	60,000	262,677	310,991	
<b>Miscellaneous</b>									
Al-Razi HealthCare (Private) Limited	6 month Kibor + 2.5%	Monthly	4-Feb-21	Unrated	-	30,000	-	66,875	
New Allied Electronic Industries (Private) Limited	3 month Kibor + 2.6%	Quarterly	25-Jul-12	Unrated	272,000	272,000	-	-	
							<b>712,599</b>	<b>970,626</b>	

9.5.6.2 The face value of each certificate held in unlisted Sukuks is Rs. 5,000 (2016: 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 (2016: Rs. 312.5) and Al-Baraka Bank (Pakistan) Limited having face value of Rs 1 million.

#### 9.5.7 Commercial papers

The rates of return on these Commercial papers maturing in September 2018 is 7.72% (2016: nil) per annum.

*Kamal*

9.5.8 Investment in associates

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

9.5.8.2	Quoted	2017	2016	2017	2016	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 9.5.8.3 and 21.1)	17,622,878	17,622,878	70,726	70,726	11.29%	(42.59)	30-June-17*	Mr. Amjad Awan
	Pak Oman Islamic Asset Allocation Fund	2,000,000	2,000,000	92,414	92,414	49.99%	53.51	31-Dec-17**	Mr. Adeel Ahmad Khan
	Pak Oman Advantage Asset Allocation Fund	2,000,000	2,000,000	84,078	84,078	81.28%	50.81	31-Dec-17**	Mr. Adeel Ahmad Khan
	Pak Oman Advantage Islamic Income Fund	3,269,170	3,269,170	165,025	165,025	53.99%	53.64	31-Dec-17**	Mr. Adeel Ahmad Khan
	Pak Oman Government Securities Fund	23,660,643	23,660,643	249,000	249,000	90.42%	10.88	31-Dec-17**	Mr. Adeel Ahmad Khan
	<b>Unquoted</b>								
	Pak Oman Microfinance Bank Limited (Note 9.5.11)	38,470,788	38,470,788	384,708	384,708	16.67%	10.01	31-Dec-17 *	Mr. Teizoon Kisat
				<u>1,045,951</u>	<u>1,045,951</u>				

\*\*Published Net Asset Value  
\* Audited financial statements

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

9.5.8.4 The above associates are incorporated in Pakistan.

9.5.8.5 Associates - Key Information

	Pak Oman Advantage Islamic Income Fund **	Pak Oman Islamic Asset Allocation Fund **	Pak Oman Advantage Asset Allocation Fund ** (Rupees in '000)	Pak Oman Government Securities Fund **	Japan Power Generation Limited ***	Pak Oman Microfinance Bank ***
Assets	328,180	218,312	130,183	287,729	11,856,868	2,391,691
Liabilities	3,401	4,238	5,160	3,060	17,673,828	80,903
Total income	25,845	19,671	(23,422)	19,797	192,970	290,540
Profit / (loss) before taxation	9,713	(73,491)	(38,078)	15,280	(169,783)	43,744
Profit / (loss) after taxation	9,713	(73,491)	(38,078)	15,280	(169,783)	29,562

\*\*Published Net Asset Value  
\*\*\* Unaudited financial statements

9.5.9 Investments in Subsidiary

9.5.9	Investments in Subsidiary	2017	2016	2017	2016	Percentage of holding	Break-up value per share / units (Rupees)	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	515,405,844	498,300	498,300	96.96%	0.503	31-Dec-17	Mr. Adeel Ahmad Khan

18/11/17

**9.5.10** 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.

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

<b>9.6 (Deficit) / surplus on revaluation of held-for-trading securities</b>	<i>Note</i>	<b>2017</b>	<b>2016</b>
		<b>(Rupees in '000)</b>	
Federal Government Securities			
- Market Treasury Bills		(1,612)	(88)
- Pakistan Investment Bonds		(847)	(3,059)
		<u>(2,459)</u>	<u>(3,147)</u>
Shares - listed		9	(815)
		<u>(2,450)</u>	<u>(3,962)</u>

## **10. ADVANCES**

### **In Pakistan**

Loans, cash credits, running finances, etc.		17,619,083	13,048,162
Net investment in finance leases	10.2	1,521,930	1,881,884
Margin trading		309,281	841,195
Advance against leases		97,503	7,683
Staff loans	10.3	115,956	121,205

Advances - Gross	10.1	<u>19,663,753</u>	<u>15,900,129</u>
------------------	------	-------------------	-------------------

Less: Provision for non-performing loans and advances - Specific		875,047	1,065,205
Provision for non-performing loans and advances - General		213	73
	10.5	<u>875,260</u>	<u>1,065,278</u>

Advances - net of provision		<u>18,788,493</u>	<u>14,834,851</u>
-----------------------------	--	-------------------	-------------------

### **10.1 Particulars of advances (Gross)**

10.1.1 In local currency	10.1.3	<u>19,663,753</u>	<u>15,900,129</u>
--------------------------	--------	-------------------	-------------------

10.1.2 In foreign currency		<u>-</u>	<u>-</u>
----------------------------	--	----------	----------

10.1.3 Short term (for upto one year)		5,808,784	5,184,551
Long term (for over one year)		13,854,969	10,715,578
		<u>19,663,753</u>	<u>15,900,129</u>

*km*

## 10.2 Net investment in finance lease

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

	2017			2016		
	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	740,694	593,839	1,334,533	928,720	822,021	1,750,741
Residual value	106,907	221,258	328,165	67,687	251,684	319,371
Minimum lease payments	847,601	815,097	1,662,698	996,407	1,073,705	2,070,112
Financial charges for future periods	(81,956)	(58,812)	(140,768)	(107,106)	(81,122)	(188,228)
Present value of minimum lease payments	765,645	756,285	1,521,930	889,301	992,583	1,881,884

10.2.1.1 In respect of the aforementioned finance leases the Company holds an aggregate sum of Rs. 291.874 million (2016: Rs. 272.007 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 7.63 to 16.11 (2016: 6.35 to 16.11) percent per annum. Maximum amount of lease outstanding as at 31 December 2017 amounts to Rs. 404 million (2016: Rs. 628 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 (2016: 5) percent per annum, while no mark-up is charged on personal loans.

### 10.4 Particulars of classification

10.4.1 Advances include Rs. 964.378 million (2016: Rs. 1,218.843 million) which have been placed under the non-performing status as detailed below:

	2017								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	209,246	-	209,246	130,938	-	130,938	130,938	-	130,938
Loss	755,132	-	755,132	744,109	-	744,109	744,109	-	744,109
	964,378	-	964,378	875,047	-	875,047	875,047	-	875,047

	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
	1,218,843	-	1,218,843	1,065,205	-	1,065,205	1,065,205	-	1,065,205

### 10.5 Particulars of provision against non-performing advances

	Note	2017			2016		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		1,065,205	73	1,065,278	914,462	-	914,462
Charge during the year		2,969	140	3,109	308,796	73	308,869
Reversal during the year		(189,452)	-	(189,452)	(140,690)	-	(140,690)
Net charge		(186,483)	140	(186,343)	168,106	73	168,179
Less: Amounts written off during the year	10.6	(3,675)	-	(3,675)	(17,363)	-	(17,363)
Closing balance		875,047	213	875,260	1,065,205	73	1,065,278

### 10.5.1 Particulars of provisions against non-performing advances

	2017			2016		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	875,047	213	875,260	1,065,205	73	1,065,278
In foreign currencies	-	-	-	-	-	-
	875,047	213	875,260	1,065,205	73	1,065,278

10.5.1

10.6	Particulars of write offs	2017	2016
		(Rupees in '000)	
	Against provisions	3,675	17,363
	Directly charged to profit and loss account	-	-
		<u>3,675</u>	<u>17,363</u>
10.6.1	Write offs of Rs. 500,000 and above	3,675	17,363
	Write offs of below Rs 500,000	-	-
		<u>3,675</u>	<u>17,363</u>

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 2017.

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	Three Star Hosiery Mills (Pvt) Limited	Mr. Muhammad Rasheed	36302-0479679-5	Muhammad Amin	6,752	13,162	-	19,914	-	13,162	-	13,162		
	10 - A, Industrial estate, Multan	Mrs. Tanweer Rasheed	36302-3805509-9	Muhammad Rasheed										
		Mr. Saad Rasheed	36302-0319483-5	Muhammad Rasheed										
2	Masad Construction Company	Syed Fakher-e-Alam	42301-0843125-7	Syed Dilaram Shah	4,435	640	14,528	19,603	3,675	640	15,550	19,845		
	Suit No. 09, Plot No. CMCS, Scheme 33, Ali Town, Sohrab Goth, Karachi	Mr. Aurrangzaib	61101-7624502-5	Izzat Qul										
				<b>11,187</b>				<b>13,802</b>	<b>14,528</b>	<b>39,517</b>	<b>3,675</b>	<b>13,802</b>	<b>15,550</b>	<b>33,027</b>

10.7	Particulars of loans and advances to directors, associated companies etc.	Note	2017	2016
			(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		121,205	126,223
	Loans granted during the year		15,610	38,996
	Repayments		(20,859)	(44,014)
	Balance at end of the year		<u>115,956</u>	<u>121,205</u>
	Debts due by subsidiary company, controlled firms and other related parties			
	Balance at beginning of the year		218,734	250,630
	Loans granted during the year		-	-
	Repayments		(36,302)	(31,896)
	Balance at end of the year		<u>182,432</u>	<u>218,734</u>
		10.7.1	<u>298,388</u>	<u>339,939</u>

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 2017.

10.8 Maximum total amount of advances including temporary advances granted during the year amounts to Rs. 331 million (2016: Rs. 383 million). The maximum amount has been calculated by reference to month end balance.

11.	OPERATING FIXED ASSETS	Note	2017	2016
			(Rupees in '000)	
	Property and equipments	11.1	80,994	83,897
	Intangible assets	11.2	907	1,366
	Advance for capital expenditure		-	-
			<u>81,901</u>	<u>85,263</u>

KAMK

11.1 Property and equipments

	Cost			Depreciation			Net book value as at 31 December 2017	Rate %
	As at 1 January 2017	Additions / (deletions) / (Adjustments) during the year	As at 31 December 2017	As at 1 January 2017	During the year / (on disposals) / (Adjustments)	As at 31 December 2017		
(Rupees in '000)								
<b>Owned</b>								
Office premises*	42,126	-	42,126	25,975	2,106	28,081	14,045	5
Improvements	18,677	16,826 (4,848)	30,655	10,894	1,774 (4,848)	7,820	22,835	10
Office equipments	11,503	848 (1,044)	11,307	8,520	1,455 (1,003)	8,972	2,335	20
Computer equipments	22,815	805 (7,244)	16,376	19,668	2,163 (7,244)	14,587	1,789	33.33
Furniture and fixtures	13,908	3,788 (6,042)	11,654	10,879	1,392 (5,624)	6,647	5,007	20
Vehicles	80,460	4,237 (7,009)	77,688	31,201	17,864 (5,210)	43,855	33,833	20
<b>Assets subject to finance lease</b>								
Vehicles	1,972	-	1,972	427	395	822	1,150	20
<b>2017</b>	<b>191,461</b>	<b>26,504 (26,187)</b>	<b>191,778</b>	<b>107,564</b>	<b>27,149 (23,929)</b>	<b>110,784</b>	<b>80,994</b>	

	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)								
<b>Owned</b>								
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
<b>Assets subject to finance lease</b>								
Vehicles	1,972	-	1,972	32	395	427	1,545	20
<b>2016</b>	<b>174,142</b>	<b>36,774 (19,455)</b>	<b>191,461</b>	<b>95,496</b>	<b>27,188 (15,120)</b>	<b>107,564</b>	<b>83,897</b>	

\* The transfer of title of office premises to the Company's name is in process and has not been transferred.

KMM

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
<b>Vehicles</b>							
Honda Civic	1,054	632	422	533	111	Company policy	Ms. Hina Mir (Executive)
Toyota Corolla	1,478	1,478	-	296	296	Company policy	Mr. Kazi Khurram Abassi (Executive)
Toyota Corolla	970	970	-	194	194	Company policy	Mr. Noor Muhammad Saheto (Executive)
Toyota Corolla	1,478	1,478	-	296	296	Company policy	Mr. Mohammad Azeem Dada (Executive)
Honda Civic	1,979	602	1,377	1,950	573	Company policy	Mr. Wajahat Aziz (Former Executive)
	6,959	5,160	1,799	3,269	1,470		
<b>Furniture and fixture</b>							
Furniture and fixture	150	34	116	116	-	Company policy	Ms. Nazia Enam Siddiqui (Former Executive)
Furniture and fixture	250	25	225	225	-	Company policy	Mr. Wajahat Aziz (Former Executive)
Furniture and fixture	100	23	77	77	-	Company policy	Mr. Noman Ahmed Mufli (Former Executive)
Others	18,728	18,687	41	241	200		
	26,187	23,929	2,258	3,928	1,670		

11.2 Intangible assets

	Cost		Amortization			Net book value		Rate
	As at 1 January 2017	Addition/ (Deletions)/ (Adjustments) during the year	As at 31 December 2017	As at 1 January 2017	During the year/ (Adjustments)	As at 31 December 2017	As at 31 December 2017	
(Rupees in '000)								
Software licences	13,040	39 (2,723)	10,356	11,674	498 (2,723)	9,449	907	33.33
(Rupees in '000)								
	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

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

	2017	2016
	(Rupees in '000)	
Improvements	2,656	7,504
Office equipments	5,695	6,449
Computer equipments	10,237	15,880
Furniture and fixtures	4,545	9,428
Vehicles	2,693	167
Intangible assets	8,947	11,426
	34,773	50,854

*gmm*

12. DEFERRED TAX ASSETS

Note 2017 2016  
(Rupees in '000)

Deferred tax assets arising in respect of:

Provision for diminution in the value of investments	235,190	248,833
Assets subject to finance leases	59	38
Amortisation of premium on Federal Government Securities	3,722	9,128
Provision against non-performing advances	262,578	319,583
	501,549	577,582

Less: Deferred tax liabilities arising in respect of:

Accelerated tax depreciation allowances	(12)	1,274
Revaluation on investments classified as available-for-sale	(3,497)	(113,531)
Revaluation on investments classified as held-for-trading	737	1,066
Net investment in finance leases	76,419	(3,350)
Revaluation on Non-banking assets	(17,126)	(23,395)
Dividend receivable	-	(212)
	56,521	(138,148)
	12.1	558,070
		439,434

12.1 Movement of deferred tax

1 January 2016	Recognized in		31 December 2016	Recognized in		31 December 2017
	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	319,793	(70,960)	-	248,833	(13,643)	-	235,190
Assets subject to finance leases	10	28	-	38	21	-	59
Amortisation of premium on Federal Government Securities	7,281	1,847	-	9,128	(5,406)	-	3,722
Provision against non-performing advances	283,483	36,100	-	319,583	(57,005)	-	262,578
	610,567	(32,985)	-	577,582	(76,033)	-	501,549

Less: deferred tax liabilities  
arising in respect of:

Accelerated tax depreciation allowances	204	1,070	-	1,274	(1,286)	-	(12)
Revaluation on investments classified as available-for-sale	(174,611)	-	61,080	(113,531)	-	110,034	(3,497)
Revaluation on investments classified as held-for-trading	720	346	-	1,066	(329)	-	737
Net Investment in finance leases	(57,566)	54,216	-	(3,350)	79,769	-	76,419
Revaluation on Non-banking assets	-	2,035	(25,430)	(23,395)	6,269	-	(17,126)
Dividend receivable	-	(212)	-	(212)	212	-	-
	(231,253)	57,455	35,650	(138,148)	84,635	110,034	56,521
	379,314	24,470	35,650	439,434	8,602	110,034	558,070

KMM

13. OTHER ASSETS	Note	2017 (Rupees in '000)	2016
Mark-up / return / interest receivable in local currency		307,733	305,640
Dividend income receivable		-	2,028
Mark-up / profit receivable on purchase of securities		54,396	28,123
Security deposits		4,288	4,188
Prepayments		12,048	11,516
Receivable against sale of investments		3,726	48,927
Taxation		-	108,186
Non-banking assets acquired in satisfaction of claims	13.1	390,282	411,180
Staff Gratuity	32.2	7,309	54
Others		22	152
		<u>779,804</u>	<u>919,994</u>
Less: Provision held against other assets	13.2	-	-
		<u>779,804</u>	<u>919,994</u>
<b>13.1 Market value of non-banking assets acquired in satisfaction of claims</b>		<u>443,104</u>	<u>417,962</u>
<b>13.2 Provision against other assets</b>			
Opening balance		-	-
Charge for the year		-	-
Reversals		-	-
		-	-
Amount written off		-	-
Closing balance		-	-
		<u>-</u>	<u>-</u>
<b>14. BORROWINGS</b>			
In Pakistan		44,607,690	25,150,898
Outside Pakistan		-	-
		<u>44,607,690</u>	<u>25,150,898</u>
<b>14.1 Particulars of borrowings with respect to currencies</b>			
In local currency		44,607,690	25,150,898
In foreign currencies		-	-
		<u>44,607,690</u>	<u>25,150,898</u>
<b>14.2 Particulars of borrowings</b>			
<b>Secured</b>			
Borrowings from the State Bank of Pakistan:			
- Long term financing facility (LTFF)	14.3	1,644,315	1,229,176
- Financing facility for storage of agricultural produce (FFSAP)	14.3	3,343	6,687
Repurchase agreement borrowings	14.4	22,837,748	5,351,991
Long term borrowings	14.5	5,972,387	4,546,640
Short term running finance	14.6	563,390	480,389
Bai Muajjal	14.7	9,696,507	9,851,015
		<u>40,717,690</u>	<u>21,465,898</u>
<b>Unsecured</b>			
Placements	14.8	1,540,000	685,000
Murabaha financing	14.9	2,350,000	3,000,000
		<u>44,607,690</u>	<u>25,150,898</u>

Kmm

- 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 6.25 (2016: 2 to 10.10) percent per annum. These are repayable within 10 years (2016: 10 years).
- 14.4 The mark up rate on these repurchase agreement borrowings, maturing in January 2018 (2016: January 2017), ranges between 5.83 to 5.90 (2016: 5.70 to 5.93) percent per annum. Securities having cost of Rs. 23,205 million (2016: Rs 5,172 million) have been pledged against these borrowings.
- 14.5 The mark up rate on these long-term borrowings ranges from 6.44 to 6.65 (2016: 6.32 to 6.56) 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% (2016: 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 2018 to February 2018 (2016: January 2017 to October 2017) ranges between 5.75 to 5.84 (2016: 5.65 to 5.87) percent per annum.
- 14.8 The mark up rate on these placements, maturing between January 2018 to June 2018 (2016: January 2017 to February 2017) ranges between 6.15 to 6.25 (2016: 5.85 to 6.30) percent per annum.
- 14.9 The mark up rate on these murabaha financing, maturing in January 2018 (2016: January 2017 to June 2017) ranges between 6.15 to 6.50 (2016: 6.15 to 6.25) percent per annum.

15. DEPOSITS AND OTHER ACCOUNTS

2017 2016  
(Rupees in '000)

Certificates of investment - remunerative (in local currency):

Financial institutions

3,129,000 252,700

Others

7,372,149 5,090,275

10,501,149 5,342,975

15.1 Particular of deposits

In local currency

10,501,149 5,342,975

In foreign currency

- -

10,501,149 5,342,975

- 15.2 The rate of return on deposits maturing between January 2018 to November 2018 (2016: January 2017 to May 2018) ranges between 6 to 6.40 (2016: 6 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. 36.63 million (2016: Rs. 28.54 million).
- 15.4 These include Certificate of Investments purchased by Pak Oman Microfinance Bank Limited (associate) of the Company amounting to Rs. 450 million (2016: Rs. 174.7 million).

16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2017			2016		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
Not later than one year	431	78	353	431	105	326
Later than one year but not later than five years	1,059	66	993	1,490	145	1,345
	<u>1,490</u>	<u>144</u>	<u>1,346</u>	<u>1,921</u>	<u>250</u>	<u>1,671</u>

(Rupees in '000)

- 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 (2016: 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.

13/11/17

17. OTHER LIABILITIES	Note	2017	2016
(Rupees in '000)			
Mark-up / return / interest payable in local currency		737,691	347,506
Accrued expenses		222,527	193,316
Security deposits against investment in finance leases	10.2.1.1	291,874	272,007
Taxation		55,727	-
Payable against purchase of investments		5,494	-
Others	17.1	122,535	36,784
		<u>1,435,848</u>	<u>849,613</u>

17.1 This includes advance of Rs. 46 million received against sale of non-banking assets.

## 18. SHARE CAPITAL

### 18.1 Authorized Capital

	2017	2016		2017	2016
(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>
<b>18.2 Issued, subscribed and paid-up</b>					
	615,000,000	615,000,000	Ordinary shares of Rs. 10 each	6,150,000	6,150,000
			- Fully paid in cash		
	<u>615,000,000</u>	<u>615,000,000</u>		<u>6,150,000</u>	<u>6,150,000</u>

18.3 The Ministry of Finance on behalf of the Government of Pakistan and the Sultanate of Oman through its Ministry of Finance each holds 307,495,900 (2016: 307,495,900) ordinary shares of the Company, while 4,100 (2016: 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	2017	2016
(Rupees in '000)			
Federal Government Securities			
- Pakistan Investment Bonds (PIBs)		852	334,258
- Treasury Bills (T-Bills)		(2,806)	(8,204)
		(1,954)	326,054
Shares - listed		-	62,390
Term Finance Certificates			
- Listed		7,085	12,134
- Unlisted		(1,032)	1,249
		6,053	13,383
Sukuks certificates		7,558	7,804
		<u>11,657</u>	<u>409,631</u>
Deferred tax recognized	12	(3,497)	(113,531)
		<u>8,160</u>	<u>296,100</u>

K51M2

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Revaluation of fixed assets / non-banking assets January 01, Transferred to unappropriated profit in respect of incremental depreciation charged during the year		83,352 (4,238) <u>79,114</u>	84,766 (1,414) <u>83,352</u>
Less: Related deferred tax liability on:			
- Revaluation of fixed assets / non-banking assets		(25,006)	(25,430)
- Incremental depreciation charged during the year		1,272	424
		<u>(23,734)</u>	<u>(25,006)</u>
		<u>55,380</u>	<u>58,346</u>
		<u><u>63,540</u></u>	<u><u>354,446</u></u>

**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:

Standby letter of credit		178,690	-
Pledge of shares on behalf of Japan Power Generation Limited	21.1	70,726	70,726
Pledge of shares on behalf of Orient Power Company (Private) Limited	21.2	226,000	226,000
Commitments for:			
Purchase of Government securities		121,256	-
Sale of Government securities		1,798,281	219,782
Purchase of Term finance certificates (TFCs)		76,548	-
Commitments for advances and net investment in finance leases		3,740,991	3,393,784
Commitment for sale of non-banking assets		-	46,000
Securities given as collateral against loan taken by Pak Oman Asset Management Company Limited	9.4.1	626,000	-
<b>21.1</b> Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2016: 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).			
<b>21.2</b> 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	2017	2016
	(Rupees in '000)	
<b>On loans and advances to:</b>		
Customers	1,085,405	893,792
Financial institutions	349,396	207,568
	<u>1,434,801</u>	<u>1,101,360</u>
<b>On investments in:</b>		
Available-for-sale securities	1,286,556	826,516
Held-for-trading securities	1,085,109	278,557
	<u>2,371,665</u>	<u>1,105,073</u>
On securities purchased under resale agreements	81,991	35,126
On deposit with financial institutions	65,981	46,055
On placements	1,169	358
	<u>3,955,607</u>	<u>2,287,972</u>
<b>23. MARK-UP / RETURN / INTEREST EXPENSED</b>		
<b>On secured borrowings:</b>		
On securities sold under resale agreements	1,083,489	468,791
Long-term borrowings	417,873	256,485
Bai Muajjal	824,784	173,959
Short-term borrowings	13,766	12,091
	<u>2,339,912</u>	<u>911,326</u>
<b>On unsecured borrowings and deposits:</b>		
Placements	81,240	72,886
Murabaha financing	192,369	118,484
Certificate of investments	486,076	333,677
	<u>759,685</u>	<u>525,047</u>
	<u>3,099,597</u>	<u>1,436,373</u>
<b>24. GAIN ON SALE OF SECURITIES</b>		
Federal Government Securities		
- Market Treasury Bills	2,679	1,555
- Pakistan Investment Bonds	285,523	460,728
	<u>288,202</u>	<u>462,283</u>
Term Finance Certificates and sukuk certificates	(58,537)	(4,784)
Mutual funds	-	-
Shares:		
- Listed	(48,043)	181,305
	<u>181,622</u>	<u>638,804</u>
<b>25. OTHER INCOME</b>		
Gain on sale of property and equipment	1,670	4,750
	<u>1,670</u>	<u>4,750</u>

*Kmm*

26. ADMINISTRATIVE EXPENSES	Note	2017	2016
		(Rupees in '000)	
Salaries, allowances and employees' benefits		360,498	359,012
Contribution to defined contribution plan		16,756	16,550
Charge for defined benefit plan	32.8	16,388	16,283
Non-executive directors' fee / remuneration	34.	23,367	18,854
Travelling and accommodation		9,925	8,791
Rent, rates and taxes		26,108	47,537
Utilities		3,337	3,842
Communications		8,944	8,916
Professional training		442	1,138
Advertisement and business promotion		2,907	1,858
Membership and subscriptions		1,705	1,690
Printing, stationery and periodicals		1,495	1,757
Depreciation	11.1 & 26.3	48,047	33,970
Amortization of intangible assets	11.2	498	119
Auditors' remuneration	26.1	1,465	2,001
Legal and professional charges		11,679	13,200
Repairs and maintenance		14,654	8,495
Transportation		8,696	8,972
Insurance		9,379	9,954
Finance charges on leased assets		106	130
Entertainment and canteen expenses		3,297	3,083
Donations	26.2	1,200	574
Others		2,361	2,072
		<u>573,254</u>	<u>568,798</u>

**26.1 Auditors' remuneration**

Audit fee	561	534
Half yearly review	194	185
Special certifications and others	440	1,020
Out of pocket expenses	270	262
	<u>1,465</u>	<u>2,001</u>

**26.2** Donations were not made to any donee in which a director or his spouse had any interest at any time during the year.

**26.2.1** Donations made in excess of Rs. 0.1 million to a single donee are as follows:

	2017	2016
	(Rupees in '000)	
The Health Foundation	400	-
Patients' Aid Foundation of Jinnah Post Graduate Medical Centre	500	-
Hisar Foundation	300	-
Developments in Literacy	-	300
Al-Mehrab Tibbi Imdad	-	105
Burns Centre	-	105
	<u>1,200</u>	<u>510</u>

**26.3** This includes depreciation on non-banking assets Rs 20.898 (2016: Rs 6.782) million.

*Kmm*

*Kmm*

27. OTHER CHARGES		2017	2016
		(Rupees in '000)	
Fees, commission and others	27.1	46,973	78,537
Loss on sale of fixed assets		-	-
SBP penalties		-	-
		<u>46,973</u>	<u>78,537</u>

27.1 This includes provision for Sindh Worker's Welfare Fund amounting to Rs. 19.550 million (2016: 57.85 million).

## 28. TAXATION

### For the year

Current	277,563	340,939
Prior	38,904	3,206
Deferred	(8,602)	(24,470)
	<u>307,865</u>	<u>319,675</u>

### 28.1 Relationship between tax expense and accounting profit

Profit before taxation	<u>744,533</u>	<u>1,025,289</u>
Tax at the applicable rate of 30% (2016: 31%)	223,360	317,840
Tax effect due to change in tax rate	-	17,827
Tax effect of income taxed at different rate	(15,694)	(21,792)
Tax effect of capital loss / (gain) on listed shares and mutual funds	22,636	(21,984)
Tax effect of provision for diminution in the value of listed shares and mutual funds	34,046	3,949
Prior year	38,904	3,206
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge	4,613	20,629
	<u>307,865</u>	<u>319,675</u>

### 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, 2015 and 2016, 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 38.904 million (2016: Rs 38.746 million) super tax at 3% on the taxable income for the tax year 2017 & tax year 2016 for rehabilitation of temporarily displaced persons imposed through Finance Act, 2017 & 2016 respectively. This also includes reversal of provision of tax amounting to Rs. nil (2016: Rs 35.54 million) which is in excess of latest assessment orders passed by the Income Tax Authorities.

*Vgm*

29. EARNINGS PER SHARE

Profit after taxation

Weighted average number of ordinary shares in issue

Basic and diluted earnings per share

	2017	2016
Rupees in '000	436,668	705,614
Numbers in '000	615,000	615,000
Rupees	0.71	1.15

29.1 There were no convertible dilutive potential ordinary shares outstanding on 31 December 2016 and 2017.

30. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks

Balances with other banks

Note	2017	2016
	(Rupees in '000)	
6	169,886	88,884
7	2,012,314	1,670,921
	2,182,200	1,759,805

30.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities					Equity			Total	
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated debt	Liabilities against assets subject to finance lease	Other liabilities	Share capital	Reserves		Unappropriated profit
	(Rupees in '000)									
Balance as at 01 January 2017	-	25,150,898	5,342,975	-	1,671	849,613	6,150,000	984,427	972,325	39,451,909
Changes from financing cash flows										
Receipts from sub - ordinated loans - net	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(492,000)	(492,000)
Total changes from financing cash flows	-	-	-	-	-	-	-	-	(492,000)	(492,000)
Liability - related										
Changes in bills payable	-	-	-	-	-	-	-	-	-	-
Changes in borrowings	-	19,456,792	-	-	-	-	-	-	-	19,456,792
Changes in deposits and other accounts	-	-	5,158,174	-	-	-	-	-	-	5,158,174
Changes in Liabilities against assets subject to finance lease	-	-	-	-	(325)	-	-	-	-	(325)
Changes in other liabilities	-	-	-	-	-	586,235	-	-	-	586,235
- Cash based	-	-	-	-	-	-	-	-	-	-
- Non - cash based - Actuarial loss on revaluations of defined benefit plan	-	-	-	-	-	-	-	-	-	-
Transfer of profit to reserve	-	-	-	-	-	-	87,334	(87,334)	-	-
Profit for the year	-	-	-	-	-	-	-	436,668	436,668	436,668
Other comprehensive income - net of tax	-	-	-	-	-	-	-	5,431	5,431	5,431
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	2,966	2,966	2,966
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-	-	-	-	-
	-	19,456,792	5,158,174	-	(325)	586,235	-	87,334	357,731	25,645,941
Balance as at 31 December 2017	-	44,607,690	10,501,149	-	1,346	1,435,848	6,150,000	1,071,761	838,056	64,605,850

**31. STAFF STRENGTH**

(Number)

Permanent	65	66
Temporary / contractual	27	3
Company's own staff strength at end of the year	<u>92</u>	<u>69</u>
Outsourced	-	26
Total staff strength	<u>92</u>	<u>95</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 2017 using the Projected Unit Credit Method (PUCM). The following significant assumptions were used for the actuarial valuation:

	2017	2016
	(Percent per annum)	
Discount rate	8.25	8.00
Expected rate of increase in salary levels	8.25	8.00
Expected rate of return on plan assets	8.25	8.00

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**

Note	2017	2016
	(Rupees in '000)	
Present value of defined benefit obligation	141,181	118,450
Fair value of plan assets	<u>(148,490)</u>	<u>(118,504)</u>
	<u>(7,309)</u>	<u>(54)</u>

**32.3 Movement in the defined benefit obligation**

Note	2017	2016
	(Rupees in '000)	
Present value of obligation as at 1 January	118,450	111,643
Current service cost	17,028	16,728
Interest cost	9,376	10,254
Benefits paid	(2,505)	(18,210)
Actuarial loss on remeasurement of obligation	<u>(1,168)</u>	<u>(1,965)</u>
Present value of obligation as at 31 December	<u>141,181</u>	<u>118,450</u>

**32.4 Movement in payable to defined benefit plan**

Opening liability		(54)	8,961
Expense for the year	32.8	16,388	16,283
Other Comprehensive Income		(7,758)	1,529
Contributions to the fund		<u>(15,885)</u>	<u>(26,827)</u>
Closing liability		<u>(7,309)</u>	<u>(54)</u>

**32.5 Movement in the fair value of plan assets**

Fair value of plan assets as at 1 January		118,504	102,682
Expected return on plan assets		10,016	10,699
Contributions		15,885	26,827
Benefits paid		(2,505)	(18,210)
Actuarial gain on remeasurement of plan assets		<u>6,590</u>	<u>(3,494)</u>
Fair value of plan assets as at 31 December	32.7	<u>148,490</u>	<u>118,504</u>

32.6 Actual return on plan assets during the year was Rs. 16.606 million (2016: Rs. 7.205 million).

32.7 The plan assets are comprised as follows:

Particulars	Note	2017		2016	
		Rating	Rating	(Rupees in '000)	(Rupees in '000)
Market Treasury Bills		Unrated	Unrated	-	-
Pakistan Investment Bonds		Unrated	Unrated	9,157	15,502
Special Saving Certificates (SSCs)		Unrated	Unrated	24,386	61,127
Term Deposit receipts		Unrated	-	95,301	25,145
Term Finance Certificates					
- WorldCall Telecom Limited		D	D	804	812
Certificate of Investments	32.7.1	Unrated	Unrated	18,828	13,969
Bank balance		Unrated	Unrated	14	1,949
				<u>148,490</u>	<u>118,504</u>
				<u>100.00</u>	<u>100.00</u>

15/12/17

32.7.1 These include Certificate of Investment held with the Company. These carry mark-up at rates 6.15 (2016: 6.00 to 6.15) percent per annum.

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

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
Current service cost		17,028	16,728
Net Interest		(640)	(445)
Expected return on plan assets		-	-
Actuarial loss		-	-
		<u>16,388</u>	<u>16,283</u>

32.9 Actuarial (losses) / gains

Net unrecognised actuarial (losses) / gains as at 1 January		-	-
Actuarial loss on remeasurement of obligation	32.9.1	1,168	1,965
Actuarial (loss) / gain on remeasurement of plan assets	32.9.1	<u>6,590</u>	<u>(3,494)</u>
		<u>7,758</u>	<u>(1,529)</u>

Actuarial loss recognised in:

Other comprehensive income		(7,758)	1,529
Profit and loss account		-	-
Net unrecognised actuarial (losses) / gains as at 31 December		<u>-</u>	<u>-</u>

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

	Actuarial (loss) / gain on remeasurement of			
	Obligation		Plan assets	
	2017 (Rupees in '000)	2016 (Rupees in '000)	2017 (Rupees in '000)	2016 (Rupees in '000)
Demographic assumptions	-	-	-	-
Financial loss	(163)	(1,091)	-	-
Experience adjustment	<u>(1,005)</u>	<u>(874)</u>	<u>(6,590)</u>	<u>3,494</u>
	<u>(1,168)</u>	<u>(1,965)</u>	<u>(6,590)</u>	<u>3,494</u>

32.10 Sensitivity analysis

	Impact on defined benefit obligation		
	Change in assumption %	Increase in assumption (Rupees in '000)	Decrease in assumption (Rupees in '000)
Discount rate	1	(12,203)	14,154
Salary growth rate	1	14,730	(12,905)

32.11 Maturity profile of defined benefit obligation

Benefit payments Distribution of timing of benefit payments Years	2017 (Rupees in '000)	2016 (Rupees in '000)
1	4,988	4,676
2	4,980	4,363
3	4,875	4,251
4	47,280	36,448
5	11,602	3,276
6 to 10	37,279	24,802
11 and above	<u>259,843</u>	<u>241,592</u>

32.12 The expected gratuity contribution for the next year ending 31 December 2018 works out to Rs. 17.881 million.

32.13 The average duration of the benefit obligation at 31 December 2017 is 9.34 years (2016: 9.88 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

	2017 (Rupees in '000)	2016 (Rupees in '000)
Contribution from the Company	16,756	16,550
Contribution from employees	<u>16,756</u>	<u>16,550</u>
	<u>33,512</u>	<u>33,100</u>

*Kumar*

34. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Non-Executive Directors		Executives	
	2017	2016	2017	2016	2017	2016
	(Rupees in '000)					
Fees / remuneration	-	-	23,367	18,854	-	-
Managerial remuneration	113,984	67,063	-	-	225,326	213,765
Charge for defined benefit plan	2,879	2,255	-	-	13,364	13,857
Contribution to defined contribution plan	3,323	2,658	-	-	13,245	13,127
Medical	782	730	-	-	-	-
Utilities	2,659	1,842	-	-	289	308
Membership fee	184	181	-	-	56	37
Others	1,389	1,313	-	-	895	719
	<u>125,200</u>	<u>76,042</u>	<u>23,367</u>	<u>18,854</u>	<u>253,175</u>	<u>241,813</u>
Number of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>5</u>	<u>68</u>	<u>72</u>

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

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 5.3 to these unconsolidated financial statements.

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

The re-pricing profile, effective rates and maturity are stated in notes 39.3.2 and 39.6.1 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

	2017		2016	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
<b>Assets</b>				
Cash and balances with treasury banks	169,886	169,886	88,884	88,884
Balances with other banks	2,012,314	2,012,314	1,670,921	1,670,921
Lendings to financial institutions	2,038,288	2,038,288	935,826	935,826
Investments	40,240,634	40,233,855	20,831,182	20,990,929
Advances	18,788,493	18,788,493	14,834,851	14,834,851
Other assets	370,165	370,165	389,058	389,058
	<u>63,619,780</u>	<u>63,613,001</u>	<u>38,750,722</u>	<u>38,910,469</u>
<b>Liabilities</b>				
Borrowings from financial institutions	44,607,690	44,607,690	25,150,898	25,150,898
Deposits and other accounts	10,501,149	10,501,149	5,342,975	5,342,975
Liabilities against assets subject to finance lease	1,346	1,346	1,671	1,671
Other liabilities	1,380,121	1,380,121	849,613	849,613
	<u>56,490,306</u>	<u>56,490,306</u>	<u>31,345,157</u>	<u>31,345,157</u>
	<u>7,129,474</u>	<u>7,122,695</u>	<u>7,405,565</u>	<u>7,565,312</u>

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.

13mm

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 2017											
Note	HFT	Available for sale	HTM	Loans and receivables	Other financial assets	Other financial liabilities	Total	Fair value			Total		
								Level 1	Level 2	Level 3			
(Rupees in '000)													
<b>Financial assets measured at fair value</b>													
<b>- Investments</b>													
	Government Securities	23,851,239	11,670,376	-	-	-	35,521,615	-	35,521,615	-	35,521,615		
	Listed Term Finance Certificates	-	1,037,695	-	-	-	1,037,695	-	1,037,695	-	1,037,695		
	Unlisted Term Finance Certificates	-	1,299,982	-	-	-	1,299,982	-	1,299,982	-	1,299,982		
	Sukuk Certificates	-	712,599	-	-	-	712,599	-	712,599	-	712,599		
	Commercial Papers	-	47,479	-	-	-	47,479	-	47,479	-	47,479		
	Listed shares	4,418	74,696	-	-	-	79,114	79,114	-	-	79,114		
<b>- Associates</b>													
	Listed shares	-	-	-	-	-	-	23,438	-	-	23,438		
	Mutual funds	-	-	-	-	590,517	590,517	641,389	-	-	641,389		
<b>Financial assets not measured at fair value</b>													
	- Cash and bank balances with treasury banks	35.3.1	-	-	169,886	-	169,886	-	-	-	-		
	- Balances with other banks	35.3.1	-	-	2,012,314	-	2,012,314	-	-	-	-		
	- Lending to financial instruments	35.3.1	-	-	2,038,288	-	2,038,288	-	-	-	-		
	- 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	-	-	18,788,493	-	18,788,493	-	-	-	-		
	- Other assets	35.3.1	-	-	-	370,165	370,165	-	-	-	-		
			23,855,657	15,068,827	-	23,008,981	1,686,315	-	63,619,780	743,941	38,619,370	-	39,363,311
<b>Financial liabilities not measured at fair value</b>													
	- Borrowings from financial institutions	35.3.1	-	-	-	-	44,607,690	44,607,690	-	-	-	-	
	- Deposits and other accounts	35.3.1	-	-	-	-	10,501,149	10,501,149	-	-	-	-	
	- Liabilities against assets subject to finance lease	35.3.1	-	-	-	-	1,346	1,346	-	-	-	-	
	- Other liabilities	35.3.1	-	-	-	-	1,380,121	1,380,121	-	-	-	-	
			-	-	-	-	56,490,306	56,490,306	-	-	-	-	
			23,855,657	15,068,827	-	23,008,981	1,686,315	(56,490,306)	7,129,474	743,941	38,619,370	-	39,363,311

13/12/17

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	HFT	Available for sale	HTM	Loans and receivables	Other financial assets	Other financial liabilities	Total	Fair value			Total		
								Level 1	Level 2	Level 3			
(Rupees in '000)													
<b>Financial assets measured at fair value</b>													
<b>- Investments</b>													
	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		
<b>- Associates</b>													
	Listed shares	-	-	-	-	-	-	98,511	-	-	98,511		
	Mutual funds	-	-	-	-	590,517	590,517	709,139	-	-	709,139		
<b>Financial assets not measured at fair value</b>													
	- 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
<b>Financial liabilities not measured at fair value</b>													
	- 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 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.

*Handwritten signature*

### 36. SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales (Rupees in '000)	Commercial Banking
<b>2017</b>			
Total income	15,120	2,806,751	1,474,173
Total expenses	91,829	2,376,330	1,083,352
Net (loss) / income	(76,709)	430,421	390,821
Segment assets (gross)	-	46,203,112	20,267,339
Segment non-performing advances	-	-	964,378
Investments provided for	-	1,361,872	-
Segment provision required *	-	925,801	875,260
Segment liabilities	-	38,454,687	18,091,346
Segment return on net assets (%)	-	6.31%	30.05%
Segment return on assets (ROA) (%)	-	0.95%	2.02%
Segment cost of funds (%)	-	5.28%	5.02%
<b>2016</b>			
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%

\* 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

13/11/17

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	2017			2016				
	As at 1 January 2017	Given during the year	Repaid during the year	As at 31 December 2017	As at 1 January 2016	Given during the year	Repaid during the year	As at 31 December 2016
	(Rupees in '000)							
<b>Investments</b>								
Subsidiary	498,300	-	-	498,300	398,300	100,000	-	498,300
Associates	1,045,951	-	-	1,045,951	997,872	100,000	(51,921)	1,045,951
Other related parties	226,000	-	-	226,000	226,000	-	-	226,000
	<u>1,770,251</u>	<u>-</u>	<u>-</u>	<u>1,770,251</u>	<u>1,622,172</u>	<u>200,000</u>	<u>(51,921)</u>	<u>1,770,251</u>
<b>Advances</b>								
Associates	68,200	-	-	68,200	68,200	-	-	68,200
Key Management personnel	36,040	9,221	(12,862)	32,399	49,225	4,497	(17,682)	36,040
Other related parties	150,533	-	(36,301)	114,232	182,429	-	(31,896)	150,533
	<u>254,773</u>	<u>9,221</u>	<u>(49,163)</u>	<u>214,831</u>	<u>299,854</u>	<u>4,497</u>	<u>(49,578)</u>	<u>254,773</u>
<b>Deposits</b>								
Associates	174,700	1,300,000	(1,024,700)	450,000	535,926	896,437	(1,257,663)	174,700
Key Management personnel	1,610	12,549	(12,991)	1,168	2,149	12,906	(13,445)	1,610
Retirement benefit funds	28,540	271,027	(262,941)	36,626	5,358	159,879	(136,697)	28,540
	<u>204,850</u>	<u>1,583,576</u>	<u>(1,300,632)</u>	<u>487,794</u>	<u>543,433</u>	<u>1,069,222</u>	<u>(1,407,805)</u>	<u>204,850</u>
							2017	2016
							(Rupees in '000)	
<b>Other receivable</b>								
Gratuity fund							7,309	54
<b>Mark-up income</b>								
Key management personnel							1,497	1,669
Other related parties							11,869	15,322
<b>Dividend income</b>								
Associates							24,282	29,574
Other related parties							45,200	45,200
<b>Mark-up expense on deposits</b>								
Associates							25,656	21,613
Key management personnel							69	115
Retirement benefit fund							3,806	1,595
<b>Expenses for the year</b>								
Remuneration to key management personnel							243,893	176,910
Non-executive director's fee / remuneration							23,367	18,854
Charge for defined contribution plan							16,756	16,550
Charge for defined benefit plan							16,388	16,283
<b>Other comprehensive income</b>								
Remeasurement of defined benefit obligation							7,758	(1,529)
<b>Outright sale of Government Securities</b>								
Subsidiary							-	108,960
Associates							955,316	5,493
Key management personnel							-	-
Retirement benefit fund							2,033	323,918
<b>Outright purchase of Government Securities</b>								
Subsidiary							-	-
Retirement benefit fund							2,033	423,027
<b>Capital gain on Government Securities</b>								
Subsidiary							-	(73)
Associates							3,199	550
Retirement benefit fund							(2)	1
<b>Capital gain on shares &amp; Mutual Funds</b>								
Associates							-	67,582

14/11/16

## 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 2017.

#### 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 2017 was 21.45% 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 21.45% 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.

1:59 PM

2017

2016

(Rupees in '000)

Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves	2017	2016
		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	1,071,761	984,427
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	838,056	972,325
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	<b>CET 1 before Regulatory Adjustments</b>	<b>8,059,817</b>	<b>8,106,752</b>
10	Total regulatory adjustments applied to CET1 (Note 38.3.1)	1,849,546	1,020,457
11	<b>Common Equity Tier 1</b>	<b>6,210,271</b>	<b>7,086,295</b>
	<b>Additional Tier 1 (AT 1) Capital</b>		
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	<b>AT1 before regulatory adjustments</b>	<b>-</b>	<b>-</b>
18	Total regulatory adjustment applied to AT1 capital (Note 38.3.2)	1,575,241	558,659
19	<b>Additional Tier 1 capital after regulatory adjustments</b>	<b>-</b>	<b>-</b>
20	<b>Additional Tier 1 capital recognized for capital adequacy</b>	<b>-</b>	<b>-</b>
21	<b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	<b>6,210,271</b>	<b>7,086,295</b>
	<b>Tier 2 Capital</b>		
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	213	73
27	Revaluation Reserves (net of taxes)	-	-
28	of which: Revaluation reserves on fixed assets	-	-
29	of which: Unrealized gains/losses on AFS	7,262	230,958
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed/Other Reserves (if any)	-	-
32	<b>T2 before regulatory adjustments</b>	<b>-</b>	<b>-</b>
33	Total regulatory adjustment applied to T2 capital (Note 38.3.3)	1,451,101	394,845
34	<b>Tier 2 capital (T2) after regulatory adjustments</b>	<b>-</b>	<b>-</b>
35	<b>Tier 2 capital recognized for capital adequacy</b>	<b>-</b>	<b>-</b>
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	<b>Total Tier 2 capital admissible for capital adequacy</b>	<b>-</b>	<b>-</b>
38	<b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	<b>6,210,271</b>	<b>7,086,295</b>
39	<b>Total Risk Weighted Assets (RWA) (for details refer Note 38.6)</b>	<b>28,956,344</b>	<b>25,006,621</b>
	<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
40	<b>CET1 to total RWA</b>	<b>21.45%</b>	<b>28.34%</b>
41	<b>Tier-1 capital to total RWA</b>	<b>21.45%</b>	<b>28.34%</b>
42	<b>Total capital to total RWA</b>	<b>21.45%</b>	<b>28.34%</b>
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	<b>CET1 available to meet buffers (as a percentage of risk weighted assets)</b>	<b>-</b>	<b>-</b>
	<b>National minimum capital requirements prescribed by SBP</b>		
48	<b>CET1 minimum ratio</b>	<b>6.0%</b>	<b>6.00%</b>
49	<b>Tier 1 minimum ratio</b>	<b>7.5%</b>	<b>7.50%</b>
50	<b>Total capital minimum ratio</b>	<b>11.28%</b>	<b>10.65%</b>

12/22

(Rupees in '000)

Regulatory Adjustments and Additional Information		Amount	Amounts subject to Pre- Basel III treatment*	Amount	Amounts subject to Pre- Basel III treatment*
<b>Note 38.3.1</b>	<b>Common Equity Tier 1 capital: Regulatory adjustments</b>				
1	Goodwill (net of related deferred tax liability)	-	-	1,366	-
2	All other intangibles (net of any associated deferred tax liability)	907	-	-	-
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	5,847	-	-	-
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)	36,274	-	-	-
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)	201,836	-	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
15	Amount exceeding 15% threshold	-	1,321,894	-	1,430,362
16	of which: significant investments in the common stocks of financial entities	17,348	-	-	-
17	of which: deferred tax assets arising from temporary differences	12,093	1,321,894	-	1,430,362
18	National specific regulatory adjustments applied to CET1 capital	-	-	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-	460,432	460,432
20	Any other deduction specified by SBP (mention details)	-	-	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	1,575,241	-	558,659	-
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	1,849,546	-	1,020,457	-

<b>Note 38.3.2</b>	<b>Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</b>				
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	131,615	-	394,845	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	1,443,626	-	163,814	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	1,575,241	-	558,659	-

<b>Note 38.3.3</b>	<b>Tier 2 Capital: regulatory adjustments</b>				
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	131,615	-	394,845	-
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)	1,239,486	-	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	80,000	-	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	1,451,101	-	394,845	-

2017  
2016  
(Rupees in '000)

Additional Information		Amount	Amount
<b>Note 38.3.4</b>	<b>Risk Weighted Assets subject to pre-BaseI III treatment</b>		
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	-	-

Lsm

## Capital Structure Reconciliation

Table: 38.4.1 (in thousand PKR)	Balance sheet of the published financial statements	Under regulatory scope of consolidation
	As at period end	As at period end
(1)	(2)	(3)
<b>Assets</b>		
Cash and balances with treasury banks	169,886	169,886
Balanced with other banks	2,012,314	2,012,314
Lending to financial institutions	2,038,288	2,038,288
Investments	40,240,634	40,240,634
Advances	18,788,493	18,788,493
Operating fixed assets	81,901	81,901
Deferred tax assets	558,070	558,070
Other assets	779,804	779,804
<b>Total assets</b>	<b>64,669,390</b>	<b>64,669,390</b>

<b>Liabilities &amp; Equity</b>		
Bills payable	-	-
Borrowings	44,607,690	44,607,690
Deposits and other accounts	10,501,149	10,501,149
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	1,346	1,346
Deferred tax liabilities	-	-
Other liabilities	1,435,848	1,435,848
<b>Total liabilities</b>	<b>56,546,033</b>	<b>56,546,033</b>

Share capital/ Head office capital account	6,150,000	6,150,000
Reserves	1,071,761	1,071,761
Unappropriated/ Unremitted profit/ (losses)	838,056	838,056
Minority Interest	-	-
Surplus on revaluation of assets	63,540	63,540
<b>Total liabilities &amp; equity</b>	<b>64,669,390</b>	<b>64,669,390</b>

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	
(1)	(2)	(3)	(4)
<b>Assets</b>			
Cash and balances with treasury banks	169,886	169,886	
Balanced with other banks	2,012,314	2,012,314	
Lending to financial institutions	2,038,288	2,038,288	
Investments	40,240,634	40,240,634	
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	18,788,493	18,788,493	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital			f
Fixed Assets	81,901	81,901	
Deferred Tax Assets	558,070	558,070	
of which: DTAs that rely on future profitability excluding those arising from temporary differences			h
of which: DTAs arising from temporary differences exceeding regulatory threshold			i
Other assets	779,804	779,804	
of which: Goodwill			j
of which: Intangibles			k
of which: Defined-benefit pension fund net assets			l
<b>Total assets</b>	<b>64,669,390</b>	<b>64,669,390</b>	

<b>Liability &amp; Equity</b>			
Bills payable	-	-	
Borrowings	44,607,690	44,607,690	
Deposits and other accounts	10,501,149	10,501,149	
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	1,346	1,346	
Deferred tax liabilities	-	-	
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	1,435,848	1,435,848	
<b>Total liabilities</b>	<b>56,546,033</b>	<b>56,546,033</b>	

Share capital	6,150,000	6,150,000	
of which: amount eligible for CET1	6,150,000	6,150,000	s
of which: amount eligible for AT1			t
Reserves	1,071,761	1,071,761	
of which: portion eligible for inclusion in CET1 (provide breakup)	1,071,761	1,071,761	u
of which: portion eligible for inclusion in Tier 2			v
Unappropriated profit/ (losses)	838,056	838,056	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	63,540	63,540	
of which: Revaluation reserves on Fixed Assets			
of which: Unrealized Gains/Losses on AFS	63,540	63,540	aa
In case of Deficit on revaluation (deduction from CET1)			ab
<b>Total liabilities &amp; Equity</b>	<b>64,669,390</b>	<b>64,669,390</b>	

Lama

**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
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
1	Fully Paid-up Capital/ Capital deposited with SBP	6,150,000	
2	Balance in Share Premium Account	-	(n)
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	1,071,761	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	838,056	(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	<b>CET 1 before Regulatory Adjustments</b>		
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>			
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	907	(k) - (p)
11	Shortfall of provisions against classified assets	-	(l)
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	5,847	((l) - (g)) * 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)	36,274	(a) - (ac) - (ad)
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)	201,836	(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	17,348	
25	of which: deferred tax assets arising from temporary differences	12,093	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28	of which: Any other deduction specified by SBP	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	1,575,241	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	1,849,546	
31	<b>Common Equity Tier 1</b>	<b>6,210,271</b>	

<b>Additional Tier 1 (AT1) Capital</b>			
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	(t)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	<b>AT1 before regulatory adjustments</b>	-	
<b>Additional Tier 1 Capital: regulatory adjustments</b>			
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	131,615	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	1,443,626	
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	1,575,241	
46	<b>Additional Tier 1 capital</b>		
47	<b>Additional Tier 1 capital recognized for capital adequacy</b>	-	
48	<b>Tier 1 Capital (CET1 + admissible AT1) (31+47)</b>	<b>6,210,271</b>	
<b>Tier 2 Capital</b>			
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	213	(g)
54	Revaluation Reserves	-	
55	of which: Revaluation reserves on fixed assets	-	
56	of which: Unrealized Gains/Losses on AFS	7,262	portion of (aa)
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	<b>T2 before regulatory adjustments</b>	-	
<b>Tier 2 Capital: regulatory adjustments</b>			
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	131,615	
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)	1,239,486	(ac)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	80,000	(af)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	1,451,101	
66	<b>Tier 2 capital (T2)</b>		
67	<b>Tier 2 capital recognized for capital adequacy</b>	-	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	<b>Total Tier 2 capital admissible for capital adequacy</b>	-	
70	<b>TOTAL CAPITAL (T1 + admissible T2) (48+69)</b>	<b>6,210,271</b>	

*1:30pm*

## 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 I
5	Post-transitional Basel III rules	Common Equity Tier I
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

*Sumed*

### 38.6 Risk Weighted Assets

	<u>Capital Requirements</u>		<u>Risk Weighted Assets</u>	
	2017	2016	2017	2016
<b>Credit Risk</b>				
<b>On-Balance sheet</b>				
<u>Portfolios subject to standardized approach</u> <u>(Simple or Comprehensive)</u>				
Public Sector entities	65,741	9,373	657,408	93,725
Banks	219,005	256,116	2,190,050	2,561,161
Corporate	1,551,941	1,115,753	15,519,409	11,157,532
Retail	944	883	9,437	8,832
Residential Mortgages	3,618	3,830	36,181	38,300
Past Due loans	8,382	14,521	83,818	145,212
Operating Fixed Assets	8,099	8,390	80,994	83,897
Other assets	213,890	201,858	2,138,898	2,018,579
<b>Off-Balance sheet</b>				
Non-market related	270,945	188,722	2,709,453	1,887,220
Equity Exposure Risk in the Banking Book	195,819	131,615	1,958,193	1,316,150
<b>Total Credit Risk</b>	<b>2,538,384</b>	<b>1,931,061</b>	<b>25,383,841</b>	<b>19,310,608</b>
<b>Market Risk</b>				
<u>Capital Requirement for portfolios subject to</u> <u>Standardized Approach</u>				
Interest rate risk	104,069	162,579	1,300,864	2,032,238
Equity position risk	1,741	112,063	21,763	1,400,787
<b>Total Market Risk</b>	<b>105,810</b>	<b>274,642</b>	<b>1,322,627</b>	<b>3,433,025</b>
<b>Operational Risk</b>				
<u>Capital Requirement for operational risks</u>	179,990	181,039	2,249,876	2,262,988
<b>TOTAL</b>	<b>2,824,184</b>	<b>2,386,742</b>	<b>28,956,344</b>	<b>25,006,621</b>

#### Capital Adequacy Ratios

	2017		2016	
	Required	Actual	Required	Actual
CET1 to total RWA	10.00%	21.45%	10.00%	28.34%
Tier-1 capital to total RWA	10.00%	21.45%	10.00%	28.34%
Total capital to total RWA	10.00%	21.45%	10.00%	28.34%
Leverage Ratio	3.00%	8.68%	3.00%	16.19%

KamL

### 39. RISK MANAGEMENT

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

#### Risk management organisation

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

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

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

#### 39.1 Credit risk

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

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

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

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

#### Credit exposures subject to Standardised Approach

Exposures	Rating Category	2017			2016		
		Amount Outstanding	Deduction CRM*	Net amount	Amount Outstanding	Deduction CRM*	Net amount
----- (Rupees in '000) -----							
Corporate	0	-	-	-	-	-	-
	1	1,289,584	247,705	1,537,289	883,198	197,512	1,080,710
	2	7,364,049	-	7,364,049	4,015,721	-	4,015,721
	3-4	1,342,889	-	1,342,889	-	-	-
	5-6	20,450	-	20,450	87,325	-	87,325
	Unrated	8,938,200	(247,705)	8,690,495	7,543,343	(197,512)	7,345,831
		<u>18,955,172</u>	<u>-</u>	<u>18,955,172</u>	<u>12,529,587</u>	<u>-</u>	<u>12,529,587</u>
Banks	0	-	-	-	-	-	-
	1	1,305,263	1,440,583	2,745,846	1,958,409	738,314	2,696,723
	2-3	1,285,594	(692,949)	592,645	4,340,586	(296,955)	4,043,631
	4-5	-	-	-	441,359	(441,359)	-
	6	747,634	(747,634)	-	-	-	-
	Unrated	-	-	-	-	-	-
		<u>3,338,491</u>	<u>-</u>	<u>3,338,491</u>	<u>6,740,354</u>	<u>-</u>	<u>6,740,354</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.

12/02

## 39.2 Segmental information

### 39.2.1 Segment by class of business

	2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Financial institution	3,587,722	18.25	3,129,000	29.80	2,622,085	38.34
Textile	3,486,973	17.73	-	-	953,896	13.95
Transportation and communication	3,284,574	16.70	200,000	1.90	160,000	2.34
Power	1,068,679	5.43	-	-	977,041	14.29
Cement	-	-	-	-	500,000	7.31
Electronics	828,571	4.21	-	-	-	-
Food and beverage	836,198	4.25	50,690	0.48	250,000	3.66
Services	1,034,912	5.26	1,833,526	17.46	75,000	1.10
Engineering and allied products	477,057	2.43	-	-	97,640	1.43
Chemical and pharmaceuticals	596,018	3.03	-	-	537,000	7.85
Automobiles	22,662	0.12	-	-	-	-
Fuel and energy	966,745	4.92	-	-	-	-
Construction	892,085	4.54	77,334	0.74	633,330	9.26
Sugar	1,762,723	8.96	-	-	-	-
Paper and board /packaging	356,622	1.81	-	-	-	-
Healthcare	256,250	1.30	-	-	25,000	0.37
Individual	115,956	0.59	908,948	8.66	-	-
Others	90,006	0.47	4,301,651	40.96	7,500	0.10
	<b>19,663,753</b>	<b>100.00</b>	<b>10,501,149</b>	<b>100.00</b>	<b>6,838,492</b>	<b>100.00</b>

	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	3,132,853	19.70	-	-	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	636,492	4.00	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	2.57	3,893,180	72.86	713,519	18.04
	<b>15,900,129</b>	<b>100.00</b>	<b>5,342,975</b>	<b>100.00</b>	<b>3,956,292</b>	<b>100.00</b>

Kmm2

39.2.2 Segment by sector

	2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	1,437,926	7.31	965,000	9.19	-	-
Private	18,225,827	92.69	9,536,149	90.81	6,838,492	100.00
	<u>19,663,753</u>	<u>100.00</u>	<u>10,501,149</u>	<u>100.00</u>	<u>6,838,492</u>	<u>100.00</u>

	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
	<u>15,900,129</u>	<u>100.00</u>	<u>5,342,975</u>	<u>100.00</u>	<u>3,956,292</u>	<u>100.00</u>

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

	2017		2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Automobile	22,662	22,662	67,985	67,985
Textile	415,859	399,348	429,211	404,211
Construction	-	-	4,435	3,675
Engineering and allied products	68,073	68,073	68,073	68,073
Electronics	50,000	50,000	50,000	50,000
Fuel and energy	104,865	104,865	232,095	232,095
Food and beverages	197,820	125,000	252,878	125,000
Financial institution	5,161	5,161	5,161	5,161
Power	68,200	68,200	68,200	68,200
Others	31,738	31,738	40,805	40,805
	<u>964,378</u>	<u>875,047</u>	<u>1,218,843</u>	<u>1,065,205</u>

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

	2017		2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Public / Government	-	-	-	-
Private	964,378	875,047	1,218,843	1,065,205
	<u>964,378</u>	<u>875,047</u>	<u>1,218,843</u>	<u>1,065,205</u>

39.2.5 Geographical segment analysis

	2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	744,533	64,667,746	8,123,357	6,838,492
Middle East	-	1,644	-	-
	<u>744,533</u>	<u>64,669,390</u>	<u>8,123,357</u>	<u>6,838,492</u>

12/11/17

### 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	(18,962,289)	0.05%	9,481	0.08%	15,170
2	1 to 3 Months	22,441,193	0.20%	(44,882)	0.32%	(71,812)
3	3 to 6 Months	1,626,304	0.45%	(7,318)	0.72%	(11,709)
4	6 to 12 Months	(798,477)	0.90%	7,186	1.43%	11,418
5	1 to 2 Years	1,002,421	1.50%	(15,036)	2.77%	(27,767)
6	2 to 3 Years	17,061	2.50%	(427)	4.49%	(766)
7	3 to 4 Years	8,734	3.50%	(306)	6.14%	(536)
8	4 to 5 Years	935,054	4.50%	(42,077)	7.71%	(72,093)
9	5 to 7 Years	15,294	6.00%	(918)	10.15%	(1,552)
10	7 to 10 Years	18,016	8.50%	(1,531)	13.26%	(2,389)
11	Over 10 Years	25,715	12.50%	(3,214)	17.84%	(4,588)
		6,329,026		(99,042)		(166,624)

##### 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	(18,962,289)	0.05%	9,481	0.08%	15,170
2	1 to 3 Months	22,441,193	0.20%	(44,882)	0.32%	(71,812)
3	3 to 6 Months	1,626,304	0.45%	(7,318)	0.72%	(11,709)
4	6 to 12 Months	(798,477)	0.90%	7,186	1.43%	11,418
5	1 to 2 Years	1,002,421	1.50%	(15,036)	2.77%	(27,767)
		5,309,152		(50,569)		(84,700)

K, m

39.3.2 Mismatch of interest rate sensitive assets and liabilities as at 31 December 2017

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)												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	169,886	-	-	-	-	-	-	-	-	-	-	169,886
Balances with other banks	2,012,314	1,005,642	450,000	550,000	-	-	-	-	-	-	-	6,672
Lending to financial institutions	2,038,288	2,038,288	-	-	-	-	-	-	-	-	-	-
Investments	40,240,634	7,523,831	26,364,096	2,726,853	122,396	954,593	-	927,541	60	-	-	1,621,264
Advances	18,788,493	5,960,933	7,029,681	3,780,450	249,443	248,003	230,561	437,373	813,752	25,715	-	12,582
Other assets	370,165	-	-	-	-	-	-	-	-	-	-	370,165
	<u>63,619,780</u>	<u>16,528,694</u>	<u>33,843,777</u>	<u>7,057,303</u>	<u>371,839</u>	<u>1,202,596</u>	<u>230,561</u>	<u>1,364,914</u>	<u>813,812</u>	<u>25,715</u>	-	<u>2,180,569</u>
<b>Liabilities</b>												
Borrowings from financial institutions	44,607,690	31,775,130	8,275,927	2,923,783	18,540	199,793	212,889	421,126	780,502	-	-	-
Deposits and other accounts	10,501,149	3,715,824	3,126,600	2,507,129	1,151,596	-	-	-	-	-	-	-
Liabilities against assets subject to finance leases	1,346	29	57	87	180	382	611	-	-	-	-	-
Other liabilities	1,380,121	-	-	-	-	-	-	-	-	-	-	1,380,121
	<u>56,490,306</u>	<u>35,490,983</u>	<u>11,402,584</u>	<u>5,430,999</u>	<u>1,170,316</u>	<u>200,175</u>	<u>213,500</u>	<u>421,126</u>	<u>780,502</u>	<u>-</u>	-	<u>1,380,121</u>
<b>On-balance sheet gap</b>	<u>7,129,474</u>	<u>(18,962,289)</u>	<u>22,441,193</u>	<u>1,626,304</u>	<u>(798,477)</u>	<u>1,002,421</u>	<u>17,061</u>	<u>943,788</u>	<u>33,310</u>	<u>25,715</u>	-	<u>800,448</u>
Non-Financial assets	1,049,610	-	-	-	-	-	-	-	-	-	-	-
Non-Financial liabilities	55,727	-	-	-	-	-	-	-	-	-	-	-
<b>Total Net Assets</b>	<u>8,123,357</u>	-	-	-	-	-	-	-	-	-	-	-
<b>Total yield/profit risk sensitivity gap</b>		<u>(18,962,289)</u>	<u>22,441,193</u>	<u>1,626,304</u>	<u>(798,477)</u>	<u>1,002,421</u>	<u>17,061</u>	<u>943,788</u>	<u>33,310</u>	<u>25,715</u>	-	-
<b>Cumulative yield/profit risk sensitivity gap</b>		<u>(18,962,289)</u>	<u>3,478,904</u>	<u>5,105,208</u>	<u>4,306,731</u>	<u>5,309,152</u>	<u>5,326,213</u>	<u>6,270,001</u>	<u>6,303,311</u>	<u>6,329,026</u>	-	-

KSML

Mismatch of interest rate sensitive assets and liabilities as at 31 December 2016

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)												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
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>
<b>Liabilities</b>												
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		5,342,975	1,255,881	906,964	1,175,168	1,998,985	5,977	-	-	-	-	-
Liabilities against assets subject to finance leases	6.28%	1,671	26	53	81	166	353	382	610	-	-	-
Other liabilities	7.91%	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>
<b>On-balance sheet gap</b>		<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		-	-	-	-	-	-	-	-	-	-	-
<b>Total Net Assets</b>		<u>8,461,198</u>	-	-	-	-	-	-	-	-	-	-
<b>Total yield/profit risk sensitivity gap</b>			<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>	
<b>Cumulative yield/profit risk sensitivity gap</b>			<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>	

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

39.3.4 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.

*km*

### 39.4 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	64,669,064	56,546,033	-	8,123,031
United States Dollar	65	-	-	65
Omani Riyal	261	-	-	261
	<b>64,669,390</b>	<b>56,546,033</b>	-	<b>8,123,357</b>

### 39.5 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.

### 39.6 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.

*Kumar*

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

Maturities of assets and liabilities as at 31 December 2017

	2017									
	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)										
<b>Assets</b>										
Cash and balances with treasury banks	169,886	169,886	-	-	-	-	-	-	-	-
Balances with other banks	2,012,314	1,012,314	450,000	550,000	-	-	-	-	-	-
Lending to financial institutions	2,038,288	2,038,288	-	-	-	-	-	-	-	-
Investments	40,240,634	6,726,330	25,442,344	1,497,368	259,870	1,563,679	187,540	2,809,346	1,754,157	-
Advances	18,788,493	251,059	993,173	1,451,988	2,394,414	4,696,313	3,639,073	3,718,573	1,618,185	25,715
Other assets	779,804	148,030	152,009	469,587	5,890	-	-	4,288	-	-
Operating fixed assets	81,901	2,960	5,737	6,851	12,851	23,514	8,626	10,343	11,019	-
Deferred tax assets	558,070	(44,700)	(17,684)	(31,072)	(80,847)	(77,873)	14,435	522,324	272,597	890
	64,669,390	10,304,167	27,025,579	3,944,722	2,592,178	6,205,633	3,849,674	7,064,874	3,655,958	26,605
<b>Liabilities</b>										
Borrowings from financial institutions	44,607,690	31,541,796	5,600,927	1,217,690	1,293,167	1,999,046	1,037,142	1,137,420	780,502	-
Deposits and other accounts	10,501,149	3,715,824	3,126,600	2,507,129	1,151,596	-	-	-	-	-
Liabilities against assets subject to finance leases	1,346	29	57	87	180	382	611	-	-	-
Others liabilities	1,435,848	390,388	659,645	52,914	131,221	137,355	28,402	31,423	4,500	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	56,546,033	35,648,037	9,387,229	3,777,820	2,576,164	2,136,783	1,066,155	1,168,843	785,002	-
Net assets	8,123,357	(25,343,870)	17,638,350	166,902	16,014	4,068,850	2,783,519	5,896,031	2,870,956	26,605
Share capital	6,150,000									
Reserves	1,071,761									
Unappropriated profit	838,056									
	8,059,817									
Surplus on revaluation of assets - net of tax	63,540									
	8,123,357									

*Kmm*

Maturities of assets and liabilities as at 31 December 2016

	2016									
	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)										
<b>Assets</b>										
Cash and balances with treasury banks	88,884	88,884	-	-	-	-	-	-	-	-
Balances with other banks	1,670,921	1,170,921	300,000	100,000	100,000	-	-	-	-	-
Lending to financial institutions	935,826	935,826	-	-	-	-	-	-	-	-
Investments	20,831,182	1,883,001	1,967,483	1,579,653	6,737,186	1,884,156	936,723	4,163,994	1,678,986	-
Advances	14,834,851	173,496	1,246,580	1,186,563	1,728,360	3,356,794	2,942,610	2,954,087	1,216,893	29,468
Other assets	919,994	148,230	145,851	615,768	5,883	74	-	4,188	-	-
Operating fixed assets	85,263	3,281	6,561	8,380	13,957	23,016	20,239	4,212	5,617	-
Deferred tax assets	439,434	(48,022)	(22,800)	(42,601)	(210,774)	(98,215)	(30,474)	606,682	284,649	989
	<u>39,806,355</u>	<u>4,355,617</u>	<u>3,643,675</u>	<u>3,447,763</u>	<u>8,374,612</u>	<u>5,165,825</u>	<u>3,869,098</u>	<u>7,733,163</u>	<u>3,186,145</u>	<u>30,457</u>
<b>Liabilities</b>										
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	-	-
Others Liabilities	849,613	130,414	301,629	63,471	132,498	65,583	137,390	8,753	9,875	-
	<u>31,345,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets	<u>8,461,198</u>	<u>4,355,617</u>	<u>3,643,675</u>	<u>3,447,763</u>	<u>8,374,612</u>	<u>5,165,825</u>	<u>3,869,098</u>	<u>7,733,163</u>	<u>3,186,145</u>	<u>30,457</u>
Share capital	6,150,000									
Reserves	984,427									
Unappropriated profit	972,325									
	<u>8,106,752</u>									
Surplus on revaluation of investment - net of tax	354,446									
	<u>8,461,198</u>									

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

*hmm*

39.6.2 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 2017

	2017									
	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)										
<b>Assets</b>										
Cash and balances with treasury banks	169,886	169,886	-	-	-	-	-	-	-	-
Balances with other banks	2,012,314	1,012,314	450,000	550,000	-	-	-	-	-	-
Lending to financial institutions	2,038,288	2,038,288	-	-	-	-	-	-	-	-
Investments	40,240,634	6,726,330	25,442,344	1,497,368	259,870	1,563,679	187,540	2,809,346	1,754,157	-
Advances	18,788,493	251,059	993,173	1,451,988	2,394,414	4,696,313	3,639,073	3,718,573	1,618,185	25,715
Other assets	779,804	148,030	152,009	469,587	5,890	-	-	4,288	-	-
Operating fixed assets	81,901	2,960	5,737	6,851	12,851	23,514	8,626	10,343	11,019	-
Deferred tax assets	558,070	(44,700)	(17,684)	(31,072)	(80,847)	(77,873)	14,435	522,324	272,597	890
	<b>64,669,390</b>	<b>10,304,167</b>	<b>27,025,579</b>	<b>3,944,722</b>	<b>2,592,178</b>	<b>6,205,633</b>	<b>3,849,674</b>	<b>7,064,874</b>	<b>3,655,958</b>	<b>26,605</b>
<b>Liabilities</b>										
Borrowings from financial institutions	44,607,690	31,541,796	5,600,927	1,217,690	1,293,167	1,999,046	1,037,142	1,137,420	780,502	-
Deposits and other accounts	10,501,149	3,715,824	3,126,600	2,507,129	1,151,596	-	-	-	-	-
Liabilities against assets subject to finance leases	1,346	29	57	87	180	382	611	-	-	-
Others liabilities	1,435,848	390,388	659,645	52,914	131,221	137,355	28,402	31,423	4,500	-
Deferred liabilities	-	-	-	-	-	-	-	-	-	-
	<b>56,546,033</b>	<b>35,648,037</b>	<b>9,387,229</b>	<b>3,777,820</b>	<b>2,576,164</b>	<b>2,136,783</b>	<b>1,066,155</b>	<b>1,168,843</b>	<b>785,002</b>	<b>-</b>
Net assets	<b>8,123,357</b>	<b>(25,343,870)</b>	<b>17,638,350</b>	<b>166,902</b>	<b>16,014</b>	<b>4,068,850</b>	<b>2,783,519</b>	<b>5,896,031</b>	<b>2,870,956</b>	<b>26,605</b>
Share capital	6,150,000									
Reserves	1,071,761									
Unappropriated profit	838,056									
	<b>8,059,817</b>									
Surplus on revaluation of investment - net of tax	63,540									
	<b>8,123,357</b>									

*Kmm*

Maturities of assets and liabilities as at 31 December 2016

	2016									
	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)										
<b>Assets</b>										
Cash and balances with treasury banks	88,884	88,884	-	-	-	-	-	-	-	-
Balances with other banks	1,670,921	1,170,921	300,000	100,000	100,000	-	-	-	-	-
Lending to financial institutions	935,826	935,826	-	-	-	-	-	-	-	-
Investments	20,831,182	1,883,001	1,967,483	1,579,653	6,737,186	1,884,156	936,723	4,163,994	1,678,986	-
Advances	14,834,851	173,496	1,246,580	1,186,563	1,728,360	3,356,794	2,942,610	2,954,087	1,216,893	29,468
Other assets	919,994	148,230	145,851	615,768	5,883	74	-	4,188	-	-
Operating fixed assets	85,263	3,281	6,561	8,380	13,957	23,016	20,239	4,212	5,617	-
Deferred tax assets	439,434	(48,022)	(22,800)	(42,601)	(210,774)	(98,215)	(30,474)	606,682	284,649	989
	<u>39,806,355</u>	<u>4,355,617</u>	<u>3,643,675</u>	<u>3,447,763</u>	<u>8,374,612</u>	<u>5,165,825</u>	<u>3,869,098</u>	<u>7,733,163</u>	<u>3,186,145</u>	<u>30,457</u>
<b>Liabilities</b>										
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	-	-
Others Liabilities	849,613	130,414	301,629	63,471	132,498	65,583	137,390	8,753	9,875	-
	<u>31,345,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u>8,461,198</u>	<u>4,355,617</u>	<u>3,643,675</u>	<u>3,447,763</u>	<u>8,374,612</u>	<u>5,165,825</u>	<u>3,869,098</u>	<u>7,733,163</u>	<u>3,186,145</u>	<u>30,457</u>
Share capital	6,150,000									
Reserves	984,427									
Unappropriated profit	972,325									
	<u>8,106,752</u>									
Surplus on revaluation of investment - net of tax	354,446									
	<u>8,461,198</u>									

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

39.7 Operational risk

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

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

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

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

40. TRUST ACTIVITIES

The Company is acting as a trustee to Term Finance Certificates issued by Pakistan Refinery Limited, Askari Bank Limited, Pak Arab Fertilizers Limited, NRSP Microfinance Bank Limited, Al-Arabia Sugar Mills Limited and FINCA Microfinance Bank 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 08 March 2018 have:

- proposed 7% cash dividend amounting to Rs. 430.5 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

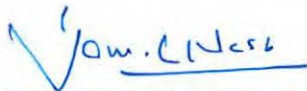
The JCR-VIS Credit Rating Company Limited has maintained the Company's rating of AA + (Double A Plus) in the long term and A-1 + (A One Plus) for the short term.

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 08 March 2018 by the Board of Directors of the Company.

*kind*



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 2017**



**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**

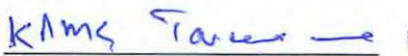
We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of **Pak Oman Investment Company Limited** ("the Holding Company") and its subsidiary company ("the Group") as at 31 December 2017 and the related consolidated profit and loss account, 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 2017 and the results of their operations for the year then ended.

**Date: 8 March 2018**

**Karachi**

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


Pak Oman Investment Company Limited  
 Consolidated Statement of Financial Position  
 As at 31 December 2017


2017 (US Dollar in '000)	2016		Note	2017 (Rupees in '000)	2016
<b>ASSETS</b>					
1,540	805	Cash and balances with treasury banks	6	170,000	88,909
18,504	15,255	Balances with other banks	7	2,043,137	1,684,442
18,460	8,475	Lendings to financial institutions	8	2,038,288	935,826
365,921	188,925	Investments	9	40,403,976	20,860,575
170,177	134,376	Advances	10	18,790,501	14,837,460
3,217	872	Operating fixed assets	11	355,214	96,337
4,627	3,552	Deferred tax assets	12	510,857	392,221
8,229	8,637	Other assets	13	908,649	953,536
<u>590,675</u>	<u>360,897</u>			<u>65,220,622</u>	<u>39,849,306</u>
<b>LIABILITIES</b>					
-	-	Bills payable		-	-
408,982	227,781	Borrowings	14	45,158,690	25,150,898
95,104	48,389	Deposits and other accounts	15	10,501,149	5,342,975
-	-	Sub-ordinated loans		-	-
12	15	Liabilities against assets subject to finance lease	16	1,346	1,671
-	-	Deferred tax liabilities		-	-
13,842	7,885	Other liabilities	17	1,528,228	870,853
<u>517,940</u>	<u>284,070</u>			<u>57,189,413</u>	<u>31,366,397</u>
<u>72,735</u>	<u>76,827</u>	<b>NET ASSETS</b>		<u>8,031,209</u>	<u>8,482,909</u>
<b>REPRESENTED BY</b>					
55,698	55,698	Share capital	18	6,150,000	6,150,000
9,706	8,916	Reserves	19	1,071,761	984,427
6,681	8,913	Unappropriated profit		737,744	984,139
<u>72,085</u>	<u>73,527</u>			<u>7,959,505</u>	<u>8,118,566</u>
74	88	Non-controlling interest	20	8,142	9,664
<u>72,159</u>	<u>73,615</u>			<u>7,967,647</u>	<u>8,128,230</u>
576	3,212	Surplus on revaluation of assets - net of deferred tax	21	63,562	354,679
<u>72,735</u>	<u>76,827</u>			<u>8,031,209</u>	<u>8,482,909</u>
<b>CONTINGENCIES AND COMMITMENTS</b>					
			22		

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 Profit And Loss Account**  
For the year ended 31 December 2017

2017 (US Dollar in '000)		2016 (US Dollar in '000)			Note	2017 (Rupees in '000)		2016 (Rupees in '000)	
35,951	20,785			Mark-up / return / interest earned	23	3,969,612	2,295,027		
28,270	13,009			Mark-up / return / interest expensed	24	3,121,481	1,436,373		
<u>7,681</u>	<u>7,776</u>			<b>Net mark-up / interest income</b>		<u>848,131</u>	<u>858,654</u>		
(1,688)	1,523			(Reversal) / provision against non-performing advances	10.5	(186,343)	168,179		
163	(1,567)			Provision / (reversal) for diminution in the value of investments	9.3	18,030	(172,986)		
-	-			Bad debts written off directly		-	-		
<u>(1,525)</u>	<u>(44)</u>					<u>(168,313)</u>	<u>(4,807)</u>		
<u>9,206</u>	<u>7,820</u>			<b>Net mark-up / interest income after provisions</b>		<u>1,016,444</u>	<u>863,461</u>		
<b>NON MARK-UP / INTEREST INCOME</b>									
1,229	725			Fee, commission and brokerage income		135,651	80,035		
635	830			Dividend income		70,147	91,662		
-	-			Income from dealing in foreign currencies		-	-		
1,647	5,177			Gain on sale of securities	25	181,864	571,673		
15	27			Unrealised gain on revaluation of investments classified as held-for-trading		1,668	2,963		
(510)	1,951			Share of (loss) / profit from associates - net of tax		(56,277)	215,445		
58	43			Other income	26	6,365	4,779		
<u>3,074</u>	<u>8,753</u>			<b>Total non mark-up / interest income</b>		<u>339,418</u>	<u>966,557</u>		
<u>12,280</u>	<u>16,573</u>					<u>1,355,862</u>	<u>1,830,018</u>		
<b>NON MARK-UP / INTEREST EXPENSES</b>									
6,104	5,736			Administrative expenses	27	673,937	633,316		
-	-			Other provisions / write offs	13.2	-	-		
425	779			Other charges	28	46,973	86,057		
<u>6,529</u>	<u>6,515</u>			<b>Total non mark-up / interest expenses</b>		<u>720,910</u>	<u>719,373</u>		
<u>5,751</u>	<u>10,058</u>					<u>634,952</u>	<u>1,110,645</u>		
-	-			Extra ordinary / unusual items		-	-		
<u>5,751</u>	<u>10,058</u>			<b>PROFIT BEFORE TAXATION</b>		<u>634,952</u>	<u>1,110,645</u>		
<b>Taxation</b>									
2,586	3,200			- current	29	285,563	353,373		
317	29			- prior years		34,971	3,206		
(78)	(236)			- deferred		(8,602)	(26,043)		
<u>2,825</u>	<u>2,993</u>					<u>311,932</u>	<u>330,536</u>		
<u>2,926</u>	<u>7,065</u>			<b>PROFIT AFTER TAXATION</b>		<u>323,020</u>	<u>780,109</u>		
<b>PROFIT / (LOSS) ATTRIBUTABLE TO:</b>									
2,940	7,069			Shareholders of the holding company		324,542	780,564		
(14)	(4)			Non-controlling interest		(1,522)	(455)		
<u>2,926</u>	<u>7,065</u>					<u>323,020</u>	<u>780,109</u>		
(US \$)						(Rupees)			
<u>0.0048</u>	<u>0.0115</u>	<b>Basic and diluted earnings per share</b>		30		<u>0.53</u>	<u>1.27</u>		

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

  
Chief Financial Officer

  
Managing Director  
and Chief Executive

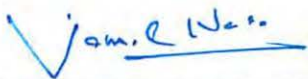
  
Managing Director  
and Chief Executive


  
Chairman


Pak Oman Investment Company Limited  
 Consolidated Statement of Comprehensive Income  
 For the year ended 31 December 2017

2017 (US Dollar in '000)	2016		Note	2017 (Rupees in '000)	2016
2,926	7,065	<b>Profit after taxation</b>		323,020	780,109
		<b>Other comprehensive income for the year</b>			
		Items that may be reclassified subsequently to profit and loss account		-	-
		Items that will not be reclassified subsequently to profit and loss account:			
70	(14)	Remeasurement of defined benefit obligation	33.9	7,758	(1,529)
(21)	4	Related tax impact		(2,327)	474
49	(10)			5,431	(1,055)
<u>2,975</u>	<u>7,055</u>	<b>Comprehensive income for the year transferred to equity attributable to:</b>		<u>328,451</u>	<u>779,054</u>
2,989	7,059	Shareholders of the holding company		329,973	779,509
(14)	(4)	Non-controlling interest		(1,522)	(455)
<u>2,975</u>	<u>7,055</u>	<b>Comprehensive income for the year transferred to equity</b>		<u>328,451</u>	<u>779,054</u>
		<b>Component of comprehensive income for the year not transferred to equity</b>			
(3,606)	(1,446)	Surplus on revaluation of 'available for sale' investments		(398,185)	(159,706)
997	553	Related tax impact		110,034	61,080
(2,609)	(893)			(288,151)	(98,626)
<u>366</u>	<u>6,162</u>	<b>Total comprehensive income</b>		<u>40,300</u>	<u>680,428</u>

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

  
 Chief Financial Officer

  
 Managing Director  
 and Chief Executive

  
 Managing Director  
 and Chief Executive

  
 Chairman

Pak Oman Investment Company Limited  
Consolidated Cash Flow Statement  
For the year ended 31 December 2017

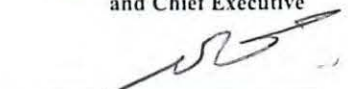
2017 (US Dollar in '000)	2016		Note	2017 (Rupees in '000)	2016 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
5,751	10,058	Profit before taxation		634,952	1,110,645
635	830	Less: Dividend income		70,147	91,662
<u>5,116</u>	<u>9,228</u>			<u>564,805</u>	<u>1,018,983</u>
<b>Adjustments:</b>					
448	319	Depreciation	27	49,520	35,260
5	1	Amortization of intangible assets	27	498	119
(15)	(27)	Unrealised gain / (loss) on revaluation of investments classified as held-for-trading		(1,668)	(2,963)
(25)	(41)	Gain on sale of operating fixed assets	28 & 26	(2,761)	(4,531)
510	(1,951)	Share of loss / (profit) from associates - net of tax		56,277	(215,445)
(1,688)	1,523	(Reversal) / provision against non-performing advances	10.5	(186,343)	168,179
163	(1,567)	Provision / (reversal) for diminution in the value of investments of investments	9.3	18,030	(172,986)
1	1	Finance charges on leased assets	27	106	146
<u>(601)</u>	<u>(1,742)</u>			<u>(66,341)</u>	<u>(192,221)</u>
<u>4,515</u>	<u>7,486</u>			<u>498,464</u>	<u>826,762</u>
<b>(Increase) / decrease in operating assets</b>					
(9,985)	(5,189)	Lendings to financial institutions		(1,102,462)	(573,002)
(186,562)	(22,778)	Net investments in held-for-trading securities		(20,599,660)	(2,515,074)
(34,113)	(45,366)	Advances		(3,766,698)	(5,009,214)
(969)	(1,200)	Other assets (excluding taxation)		(107,025)	(132,533)
<u>(231,629)</u>	<u>(74,533)</u>			<u>(25,575,845)</u>	<u>(8,229,823)</u>
<b>Increase / (decrease) in operating liabilities</b>					
181,202	96,647	Borrowings		20,007,792	10,671,458
46,715	12,073	Deposits and other accounts		5,158,174	1,333,115
5,883	2,907	Other liabilities		649,694	320,922
<u>233,800</u>	<u>111,627</u>			<u>25,815,660</u>	<u>12,325,495</u>
<u>6,686</u>	<u>44,580</u>			<u>738,279</u>	<u>4,922,434</u>
(1)	(1)	Finance charges paid on leased assets		(106)	(146)
<u>(1,616)</u>	<u>(4,032)</u>	Income tax paid		<u>(178,436)</u>	<u>(445,158)</u>
<u>5,069</u>	<u>40,547</u>	<b>Net cash from operating activities</b>		<u>559,737</u>	<u>4,477,130</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
5,005	(36,934)	Net investments in available-for-sale securities		552,685	(4,078,143)
297	(1,260)	(Investments in) / sale of associates		32,750	(139,159)
654	812	Dividend income received		72,175	89,634
(2,633)	(421)	Purchase of operating fixed assets		(290,726)	(46,493)
50	84	Sale proceeds on sale of property and equipments		5,490	9,264
<u>3,373</u>	<u>(37,719)</u>	<b>Net cash from / (used) in investing activities</b>		<u>372,374</u>	<u>(4,164,897)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
(3)	(3)	Payments of finance lease obligations		(325)	(302)
(4,456)	(3,342)	Dividend paid		(492,000)	(369,000)
<u>(4,459)</u>	<u>(3,345)</u>	<b>Net cash used in financing activities</b>		<u>(492,325)</u>	<u>(369,302)</u>
<u>3,983</u>	<u>(517)</u>	<b>Increase / (decrease) in cash and cash equivalents</b>		<u>439,786</u>	<u>(57,069)</u>
16,060	16,577	Cash and cash equivalents at beginning of the year		1,773,351	1,830,420
<u>20,043</u>	<u>16,060</u>	<b>Cash and cash equivalents at end of the year</b>	31	<u>2,213,137</u>	<u>1,773,351</u>

The annexed notes from I 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 2017

	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 2016	6,150,000	831,674	11,630	713,763	7,707,067	10,119	7,717,186
<b>Comprehensive income</b>							
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
<b>Transfers</b>							
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)	-	-	-
<b>Transaction with owners recognised directly in equity</b>							
Dividend for the year ended 31 December 2015 (Re. 0.60 per share)	-	-	-	(369,000)	(369,000)	-	(369,000)
Increase in share of non-controlling interest	-	-	-	-	-	-	-
Balance as at 31 December 2016	6,150,000	972,797	11,630	984,139	8,118,566	9,664	8,128,230
<b>Comprehensive income</b>							
Profit / (loss) for the year ended 31 December 2017	-	-	-	324,542	324,542	(1,522)	323,020
Other comprehensive income - net of tax	-	-	-	5,431	5,431	-	5,431
Total comprehensive income for the year	-	-	-	329,973	329,973	(1,522)	328,451
<b>Transfers</b>							
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	2,966	2,966	-	2,966
Transfer to statutory reserve - 20% of the holding company's profit for the year	-	87,334	-	(87,334)	-	-	-
<b>Transaction with owners recognised directly in equity</b>							
Dividend for the year ended 31 December 2016 (Re. 0.8 per share)	-	-	-	(492,000)	(492,000)	-	(492,000)
Balance as at 31 December 2017	6,150,000	1,060,131	11,630	737,744	7,959,505	8,142	7,967,647

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**  
**Notes to the Consolidated Financial Statements**  
*For the year ended 31 December 2017*

**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 repealed 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.

During the year, the Company has purchased 100% shares of Askari Investment Management Limited for a consideration of Rs. 551 million. The acquisition is effective from the close of business as on 31 May 2017 under a Share Purchase Agreement dated 10 January 2017. Askari Investment Management Limited has been merged with Pak Oman AMCL effective from 30 October 2017. And accordingly seven funds of Askari Investment Management Limited are now under the management of the Company.

**1.2 The Group's associates are as follows:**

Entity	Country of Incorporation	Nature of business	Holding %	
			2017	2016
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.	53.99	43.34
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.	49.99	38.50
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.	81.28	60.25
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.	90.42	66.91
Askari High Yield Scheme	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	5.62	-
Pak Oman Microfinance Bank Limited	Pakistan	Incorporated under the repealed Companies Ordinance, 1984 and is engaged in providing micro finance services to the poor and under served segment of the society.	16.67	33.40
Japan Power Generation Limited	Pakistan	Incorporated under the repealed Companies Ordinance, 1984 and is engaged in generation of power and its supply to WAPDA.	11.29	11.29

*1/2/17*

## 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 2017 and the audited financial statements of the subsidiary (POAMCL) for the year ended 31 December 2017. The financial statements used for the equity accounting of associates are disclosed in Note 9.5.8.

### 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. 110.4172 to 1 US Dollar has been used for 2017 and 2016 as it was the prevalent rate as on 31 December 2017.

### 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.

14/11/17

During the year, the Company has changed its depreciation rate for leasehold improvements from 20% to 10% to reflect the pattern in which the asset's future economic benefits are expected to be consumed. The management has incorporated the effect of change in accounting estimate in accordance with IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" in the financial statements. The effect of these changes on actual and expected depreciation expense are recognised in profit and loss account as follows:

	2017	2018	2019	2020	2021	Later
	-----Rupees-----					
Increase / (decrease) in depreciation expense	(2,268,040)	(2,628,324)	(2,467,922)	(1,979,859)	(1,722,421)	11,066,566

**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.

**g) Non- banking assets acquired in satisfaction of claims.**

Non banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued as per SBP's requirement by independent professionally qualified valuers taking into consideration assumptions and estimates.

**h) Provisions against off - balance sheet obligations**

The Group, in the ordinary course of business, issues guarantees. The commission against such contracts is recognised in the profit and loss account under "fees, commission and brokerage income". The Company's liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

**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 repealed Companies Ordinance, 1984, the provisions of and directives issued under the repealed Companies Ordinance, 1984 and the directives issued by the SBP. In case requirements differ, the provisions of and directives issued under the repealed 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 repealed 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.

*Viml*

## 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 certain standards, which became effective during the year. However, they do not have material effect on these consolidated financial statements of the Group.

### 5.1 Business Combination

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

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

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

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

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

#### 5.1.1 Basis of consolidation

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

### 5.2 Cash and cash equivalents

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

### 5.3 Revenue recognition

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

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

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

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

*hmm*

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

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

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

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

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

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

#### 5.4 Investments

The holding company classifies its investments other than those in subsidiary and associates based on the criteria set out in BSD Circular Nos. 10, 11 and 14 dated 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.

#### 5.5 Derivatives

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

*12/11/04*

## **5.6 Advances and net investment in finance lease**

### **5.6.1 Advances**

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

### **5.6.2 Provision against non-performing advances**

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

### **5.6.3 Net investment in lease**

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

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

## **5.7 Operating fixed assets**

### **5.7.1 Property and equipment – owned**

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

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

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

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

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

### **5.7.2 Property and equipment - Leased**

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

### **5.7.3 Capital work-in-progress**

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

### **5.7.4 Intangible assets**

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

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

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

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

*kmk*

## **5.8 Repurchase and resale agreements**

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

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

## **5.9 Taxation**

### **5.9.1 Current**

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

### **5.9.2 Deferred**

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

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

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

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

Deferred tax 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 consolidated profit and loss account over the period of the borrowings by applying effective rate of interest / markup.

## **5.11 Staff retirement benefits**

### **5.11.1 Defined benefit plan**

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

### **5.11.2 Defined contribution plan - the holding company**

The holding company also operates a provident fund scheme for all its permanent employees. Equal monthly contributions at the rate of 8.33 percent per annum of salary are made by the holding company and its employees. The scheme was established on 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.

*kmml*

### **5.11.3 Defined contribution plan - the subsidiary company**

The subsidiary company operates a provident fund scheme for all its permanent employees. Equal monthly contributions at the rate of 8.33 percent per annum of salary are made by the subsidiary company and its employees. The scheme was established on 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.

### **5.11.4 Compensated absences**

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

### **5.12 Foreign currencies translation**

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

### **5.13 Provisions**

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

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

### **5.14 Offsetting**

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

### **5.15 Dividend and reserves**

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

### **5.16 Impairment**

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

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

### **5.17 Earnings per share**

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at 31 December 2017.

### **5.18 Financial instruments**

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

kmk

### 5.19 Certificates of investment (COI)

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

### 5.20 Receivables from funds

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

### 5.21 Segment information

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

#### Business segments

##### - Corporate finance

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

##### - Trading & sales

Involves the businesses of equity trading and fixed income securities.

##### - Commercial banking

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

##### - Asset management

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

### 5.22 Non-banking assets acquired in satisfaction of claims.

Non banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their carrying value. 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 cost and direct cost of acquiring title of property is charged to profit and loss account and not capitalised.

### 5.23 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 beginning on or after 01 January 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 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 recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [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 organization 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 financial statements.

*hmm*

- 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 recognized. 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 recognized. 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 application of interpretation is not likely to have an impact on Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently awaiting instructions from SBP as applicability of IAS 39 was deferred by SBP till further (as explained in note 3).
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2018 and are not likely to have an impact on Group's consolidated financial statements.

In addition, the Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 applicable for financial year beginning on 1 January 2018 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017.

kmn

	Note	2017 (Rupees in '000)	2016
<b>6 CASH AND BALANCES WITH TREASURY BANKS</b>			
Cash in hand :			
local currency		434	109
foreign currency		158	149
Balances with State Bank of Pakistan in local currency - current account	6.1	<u>169,408</u>	<u>88,651</u>
		<u>170,000</u>	<u>88,909</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		6,346	8,217
deposit accounts	7.1	2,036,465	1,675,970
		<u>2,042,811</u>	<u>1,684,187</u>
Outside Pakistan - current accounts		326	255
		<u>2,043,137</u>	<u>1,684,442</u>

7.1 These include term deposit receipts (TDRs) of Rs. 2,000 million (2016: Rs. 1,650 million) maturing between January 2018 to June 2018 (2016: January 2017 to December 2017). These carry mark-up rates ranging from 6.75 to 9 (2016: 6.40 to 8.50) percent per annum.

## 8 LENDINGS TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings	8.1	2,038,288	935,826
		<u>2,038,288</u>	<u>935,826</u>

8.1 These are short-term lendings to different financial institutions secured against government securities as disclosed in note which are purchased under resale obligations. These carry mark-up rates ranging from 5.70 to 6.25 (2016: 6.15 to 6.25) percent per annum and will mature in January 2018 (2016: January 2017).

### 8.2 Particulars of lendings

In local currency		2,038,288	935,826
In foreign currency		-	-
		<u>2,038,288</u>	<u>935,826</u>

### 8.3 Securities held as collateral against lendings to financial institutions

	2017			2016		
	Held by the holding company	Given as collateral	Total	Held by the holding company	Given as collateral	Total
Note	(Rupees in '000)					
Market Treasury Bills	-	1,328,288	1,328,288	296,955	438,871	735,826
Pakistan Investment Bonds	-	710,000	710,000	-	200,000	200,000
8.3.1	-	<u>2,038,288</u>	<u>2,038,288</u>	<u>296,955</u>	<u>638,871</u>	<u>935,826</u>

8.3.1 Market value of these securities amount to Rs. 2,099 million (2016: Rs. 941 million).

*kmml*

9 INVESTMENTS

	Note	2017			2016		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
(Rupees in '000)							
<b>9.1 Investments by types</b>	9.5						
<b>Held-for-trading securities</b>							
Pakistan Investment Bonds (PIBs)	9.4 & 9.5.1	1,266,154	149,771	1,415,925	602,866	1,036,725	1,639,591
Market Treasury Bills (T-Bills)	9.4 & 9.5.1	2,530,885	19,906,888	22,437,773	430,275	1,370,506	1,800,781
Listed ordinary shares	9.5.2.1	4,409	-	4,409	41,106	-	41,106
Term finance certificates (TFCs)	9.5.4.1	240,219	-	240,219	66,943	-	66,943
	9.5.5.1						
Sukuk certificates	9.5.6.1	50,000	-	50,000	-	-	-
		4,091,667	20,056,659	24,148,326	1,141,190	2,407,231	3,548,421
<b>Available-for-sale securities</b>							
Pakistan Investment Bonds (PIBs)	9.4 & 9.5.1	59	1,081,861	1,081,920	183,630	2,423,324	2,606,954
Market Treasury Bills (T-Bills)	9.4 & 9.5.1	242,727	10,347,683	10,590,410	194,832	9,733,012	9,927,844
Ijara Sukuk	9.4 & 9.5.1	-	-	-	-	-	-
Listed ordinary shares	9.5.2.2	145,807	-	145,807	653,703	-	653,703
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	2,675,835	-	2,675,835	1,723,926	-	1,723,926
Sukuk certificates	9.5.6	866,086	-	866,086	1,146,159	-	1,146,159
Commercial papers	9.5.7	47,479	-	47,479	-	-	-
		4,099,326	11,655,544	15,754,870	4,023,583	12,382,336	16,405,919
<b>Associates</b>							
	9.5.8						
Japan Power Generation Limited		-	-	-	-	-	-
Pak Oman Advantage Islamic Income Fund		175,361	-	175,361	176,216	-	176,216
Pak Oman Islamic Asset Allocation Fund		107,021	-	107,021	161,201	-	161,201
Pak Oman Advantage Asset Allocation Fund		101,619	-	101,619	247,788	-	247,788
Pak Oman Government Securities Fund		257,385	-	257,385	334,813	-	334,813
Askari High Yield Scheme		185,487	-	185,487	-	-	-
Pak Oman Microfinance Bank Limited		362,245	-	362,245	358,338	-	358,338
		1,189,118	-	1,189,118	1,278,356	-	1,278,356
<b>Investments at cost</b>		9,380,111	31,712,203	41,092,314	6,443,129	14,789,567	21,232,696
Less: Provision for diminution in the value of investments	9.3	697,700	-	697,700	778,034	-	778,034
<b>Investments - net of provisions</b>		8,682,411	31,712,203	40,394,614	5,665,095	14,789,567	20,454,662
Deficit on revaluation of held-for-trading securities	9.6	(728)	(1,567)	(2,295)	(1,985)	(1,733)	(3,718)
Surplus / (deficit) on revaluation of available-for-sale securities	21	13,532	(1,875)	11,657	117,230	292,401	409,631
<b>Total investments</b>		<u>8,695,215</u>	<u>31,708,761</u>	<u>40,403,976</u>	<u>5,780,340</u>	<u>15,080,235</u>	<u>20,860,575</u>

kmk

	Note	2017	2016
		Rupees in '000	
<b>9.2 Investments by segments</b>			
<b>Federal Government Securities</b>			
Pakistan Investment Bonds (PIBs)	9.4, 9.5 & 9.6	2,497,845	4,246,545
Ijara Sukuk	9.4, 9.5 & 9.6	-	-
Market Treasury Bills (MTBs)	9.4, 9.5 & 9.6	33,028,183	11,728,625
		<u>35,526,028</u>	<u>15,975,170</u>
<b>Fully paid up ordinary shares</b>			
Listed companies	9.5.2	150,216	694,809
Unlisted companies	9.5.3.1	347,333	347,333
		497,549	1,042,142
<b>Term finance certificates (TFCs)</b>			
Listed	9.5.4	1,269,304	934,341
Unlisted	9.5.5	1,646,750	856,528
		2,916,054	1,790,869
<b>Sukuk certificates</b>	9.5.6	916,086	1,146,159
<b>Commercial papers</b>		47,479	-
<b>Investments in associates</b>	9.5.8	1,189,118	1,278,356
<b>Total investments at cost</b>		<u>41,092,314</u>	<u>21,232,696</u>
Less: Provision for diminution in the value of investments	9.3	697,700	778,034
<b>Investments - net of provisions</b>		<u>40,394,614</u>	<u>20,454,662</u>
(Deficit) / surplus on revaluation of held-for-trading securities	9.6	(2,295)	(3,718)
Surplus on revaluation of available-for-sale securities	21	11,657	409,631
<b>Total investments</b>		<u>40,403,976</u>	<u>20,860,575</u>

**9.3 Particulars of provision for diminution in the value of investments**

Opening balance		778,034	997,273
Charge for the year		113,486	68,365
Reversal for the year	9.3.1	(95,456)	(241,351)
		18,030	(172,986)
Transfer to capital gain due to disposal of relevant investments		(98,364)	(46,253)
Closing balance	9.3.2	<u>697,700</u>	<u>778,034</u>

9.3.1 In 2016 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**

	2017	2016
	Rupees in '000	
<b>Shares</b>		
- Listed	71,111	55,989
- Unlisted	121,333	121,333
<b>Term Finance Certificates</b>		
- Listed	213,517	237,920
- Unlisted	130,694	179,455
<b>Sukuk-unlisted</b>	161,045	183,337
	<u>697,700</u>	<u>778,034</u>

1/11/17

9.4 The rates of return on PIBs maturing between March 2018 to July 2024 (2016: March 2018 to April 2026), range from 6 to 8.25 (2016: 6.12 to 13.20) percent per annum. The rate of return on market treasury bills maturing between January 2018 to April 2018 (2016: January 2017 to October 2017), range from 5.93 to 6.02 (2016: 5.81 to 6.22) percent per annum.

9.4.1 PIBs and T-Bills having face value amounting to Rs. 626 million which have been collateralized against a loan sanctioned to Pak Oman Asset Management Company Limited from Habib Bank Limited for the acquisition of Askari Investment Management Limited (AIML).

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

9.5.1 Government Securities

	2017		2016	
	Market Value (Rupees in '000)	Rating Securities	Market Value (Rupees in '000)	Rating Securities
<b>9.5.1.1 Held-for-trading</b>				
<b>Pakistan Investment Bonds (PIBs)</b>				
10 years	347,842	Unrated	80,818	Unrated
5 years	74,917	Unrated	1,040,255	Unrated
3 years	992,319	Unrated	515,459	Unrated
	<b>1,415,078</b>		<b>1,636,532</b>	
<b>Market Treasury Bills (MTBs)</b>				
3 months	10,856,114	Unrated	819,627	Unrated
6 months	11,580,047	Unrated	98,805	Unrated
12 months	-		882,261	Unrated
	<b>22,436,161</b>		<b>1,800,693</b>	
<b>9.5.1.2 Available-for-sale</b>				
<b>Pakistan Investment Bonds (PIBs)</b>				
20 years	-	-	23,621	Unrated
15 years	-	-	482,853	Unrated
10 years	579,759	Unrated	2,434,738	Unrated
5 years	-	-	-	
3 years	503,013	Unrated	-	
	<b>1,082,772</b>		<b>2,941,212</b>	
<b>Ijara Sukuk</b>	-	-	-	
<b>Market Treasury Bills (MTBs)</b>				
6 months	4,590,475	-	-	Unrated
12 months	5,997,129	Unrated	9,919,640	Unrated
	<b>10,587,604</b>		<b>9,919,640</b>	
	<b>35,521,615</b>		<b>16,298,077</b>	

lmm

9.5.2	Listed shares	Rating	Number of shares held		Cost		Market value	
			2017	2016	2017	2016	2017	2016
9.5.2.1	Held-for-trading				(Rupees in '000)			
	<b>Chemical</b>							
	Fauji Fertilizer Company Limited	Unrated	-	75,000	-	7,954	-	7,828
	<b>Power generation &amp; Distribution</b>							
	K- Electric Limited	AA/A1+	700,000	-	4,409	-	4,418	-
	<b>Cable &amp; Electrical Goods</b>							
	Pak Elektron Limited	A+/A1	-	35,000	-	2,493	-	2,495
	<b>Commercial Banks</b>							
	MCB Bank Limited	AAA/A1+	-	20,000	-	4,747	-	4,756
	<b>Refinery</b>							
	National Refinery Limited	AA+/A1+	-	10,000	-	5,865	-	5,711
	<b>Automobile Assembler</b>							
	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
					4,409	41,106	4,418	40,291
9.5.2.2	Available-for-sale							
	<b>Construction and materials (Cement)</b>							
	Fauji Cement Company Limited	AA/A1+	-	600,000	-	24,387	-	27,048
	Lucky Cement Limited	Unrated	-	40,000	-	28,487	-	34,650
	DG Khan Cement Company Limited	Unrated	-	95,000	-	18,842	-	21,064
	<b>Electricity</b>							
	HUB Power Company Limited	AA+/A1+	-	200,000	-	24,510	-	24,696
	Kot Addu Power Company Limited	AA+/A1+	-	400,000	-	33,886	-	31,520
	Nishat Chunian Power Limited	Unrated	-	550,000	-	30,641	-	30,514
	Nishat Power Limited	A+/A1	-	400,000	-	22,194	-	25,636
	<b>Chemical</b>							
	Agritech Limited ( Note 9.5.5.3)	Unrated	1,326,728	1,926,616	46,435	67,449	6,460	24,429
	Engro Corporation Limited	AA/ A1+	-	100,000	-	31,482	-	31,609
	<b>Commercial Banks</b>							
	Bank of Punjab Limited	AA/ A1+	8,281,077	-	99,372	-	68,236	-
	Habib Bank Limited	AAA/A1+	-	90,000	-	19,816	-	24,592
	Habib Metro Bank Limited	AA+/A1+	-	700,000	-	24,847	-	25,900
	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	-	39,346	-	48,974
	<b>Refinery / Oil &amp; Gas</b>							
	Attock Refinery Limited	AA/A1+	-	30,000	-	10,829	-	12,759
	Oil & Gas Development Company Limited	AAA/A1+	-	100,000	-	14,487	-	16,535
	Pakistan Oilfield Limited	Unrated	-	55,000	-	23,895	-	29,404
	Pakistan Petroleum Limited	Unrated	-	90,000	-	15,105	-	16,936
	Pakistan State Oil Company Limited	AA+/A1+	-	70,000	-	28,807	-	30,395
	National Refinery Limited	AA/A1+	-	42,000	-	24,980	-	23,987
	Mari Petroleum Company Limited	Unrated	-	4,750	-	6,595	-	6,531
	<b>Paper and Board</b>							
	Cherat Packaging Limited	Unrated	-	5,000	-	1,756	-	1,690
	<b>Food &amp; Personal care products</b>							
	Engro Foods Limited	Unrated	-	55,000	-	8,917	-	10,557
	<b>Textile</b>							
	Nishat Mills Limited	AA/A1+	-	159,500	-	23,645	-	24,287
	Nishat (Chunian) Limited	Unrated	-	250,000	-	13,600	-	15,607
	<b>Engineering</b>							
	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	-	150,000	-	10,469	-	9,989
	Mughal Iron & Steel Industries	Unrated	-	120,000	-	11,824	-	10,579
	<b>Automobile Assembler</b>							
	Honda Atlas Cars (Pakistan) Limited	Unrated	-	15,000	-	8,824	-	10,030
	<b>Fertilizer</b>							
	Engro Fertilizer Company Limited	AA-/A1+	-	215,000	-	14,302	-	14,616
	<b>Pharmaceuticals</b>							
	The Searle Company Limited	Unrated	-	220	-	113	-	144
					145,807	653,703	74,696	660,104
					150,216	694,809	79,114	700,395

13/11/17

### 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
	2017	2016	2017 (Rupees in '000)	2016				
<b>Shareholding upto 10%</b>								
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 9.5.9)	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	6.96	31-Dec-2016**	Mr. Kewan Qadrc 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	24.88	30-Jun-2017*	Mr. Nadeem Baber
			<u>347,333</u>	<u>347,333</u>				

\*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	
					2017	2016	2017 (Rupees in '000)	2016
<b>9.5.4.1 Held-for-trading</b>								
<b>Commercial bank / DFI</b>								
Summit Bank Limited	6 month Kibor + 3.25%	Half yearly	27-Oct-18	A (SO)	5,000	5,000	25,379	25,187
<b>9.5.4.2 Available-for-sale</b>								
<b>Commercial banks / DFIs</b>								
Bank Alfalah Limited V	6 month Kibor + 1.25%	Half yearly	20-Feb-21	AA	29,500	29,500	149,854	151,166
Habib Bank Limited	6 month Kibor + 0.5%	Half yearly	19-Feb-26	AA+	1,000	-	99,056	-
MCB Bank Limited (Formerly NIB Bank Limited)	6 month Kibor + 1.15%	Half yearly	19-Jun-22	AAA	70,000	35,000	354,946	176,810
Summit Bank Limited	6 month Kibor + 3.25%	Half yearly	27-Oct-18	A (SO)	10,000	10,000	50,263	50,358
Soneri Bank Limited	6 month Kibor + 1.35%	Half yearly	8-Jul-23	A+	76,700	60,000	383,576	305,278
<b>Technology and communication</b>								
WorldCall Telecom Limited	6 month Kibor + 1.6%	Half yearly	7-Oct-21	Unrated	108,623	108,623	-	-
<b>Personal goods</b>								
Azgard Nine Limited	6 month Kibor + 2.4%	Half yearly	20-Sep-17	Unrated	-	15,000	-	-
							<u>1,063,074</u>	<u>708,799</u>

9.5.4.3 The face value of each certificate held in listed TFCs is Rs. 5,000 except Habib Bank Limited Rs 100,000 (2016: Rs. 5,000) per certificate as at issue date.

*hmm*

**9.5.5 Unlisted Term Finance Certificate**

	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificates held		Market value / Cost	
					2017	2016	2017	2016
<b>9.5.5.1 Held-for-trading</b>								
<b>Commercial Banks</b>								
JS Bank limited - PPTFC	6 month Kibor + 1.40%	Half yearly	14-Dec-23	A+	-	8,400	-	42,000
JS Bank limited - PPTFC II	6 months Kibor + 1.40%	Half yearly	29-Dec-24	A+	22,000	-	110,000	-
The Bank of Punjab	6 month Kibor + 1%	Half yearly	23-Dec-26	AA-	250	-	24,995	-
<b>Microfinance Banks</b>								
U Microfinance Bank Limited	6 month Kibor + 3.5%	Half yearly	29-Jun-24	BBB+	16,000	-	80,000	-
<b>9.5.5.2 Available-for-sale</b>								
<b>Commercial banks</b>								
Askari Bank Limited	6 months Kibor + 1.20%	Half yearly	30-Sep-24	AA-	50,000	-	250,283	-
Faysal Bank Limited - PPTFC	6 month Kibor + 2.25%	Half yearly	27-Dec-17	AA-	-	30,000	-	75,456
Bank Alfalah Limited - IV	6 month Kibor + 2.5%	Half yearly	2-Dec-17	AA-	-	33,000	-	110,866
Bank Al- Habib Limited	6 month Kibor + 0.75%	Half yearly	17-Mar-26	AA-	40,012	-	200,140	-
JS Bank limited - PPTFC	6 month Kibor + 1.40%	Half yearly	14-Dec-23	A+	60,000	60,000	299,909	300,000
JS Bank limited - PPTFC II	6 months Kibor + 1.40%	Half yearly	29-Dec-24	A+	40,000	-	200,000	-
The Bank of Punjab	6 month Kibor + 1%	Half yearly	23-Dec-26	AA-	2,500	1,500	249,650	150,000
<b>Chemical</b>								
Agrotech Limited (Note 9.5.5.3)	6 month Kibor + 1.75%	Half yearly	29-Nov-19	Unrated	20,000	20,000	-	-
Agrotech Limited (Note 9.5.5.3)	Zero coupon	Half yearly	1-Jan-15	Unrated	4,309	4,309	-	-
<b>Personal goods</b>								
Argard Nine Limited - III	6 month Kibor + 2.25%	Half yearly	4-Dec-17	Unrated	-	2,000	-	-
Argard Nine Limited - IV	3 month Kibor + 1%	Quarterly	18-Nov-15	Unrated	-	5,000	-	-
Argard Nine Limited - V	Zero coupon	Half yearly	31-Mar-17	Unrated	-	5,687	-	-
<b>Microfinance Banks</b>								
U Microfinance Bank Limited	6 month Kibor + 3.5%	Half yearly	29-Jun-24	BBB+	20,000	-	100,000	-
<b>Leasing</b>								
Security Leasing Corporation Limited			29-Jan-22	Unrated	12,000	12,000	-	-
					1,514,977		678,322	

9.5.5.3 As per the terms of the Share Transfer and Debt Swap Agreement, Agrotech 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.

9.5.5.4 The face value of each certificate held in unlisted TFCs is Rs. 5,000 (2016: Rs 5,000) except The Bank of Punjab Rs 100,000 (2016: Rs. 100,000) per certificate as at issue date.

**9.5.6 Investment in Sukuku**

	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificates held		Market value / Cost	
					2017	2016	2017	2016
<b>9.5.6.1 Held-for-trading</b>								
<b>Others</b>								
International Brands Limited	12 month Kibor + 0.5%	Yearly	15-Nov-21	A-	500	-	50,000	-
<b>9.5.6.1 Available-for-sale</b>								
<b>Personal Goods</b>								
Amtek Limited	3 month Kibor + 2%	Quarterly	12-Oct-12	Unrated	22,000	22,000	20,450	20,450
<b>Leasing</b>								
Security Leasing Corporation Limited II		Monthly	19-Jan-22	Unrated	10,000	10,000	-	-
<b>Energy</b>								
Liberty Power Tech (Private) Limited	3 month Kibor - 3%	Quarterly	18-Mar-21	A-	60,000	60,000	143,878	178,279
K-Electric Limited	3 month Kibor + 2.25%	Quarterly	19-Mar-17	AA	-	8,000	-	40,347
<b>Banks</b>								
Al-Baraka Bank (Pakistan) Limited	6 month Kibor + 1.25%	Half yearly	25-Sep-21	A	500	500	285,594	353,644
<b>Oil &amp; Gas Marketing Companies</b>								
Haseco Petroleum Limited	3 month Kibor + 1.50%	Quarterly	6-Jan-22	AA	60,000	60,000	262,677	310,991
<b>Miscellaneous</b>								
Al-Razi HealthCare (Private) Limited	6 month Kibor + 2.5%	Monthly	4-Feb-21	Unrated	-	30,000	-	66,875
New Allied Electronic Industries (Private) Limited	3 month Kibor + 2.6%	Quarterly	25-Jul-12	Unrated	272,000	272,000	-	-
					762,599		970,626	

9.5.6.2 The face value of each certificate held in unlisted Sukuku is Rs. 5,000 (2016: Rs. 5,000) per certificate as at issue date except for New Allied Electronic Industries (Private) Limited having face value per Sukuku of Rs. 312.5 (2016: Rs. 312.5) and Al-Baraka Bank (Pakistan) Limited having face value of Rs 1 million.

**9.5.7 Commercial papers**

The rates of return on these Commercial papers maturing in September 2018 is 7.72% (2016: nil) per annum.

*1/2 ml*

**9.5.8 Investment in associates**

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

	2017	2016	2017	2016	Holding	Break-up value per share / unit (Rupees)	Latest available financial statements	Name of the chief executive
	Number of shares / units		(Rupees in '000)					
<b>9.5.8.2 Quoted</b>								
Japan Power Generation Company Limited (JPGL) (Note 9.5.8.3 & 22.1)	17,622,878	17,622,878	-	-	11.29%	(42.59)	30-June-17*	Mr. Amjad Awan
Pak Oman Islamic Asset Allocation Fund	2,000,000	2,251,397	107,021	161,201	49.99%	53.51	31-Dec-17**	Mr. Adeel Ahmad Khan
Pak Oman Advantage Asset Allocation Fund	2,000,000	3,676,558	101,619	247,788	81.28%	50.81	31-Dec-17**	Mr. Adeel Ahmad Khan
Pak Oman Advantage Islamic Income Fund	3,269,170	3,269,271	175,361	176,216	53.99%	53.64	31-Dec-17**	Mr. Adeel Ahmad Khan
Pak Oman Government Securities Fund	23,660,643	31,075,579	257,385	334,813	90.42%	10.88	31-Dec-17**	Mr. Adeel Ahmad Khan
Askari High Yield Scheme	1,788,938	-	185,487	-	5.62%	103.69	31-Dec-17**	Mr. Adeel Ahmad Khan
<b>Unquoted</b>								
Pak Oman Microfinance Bank Limited (note 9.5.9)	38,470,788	38,470,788	362,245	358,338	16.67%	10.01	31-Dec-17*	Mr. Teizoon Kist
			<u>1,189,118</u>	<u>1,278,356</u>				

\* Unaudited financial statements  
\*\*Published Net Asset Value

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

**9.5.8.4** The above associates are incorporated in Pakistan.

**9.5.8.5 Associates - Key Information**

Particulars	Askari High Yield Scheme *	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	3,373,938	328,180	218,312	130,183	287,729	11,856,868	2,391,691
Liabilities	73,509	3,401	4,238	5,160	3,060	17,673,828	80,903
Total income	263,449	25,845	19,671	(23,422)	19,797	192,970	290,540
Profit before taxation	105,780	9,713	(73,491)	(38,078)	15,280	(169,783)	43,744
Profit after taxation	105,780	9,713	(73,491)	(38,078)	15,280	(169,783)	29,562

\* Published Net Asset Value  
\*\* Unaudited financial statements

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

*km*

9.6	(Deficit) / surplus on revaluation of held-for-trading securities	Note	2017 (Rupees in '000)	2016
	Federal Government Securities			
	- Market Treasury Bills		(1,612)	(88)
	- Pakistan Investment Bonds		(847)	(3,059)
			<u>(2,459)</u>	<u>(3,147)</u>
	Shares - listed		9	(815)
	Term finance certificates (TFCs) - listed		202	244
	Term finance certificates (TFCs) - unlisted		(47)	-
			<u>(2,295)</u>	<u>(3,718)</u>
<b>10</b>	<b>ADVANCES</b>			
	<b>In Pakistan</b>			
	Loans, cash credit, running finance, etc. in Pakistan		17,619,083	13,048,162
	Net investment in finance leases in Pakistan	10.2	1,521,930	1,881,884
	Margin trading		309,281	841,195
	Advance against leases		97,503	7,683
	Staff loans	10.3	117,964	123,814
	Advances - Gross	10.1	<u>19,665,761</u>	<u>15,902,738</u>
	Less: Provision for non-performing loans and advances - Specific		875,047	1,065,205
	Provision for non-performing loans and advances - General		213	73
	Less: Provision for non-performing advances	10.5	875,260	1,065,278
	Advances - net of provision		<u>18,790,501</u>	<u>14,837,460</u>
<b>10.1</b>	<b>Particulars of advances (Gross)</b>			
<b>10.1.1</b>	<b>In local currency</b>	10.1.3	<u>19,665,761</u>	<u>15,902,738</u>
<b>10.1.2</b>	<b>In foreign currency</b>		<u>-</u>	<u>-</u>
<b>10.1.3</b>	<b>Short term (for upto one year)</b>		5,809,438	5,185,152
	<b>Long term (for over one year)</b>		13,856,323	10,717,586
			<u>19,665,761</u>	<u>15,902,738</u>

kmml

**10.2 Net Investment in finance lease**

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

	2017			2016		
	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	740,694	593,839	1,334,533	928,720	822,021	1,750,741
Residual value	106,907	221,258	328,165	67,687	251,684	319,371
Minimum lease payments	847,601	815,097	1,662,698	996,407	1,073,705	2,070,112
Financial charges for future periods	(81,956)	(58,812)	(140,768)	(107,106)	(81,122)	(188,228)
Present value of minimum lease payments	765,645	756,285	1,521,930	889,301	992,583	1,881,884

**10.2.1.1** In respect of the aforementioned finance leases, the Group holds an aggregate sum of Rs. 291.874 million (2016: Rs. 272.007 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 7.63 to 16.11 (2016: 6.35 to 16.11) percent per annum. Maximum amount of lease outstanding as at 31 December 2017 amounts to Rs. 404 million (2016: Rs. 628 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 (2016: 5) percent per annum, while no mark-up is charged on personal loans.

**10.3.1** Staff loans include an amount of Rs. 2.008 million (2016: Rs. 2.610 million) provided by subsidiary company to its Chief Executive.

**10.4 Particulars of classification**

**10.4.1** Advances include Rs. 964.378 million (2016: Rs. 1,218.843 million) which have been placed under the non-performing status as detailed below:

	2017								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	209,246	-	209,246	130,938	-	130,938	130,938	-	130,938
Loss	755,132	-	755,132	744,109	-	744,109	744,109	-	744,109
	<u>964,378</u>	<u>-</u>	<u>964,378</u>	<u>875,047</u>	<u>-</u>	<u>875,047</u>	<u>875,047</u>	<u>-</u>	<u>875,047</u>

	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>

**10.5 Particulars of provisions against non-performing advances**

	2017			2016		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	1,065,205	73	1,065,278	914,462	-	914,462
Charge during the year	2,969	140	3,109	308,796	73	308,869
Reversal during the year	(189,452)	-	(189,452)	(140,690)	-	(140,690)
Net charge / (reversal)	(186,483)	140	(186,343)	168,106	73	168,179
Less: Amounts written off during the year	(3,675)	-	(3,675)	(17,363)	-	(17,363)
Closing balance	<u>875,047</u>	<u>213</u>	<u>875,260</u>	<u>1,065,205</u>	<u>73</u>	<u>1,065,278</u>

**10.5.1 Particulars of provisions against non-performing advances**

	2017			2016		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	875,047	213	875,260	1,065,205	73	1,065,278
In foreign currency	-	-	-	-	-	-
	<u>875,047</u>	<u>213</u>	<u>875,260</u>	<u>1,065,205</u>	<u>73</u>	<u>1,065,278</u>

*lmm*

10.6 Particulars of write offs	2017	2016
	(Rupees in '000)	
Against provisions	3,675	17,363
Directly charged to profit and loss account	-	-
	<u>3,675</u>	<u>17,363</u>
10.6.1 Write offs of Rs. 500,000 and above	3,675	17,363
Write offs of below Rs. 500,000	-	-
	<u>3,675</u>	<u>17,363</u>

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, 2017.

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	Three Star Hosiery Mills (Pvt) Limited 10 - A, Industrial estate, Multan	Mr. Muhammad Rasheed Mrs. Tanveer Rasheed Mr. Saad Rasheed	36302-0479679-5 36302-3805509-9 36302-0319483-5	Muhammad Amin Muhammad Rasheed Muhammad Rasheed	6,752	13,162	-	19,914	-	13,162	-	13,162
2	Murad Construction Company Suit No. 09, Plot No. CMC5, Schema 33, Ali Town, Sohrab Goth, Karachi	Syed Fakhar-e-Alam Mr. Aurangzaib	42301-0843125-7 61101-7624502-5	Syed Dilaram Shah Inzar Gul	4,435	640	14,528	19,603	3,675	640	15,550	19,865
				<u>11,187</u>	<u>13,802</u>	<u>14,528</u>	<u>39,517</u>	<u>3,675</u>	<u>13,802</u>	<u>15,550</u>	<u>33,037</u>	

10.7 Particulars of loans and advances to directors, associated companies etc.	2017	2016
	(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	123,814	129,385
Loans granted during the year	15,610	38,996
Repayments	(21,460)	(44,567)
Balance at end of the year	<u>117,964</u>	<u>123,814</u>
Debts due by other related parties		
Balance at beginning of the year	218,734	250,630
Loans granted during the year	-	-
Repayments	(36,302)	(31,896)
Balance at end of the year	<u>182,432</u>	<u>218,734</u>
	<u>10.8</u>	<u>300,396</u>
		<u>342,548</u>

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 2017.

10.8 Maximum total amount of advances including temporary advances granted during the year amounts to Rs. 331 (2016: Rs. 383) million. The maximum amount has been calculated by reference to month end balance.

11 OPERATING FIXED ASSETS	2017	2016
	(Rupees in '000)	
Property and equipments	11.1	90,675
Intangible assets	11.2	907
Goodwill	11.3	263,632
Advance for capital expenditure	-	-
	<u>355,214</u>	<u>96,337</u>

11.1 Property and equipments

	Cost			Depreciation			Net book	Rate
	As at 1 January 2017	Additions / (deletions) / (Adjustments) during the year	As at 31 December 2017	As at 1 January 2017	During the year / (on disposals) / (Adjustments)	As at 31 December 2017	As at 31 December 2017	
(Rupees in '000)								
<b>Owned</b>								
Office premises *	42,126	-	42,126	25,975	2,106	28,081	14,045	5
Improvements	24,623	16,826 (4,848)	36,601	11,292	2,368 (4,848)	8,812	27,789	10
Office equipments	14,528	1,348 (1,652)	14,224	11,187	1,586 (1,140)	11,633	2,591	20
Computer equipments	29,698	856 (8,128)	22,426	26,081	2,371 (8,128)	20,324	2,102	33.33
Furniture and fixtures	15,600	3,788 (6,042)	13,346	11,253	1,534 (5,624)	7,163	6,183	20
Vehicles	84,750	4,237 (7,513)	81,474	32,111	18,262 (5,714)	44,659	36,815	20
<b>Assets subject to finance lease</b>								
Vehicles	1,972	-	1,972	427	395	822	1,150	20
2017	213,297	27,055 (28,183)	212,169	118,326	28,622 (25,454)	121,494	90,675	
	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)								
<b>Owned</b>								
Office premises*	42,126	-	42,126	23,869	2,106	25,975	16,151	5
Improvements	23,300	11,408 (10,085)	24,623	19,232	1,881 (9,821)	11,292	13,331	20
Office equipments	14,246	1,739 (1,457)	14,528	11,040	1,522 (1,375)	11,187	3,341	20
Computer equipments	28,676	1,322 (300)	29,698	23,845	2,537 (301)	26,081	3,617	33.33
Furniture and fixtures	16,323	3,205 (3,928)	15,600	13,943	955 (3,645)	11,253	4,347	20
Vehicles	72,292	31,004 (18,546)	84,750	27,470	19,082 (14,441)	32,111	52,639	20
<b>Assets subject to finance lease</b>								
Vehicles	1,972	-	1,972	32	395	427	1,545	20
2016	198,935	48,678 (34,316)	213,297	119,431	28,478 (29,583)	118,326	94,971	

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

*km*

**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
<b>Vehicles</b>							
Honda Civic	1,054	632	422	533	111	Company policy	Ms. Hina Mir (Executive)
Toyota Corolla	1,478	1,478	-	296	296	Company policy	Mr. Kazi Khurram Abassi (Executive)
Toyota Corolla	970	970	-	194	194	Company policy	Mr. Noor Muhammad Saheto (Executive)
Toyota Corolla	1,478	1,478	-	296	296	Company policy	Mr. Mohammad Azeem Dada (Executive)
Honda Civic	1,979	602	1,377	1,950	573	Company policy	Mr. Wajahat Aziz ( Former Executive)
	<b>6,959</b>	<b>5,160</b>	<b>1,799</b>	<b>3,269</b>	<b>1,470</b>		
Furniture and fixture	150	34	116	116	-	Company policy	Ms. Nazia Enam Siddiqui (Former Executive)
Furniture and fixture	250	25	225	225	-	Company policy	Mr. Wajahat Aziz (Former Executive)
Furniture and fixture	100	23	77	77	-	Company policy	Mr. Noman Ahmed Mufti (Former Executive)
Others	20,724	20,212	512	1,803	1,291		
	<b>28,183</b>	<b>25,454</b>	<b>2,729</b>	<b>5,490</b>	<b>2,761</b>		

**11.2 Intangible assets**

	Cost		Amortization			Net book value		Rate %
	As at 1 January 2017	Addition/ (Deletions) / (Adjustments) during the year	As at 31 December 2017	As at 1 January 2017	During the year/ (Adjustments)	As at 31 December 2017	As at 31 December 2017	
	(Rupees in '000)							
Software licenses	21,451	39 (2,723)	18,767	20,085	498 (2,723)	17,860	907	33.33
	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

**11.3 Goodwill**

	2017	2016
	(Rupees in '000)	
Allocation of Goodwill		
Management Rights Value	195,750	-
Brand Value	24,487	-
Goodwill	43,395	-
	<b>263,632</b>	<b>-</b>

*km*

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

	Note	2017 (Rupees in '000)	2016
Improvements		2,656	7,504
Office equipments		8,079	6,449
Computer equipments		15,497	15,880
Furniture and fixtures		4,817	9,428
Vehicles		2,693	167
Intangible assets		17,358	19,837
		<u>51,100</u>	<u>59,265</u>

12 DEFERRED TAX ASSETS

Deferred tax assets arising in respect of:

Provision for diminution in the value of investments		187,977	201,620
Assets subject to finance leases		59	38
Provision against other assets		-	-
Amortisation of premium on Federal Government Securities		3,722	9,128
Provision against non-performing advances		262,578	319,583
		454,336	530,369
Less: Deferred tax liabilities arising in respect of:			
Accelerated tax depreciation allowances		(12)	1,274
Revaluation on investments classified as available-for-sale	21	(3,497)	(113,531)
Revaluation on investments classified as held-for-trading		737	1,066
Net investment in finance leases		76,419	(3,350)
Revaluation on Non-banking assets		(17,126)	(23,395)
Dividend receivable		-	(212)
		56,521	(138,148)
	12.1	<u>510,857</u>	<u>392,221</u>

12.1 Movement of deferred tax

1 January 2016	Recognized in		31 December 2016	Recognized in		31 December 2017
	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	271,007	(69,387)	-	201,620	(13,643)	-	187,977
Assets subject to finance leases	10	28	-	38	21	-	59
Provision against other assets	-	-	-	-	-	-	-
Amortisation of premium on Federal Government securities	7,281	1,847	-	9,128	(5,406)	-	3,722
Provision against non-performing advances	283,483	36,100	-	319,583	(57,005)	-	262,578
	561,781	(31,412)	-	530,369	(76,033)	-	454,336

Less: deferred tax liabilities  
arising in respect of:

Accelerated tax depreciation allowances	204	1,070	-	1,274	(1,286)	-	(12)
Revaluation on investments classified as available-for-sale	(174,611)	-	61,080	(113,531)	-	110,034	(3,497)
Revaluation on investments classified as held-for-trading	720	346	-	1,066	(329)	-	737
Net Investment in finance leases	(57,566)	54,216	-	(3,350)	79,769	-	76,419
Revaluation on Non-banking assets	-	2,035	(25,430)	(23,395)	6,269	-	(17,126)
Dividend receivable	-	(212)	-	(212)	212	-	-
	(231,253)	57,455	35,650	(138,148)	84,635	110,034	56,521
	<u>330,528</u>	<u>26,043</u>	<u>35,650</u>	<u>392,221</u>	<u>8,602</u>	<u>110,034</u>	<u>510,857</u>

13	OTHER ASSETS	Note	2017 (Rupees in '000)	2016
	Mark-up / return / interest receivable in local currency		312,707	306,311
	Dividend income receivable		-	2,028
	Mark-up / profit receivable on purchase of securities		54,396	28,123
	Security deposits		8,262	4,382
	Prepayments		23,880	14,295
	Receivable against sale of investments		3,726	48,927
	Taxation		-	128,986
	Non-banking assets acquired in satisfaction of claims	13.1	390,282	411,180
	Receivable from funds		106,695	9,098
	Staff gratuity		7,309	54
	Others		1,392	152
			<u>908,649</u>	<u>953,536</u>
	Less: Provision held against other assets	13.2	-	-
			<u>908,649</u>	<u>953,536</u>
13.1	Market value of non-banking assets acquired in satisfaction of claims.		<u>443,104</u>	<u>417,962</u>
13.2	Provision against other assets			
	Opening balance		-	-
	Charge for the year		-	-
	Reversals		-	-
	Amount written off		-	-
	Closing balance		-	-
14	BORROWINGS			
	In Pakistan		45,158,690	25,150,898
	Outside Pakistan		-	-
			<u>45,158,690</u>	<u>25,150,898</u>
14.1	Particulars of borrowings with respect to currencies			
	In local currency		45,158,690	25,150,898
	In foreign currency		-	-
			<u>45,158,690</u>	<u>25,150,898</u>
14.2	Particulars of borrowings			
	<b>Secured</b>			
	Borrowings from the State Bank of Pakistan:			
	- Long term financing facility (LTFF)	14.3	1,644,315	1,229,176
	- Financing facility for storage of agricultural produce (FFSAP)	14.3	3,343	6,687
	Repurchase agreement borrowings	14.4	22,837,748	5,351,991
	Long term borrowings	14.5	6,523,387	4,546,640
	Short term running finance	14.6	563,390	480,389
	Bai Muajjal	14.7	9,696,507	9,851,015
			<u>41,268,690</u>	<u>21,465,898</u>
	<b>Unsecured</b>			
	Placements	14.8	1,540,000	685,000
	Murabaha financing	14.9	2,350,000	3,000,000
			<u>45,158,690</u>	<u>25,150,898</u>

lmm

- 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 mark up rates ranges from 2 to 6.25 (2016: 2 to 10.10) percent per annum. These are repayable within 10 years (2016: 10 years).
- 14.4 The mark up rate on these repurchase agreement borrowings, maturing in January 2018 (2016: January 2017), ranges between 5.83 to 5.90 (2016: 5.70 to 5.93) percent per annum. Securities having cost of Rs. 23,205 million (2016: Rs 5,172 million) have been pledged against these borrowings.
- 14.5 The mark up rate on these long-term borrowings ranges from 6.29 to 6.65 (2016: 6.32 to 6.56) 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% (2016: 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 2018 to February 2018 (2016: January 2017 to October 2017) ranges between 5.75 to 5.84 (2016: 5.65 to 5.87) percent per annum.
- 14.8 The mark up rate on these placements, maturing between January 2018 to June 2018 (2016: January 2017 to February 2017) ranges between 6.15 to 6.25 (2016: 5.85 to 6.30) percent per annum.
- 14.9 The mark up rate on these murabaha financing, maturing in January 2018 (2016: January 2017 to June 2017) ranges between 6.15 to 6.50 (2016: 6.15 to 6.25) percent per annum.

**15 DEPOSITS AND OTHER ACCOUNTS**

2017  
2016  
(Rupees in '000)

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

3,129,000	252,700
7,372,149	5,090,275
<u>10,501,149</u>	<u>5,342,975</u>

**15.1 Particular of deposits**

In local currency  
In foreign currency

10,501,149	5,342,975
-	-
<u>10,501,149</u>	<u>5,342,975</u>

- 15.2 The rate of return on deposits maturing between January 2018 to November 2018 (2016: January 2017 to May 2018) ranges between 6 to 6.40 (2016: 6 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. 36.63 million (2016: Rs. 28.54 million).

- 15.4 These include Certificate of Investments purchased by Pak Oman Microfinance Bank Limited (associate) of the Company amounting to Rs. 450 million (2016: Rs. 174.7 million).

**16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	2017			2016		
	Minimum lease payments	Financial charges for future period	Principal outstanding	Minimum lease payments	Financial charges for future period	Principal outstanding
Not later than one year	431	78	353	431	105	326
Later than one year but not later than five years	1,059	66	993	1,490	145	1,345
	<u>1,490</u>	<u>144</u>	<u>1,346</u>	<u>1,921</u>	<u>250</u>	<u>1,671</u>

(Rupees in '000)

10mm

- 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 (2016: 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	Note	2017 (Rupees in '000)	2016
Mark-up / return / interest payable in local currency		737,691	347,506
Accrued expenses		232,957	204,743
Staff gratuity	33.2	-	-
Security deposits against investment in finance leases	10.2.1.1	291,874	272,007
Taxation		15,439	-
Payable against purchase of investments		5,494	-
Advance rent		10,600	-
Sales tax and federal excise duty payable		90,437	-
Others	17.1	143,736	46,597
		<u>1,528,228</u>	<u>870,853</u>

- 17.1 This includes advance of Rs. 46 million received against sale of non-banking assets.

## 18 SHARE CAPITAL

### 18.1 Authorized Capital

2017 Number of shares	2016		2017 (Rupees in '000)	2016
<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>
<b>18.2 Issued, subscribed and paid-up</b>				
<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 (2016: 307,495,900) ordinary shares of the holding Company. While 4,100 (2016: 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

	2017 (Rupees in '000)	2016
Opening balance	9,664	10,119
Change during the year	<u>(1,522)</u>	<u>(455)</u>
Closing balance	<u>8,142</u>	<u>9,664</u>

12/1/17

**21 SURPLUS ON REVALUATION OF ASSETS**  
- net of deferred tax

Note  
2017  
2016  
(Rupees in '000)

**21.1 Surplus on revaluation of available-for-sale securities**

Federal Government Securities

- Pakistan Investment Bonds (PIBs)
- Ijara Sukuk
- Treasury Bills (T-Bills)

852	334,258
-	-
(2,806)	(8,204)
(1,954)	326,054

Shares-listed

- 62,390

Term Finance Certificates

- Listed
- Unlisted

7,085	12,134
(1,032)	1,249
6,053	13,383

Sukuk certificates

7,558 7,804  
11,657 409,631

Deferred tax asset recognized

12 (3,497) (113,531)  
8,160 296,100

Associate's share of deficit on revaluation of available-for-sale securities

22 233

**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

83,352 84,766

Transferred to unappropriated profit in respect of incremental depreciation charged during the period

(4,238) (1,414)  
79,114 83,352

Less: Related deferred tax liability on:

- Revaluation of fixed assets / non-banking assets during the period / year
- Incremental depreciation charged during the period / year

(25,006)	(25,430)
1,272	424
(23,734)	(25,006)
55,380	58,346

63,562 354,679

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  
2017  
2016  
(Rupees in '000)

Transaction related contingent liability

Standby letter of credit

178,690 -

Pledge of shares on behalf of Japan Power Generation Limited

22.1 70,726 70,726

Pledge of shares on behalf of Orient Power Company (Pvt.) Limited

22.2 226,000 226,000

1/8/16

	Note	2017 (Rupees in '000)	2016
Commitments for:			
-Purchase of Government securities		<u>121,256</u>	<u>-</u>
- Sale of government securities		<u>1,798,281</u>	<u>219,782</u>
Purchase of Term finance certificates (TFCs)		<u>76,548</u>	<u>-</u>
Commitments for advances and net investment in finance leases		<u>3,740,991</u>	<u>3,393,784</u>
Commitment for sale of non-banking assets		<u>-</u>	<u>46,000</u>
Securities given as collateral against loan taken by Pak Oman Asset Management Company Limited	9.4.1	<u>626,000</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 (2016: 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 Pak Oman Assets Management Company Limited**

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.

During the years ended 31 December 2013 and 2014 two former employees of the merged entity served notices to the Company and its former Chief Executive Officer. The employees demanded Rs. 28.5 million for defamation and Rs. 0.723 million against settlement of outstanding dues. Later, the employees also filed cases in the Court of District Judge South at Karachi. The legal advisors of the Company are of the view that although the outcome of the case appears to be favourable, the Company's chances of success cannot currently be determined due to the inherently uncertain nature of the litigation. Furthermore, the management expects that an insignificant amount will be required to settle these cases. Accordingly, provision to the extent of Rs. 0.489 million has been recognised on account of settlement of outstanding dues while no provision has been recognised in respect of defamation claim in the financial statements for the year ended 31 December 2017.

**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.

19mm

23	MARK-UP / RETURN / INTEREST EARNED	2017	2016
		(Rupees in '000)	
	<b>On loans and advances to</b>		
	Customers	1,085,405	893,792
	Financial institutions	<u>349,396</u>	<u>207,568</u>
		<u>1,434,801</u>	<u>1,101,360</u>
	<b>On investments in</b>		
	Available-for-sale securities	<u>1,286,556</u>	<u>826,516</u>
	Held-for-trading securities	<u>1,098,320</u>	<u>283,842</u>
		<u>2,384,876</u>	<u>1,110,358</u>
	On securities purchased under resale agreements	81,991	35,126
	On deposit with financial institutions	66,775	47,825
	On placements	1,169	358
	On certificate of investments	-	-
		<u>3,969,612</u>	<u>2,295,027</u>
24	MARK-UP / RETURN / INTEREST EXPENSED		
	<b>On secured borrowings</b>		
	Securities sold under repurchase agreements	1,083,489	468,791
	Long-term borrowings	439,757	256,485
	Bai Muajjal	824,784	173,959
	Short-term borrowings	<u>13,766</u>	<u>12,091</u>
		<u>2,361,796</u>	<u>911,326</u>
	<b>On unsecured borrowings and deposits</b>		
	Placements	<u>81,240</u>	<u>72,886</u>
	Murabaha borrowing	<u>192,369</u>	<u>118,484</u>
	Certificate of investments	<u>486,076</u>	<u>333,677</u>
		<u>759,685</u>	<u>525,047</u>
		<u>3,121,481</u>	<u>1,436,373</u>
25	GAIN ON SALE OF SECURITIES		
	Federal Government Securities		
	- Market Treasury Bills (MTBs)	2,679	1,555
	- Pakistan Investment Bonds (PIBs)	<u>285,523</u>	<u>460,783</u>
		<u>288,202</u>	<u>462,338</u>
	Term Finance Certificates and sukuk certificates	(58,295)	(4,388)
	Mutual funds	-	-
	Shares / units		
	- Listed	<u>(48,043)</u>	<u>113,723</u>
	- Unlisted	<u>-</u>	<u>-</u>
		<u>(48,043)</u>	<u>113,723</u>
		<u>181,864</u>	<u>571,673</u>
26	OTHER INCOME		
	Net gain on sale of property and equipment	2,761	4,531
	Rental income	2,864	-
	Others	<u>740</u>	<u>248</u>
		<u>6,365</u>	<u>4,779</u>

27 ADMINISTRATIVE EXPENSES	Note	2017 (Rupees in '000)	2016
Salaries, allowances and employees' benefits		406,545	395,956
Contribution to defined contribution plan		18,461	17,899
Charge for defined benefit plan	33.8	16,388	16,283
Charge for defined benefit plan - Subsidiary		-	-
Non-executive directors' fee / remuneration	35	23,367	18,854
Non-executive directors' fee of Subsidiaries		5,200	1,325
Traveling and accommodation		11,773	9,449
Rent, rates and taxes		37,194	53,703
Utilities		5,047	4,839
Communication		9,947	8,958
Professional training		442	1,138
Advertisement and business promotion		2,907	1,858
Membership and subscriptions		10,813	6,770
Printing, stationery and periodicals		2,822	2,526
Depreciation	11.1 & 27.3	49,520	35,260
Amortization of intangible assets	11.2	498	119
Auditors' remuneration	27.1	2,065	2,682
Legal and professional charges		18,678	19,086
Repairs and maintenance		16,532	9,023
Transportation		9,318	10,106
Insurance		12,209	10,984
Finance charges on leased assets		106	146
Entertainment and canteen expenses		3,922	3,201
Donation	27.2	1,200	574
Shahriah advisor fee		500	300
Distribution commission		5,233	-
Others		3,250	2,277
		<u>673,937</u>	<u>633,316</u>

**27.1 Auditors' remuneration**

Audit fee	561	534
Half yearly review	194	185
Auditors' remuneration of subsidiary company	600	681
Special certifications and others	440	1,020
Out of pocket expenses	270	262
	<u>2,065</u>	<u>2,682</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:

	2017 (Rupees in '000)	2016
The Health Foundation	400	-
Patients' Aid Foundation of Jinnah Post Graduate Medical Centre	500	-
Hisar Foundation	300	-
Developments in Literacy	-	300
Al-Mehrab Tibbi Imdad	-	105
Burns Centre	-	105
	<u>1,200</u>	<u>510</u>

**27.3** This includes depreciation on non-banking assets Rs 20.898 (2016: Rs 6.782) million.

**28 OTHER CHARGES**

	2017 (Rupees in '000)	2016
Fees, commission and others	46,973	78,537
Loss on sale of fixed assets	-	-
Transaction cost on issue of shares - subsidiary	-	7,520
SBP penalties	-	-
	<u>46,973</u>	<u>86,057</u>

**28.1** This includes provision for Sindh Worker's Welfare Fund amounting to Rs. 19.55 million (2016: 57.85 million).

*Lim*

29	TAXATION	Note	2017	2016
			Rupees in '000	
	For the year			
	- Current		285,563	353,373
	- Prior		34,971	3,206
	- Deferred	12.1	(8,602)	(26,043)
			<u>311,932</u>	<u>330,536</u>

### 29.1 Relationship between tax expense and accounting profit

Profit before taxation		<u>634,952</u>	<u>1,410,645</u>
Tax at the applicable rate of 30% (2016: 31%)		190,486	344,300
Tax effect due to change in tax rate		-	17,827
Tax effect of income taxed at different rate		(15,694)	(21,792)
Tax effect of capital loss / (gain) on listed shares and mutual funds		22,636	(21,984)
Tax effect of provision for diminution in the value of listed shares and mutual funds		34,046	3,949
Prior		34,971	3,206
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge		<u>45,487</u>	<u>5,030</u>
		<u>311,932</u>	<u>330,536</u>

### 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, 2015 and 2016, 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 special year ended 31 December 2016.

As at 31 December 2017, deferred tax asset amounting to Rs. 36,940,511 (31 December 2016: Rs. 61,877,434) has not been recognised as the management considers that there is uncertainty with regards to availability of future profits against which such assets can be adjusted. The unrecognised deferred tax asset has been arising on account of accumulated tax losses and deductible temporary differences.

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 additional amount to Rs. 17.3 million to the loss declared in the return filed by the POAMCL. Further Taxation Officer has charged capital gain tax amounting to Rs. 1.514 million at 10%. As a result total tax payable for tax year 2012 increased by Rs. 1.05 million. Tax officer has also disallowed the total tax credit in respect of advance tax paid / collected during the tax year 2012 except for the tax collected under section 153 of the Ordinance amounting to Rs. 2.092 million. POAMCL 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 38.904 million (2016: Rs 38.746 million) super tax at 3% on the taxable income for the tax year 2017 & tax year 2016 for rehabilitation of temporarily displaced persons imposed through Finance Act, 2016 & 2015 respectively. This also includes reversal of provision of tax amounting to Rs nil (2016: 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

		2017	2016
Profit attributable to shareholders of the holding company	Rupees in '000	<u>324,542</u>	<u>780,564</u>
Weighted average number of ordinary shares in issue	Numbers in '000	<u>615,000</u>	<u>615,000</u>
Basic earnings per share	Rupees	<u>0.53</u>	<u>1.27</u>
Diluted earnings per share	Rupees	<u>0.53</u>	<u>1.27</u>

30.1 There were no convertible dilutive potential ordinary shares outstanding on 31 December 2016 and 2017.

### 31 CASH AND CASH EQUIVALENTS

	Note	2017	2016
		(Rupees In)	
Cash and balances with treasury banks	6	170,000	88,909
Balances with other banks	7	2,043,137	1,684,442
Placements	8	-	-
		<u>2,213,137</u>	<u>1,773,351</u>

hsm

31.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities						Equity			Total
	Bills payable (Rupees in '000)	Borrowings	Deposits and other a	Sub-ordinated de	Liabilities against ass	Other liabilities	Share capital	Reserves	Unappropriated profit	
<b>Balance as at 01 January 2017</b>	-	25,150,898	5,342,975	-	1,671	870,853	6,150,000	984,427	984,139	39,484,963
<b>Changes from financing cash flows</b>										
Receipts from sub - ordinated loans - net	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(492,000)	(492,000)
<b>Total changes from financing cash flows</b>	-	-	-	-	-	-	-	-	(492,000)	(492,000)
<b>Liability - related</b>										
Changes in bills payable	-	-	-	-	-	-	-	-	-	-
Changes in borrowings	-	20,007,792	-	-	-	-	-	-	-	20,007,792
Changes in deposits and other accounts	-	-	5,158,174	-	-	-	-	-	-	5,158,174
Changes in Liabilities against assets subject to finance lease	-	-	-	-	(325)	-	-	-	-	(325)
Changes in other liabilities	-	-	-	-	-	-	-	-	-	-
- Cash based	-	-	-	-	-	657,375	-	-	-	657,375
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	-	-	-	-	-	-
Transfer of profit to reserve	-	-	-	-	-	-	-	87,334	(87,334)	-
Profit for the year	-	-	-	-	-	-	-	-	324,542	324,542
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-	5,431	5,431
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	2,966	2,966
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-	-	-	-	-
	-	20,007,792	5,158,174	-	(325)	657,375	-	87,334	245,605	26,155,955
<b>Balance as at 31 December 2017</b>	-	45,158,690	10,501,149	-	1,346	1,528,228	6,150,000	1,071,761	737,744	65,148,918

km

32 STAFF STRENGTH	2017	2016
	(Number)	
Permanent	88	81
Temporary / contractual	30	5
Group's own staff strength at end of the year	<u>118</u>	<u>86</u>
Outsource	<u>4</u>	<u>31</u>
Total staff strength	<u><u>122</u></u>	<u><u>117</u></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 2017 using the Projected Unit Credit method (PUCM). The following significant assumptions were used for the actuarial valuation:

	2017	2016
	(Percent per annum)	
Discount rate	8.25	8.00
Expected rate of increase in salary levels	8.25	8.00
Expected rate of return on plan assets	8.25	8.00

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		2017	2016
	Note	(Rupees in '000)	
Present value of defined benefit obligation	33.3	141,181	118,450
Fair value of plan assets	33.5	<u>(148,490)</u>	<u>(118,504)</u>
	33.4	<u><u>(7,309)</u></u>	<u><u>(54)</u></u>

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

Present value of obligation as at January 1	118,450	111,643
Current service cost	17,028	16,728
Interest cost	9,376	10,254
Benefits paid	(2,505)	(18,210)
Actuarial loss on remeasurement of obligation	<u>(1,168)</u>	<u>(1,965)</u>
Present value of obligation as at 31 December	<u><u>141,181</u></u>	<u><u>118,450</u></u>

33.4 Movement in payable to defined benefit plan:

		2017	2016
	Note	(Rupees in '000)	
Opening liability		(54)	8,961
Expense for the year	33.8	16,388	16,283
Other Comprehensive Income		(7,758)	1,529
Contributions to the fund		<u>(15,885)</u>	<u>(26,827)</u>
Closing liability		<u><u>(7,309)</u></u>	<u><u>(54)</u></u>

13/11/17

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

	<i>Note</i>	2017 (Rupees in '000)	2016
Fair value of plan assets as at 1 January		118,504	102,682
Expected return on plan assets		10,016	10,699
Contributions		15,885	26,827
Benefits paid		(2,505)	(18,210)
Actuarial gain on remeasurement of plan assets		6,590	(3,494)
Fair value of plan assets as at 31 December	33.7	<u>148,490</u>	<u>118,504</u>

**33.6** Actual return on plan assets during the year was Rs. 16.606 million (2016: Rs. 7.205 million).

**33.7 The plan assets are comprised as follows:**

	<i>Note</i>	2017 Rating	2016 Rating	2017		2016	
				(Rupees in '000)	%	(Rupees in '000)	%
Market Treasury Bills		-	-	-	-	-	-
Pakistan Investment Bonds		Unrated	Unrated	9,157	6.17	15,502	13.08
Special Saving Certificates (SSCs)		Unrated	Unrated	24,386	16.42	61,127	51.58
Term Deposit receipts		Unrated	-	95,301	64.18	25,145	21.22
Term Finance Certificates							
- WorldCall Telecom Limited		D	D	804	0.54	812	0.69
Certificate of Investments	33.7.1	Unrated	Unrated	18,828	12.68	13,969	11.79
Bank balance		Unrated	Unrated	14	0.01	1,949	1.64
				<u>148,490</u>	<u>100.00</u>	<u>118,504</u>	<u>100.00</u>

**33.7.1** These include Certificate of Investment held with the holding company. These carry mark-up at rates 6.15 (2016: 6 to 6.15) percent per annum.

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

	<i>Note</i>	2017 (Rupees in '000)	2016
Current service cost		17,028	16,728
Net Interest		(640)	(445)
Expected return on plan assets		-	-
Actuarial loss recognised		-	-
		<u>16,388</u>	<u>16,283</u>

**33.9 Actuarial (losses) / gains**

Net unrecognised actuarial (losses) / gains as at 1 January		-	-
Actuarial loss on remeasurement of obligation	33.9.1	1,168	1,965
Actuarial gain on remeasurement of plan assets	33.9.1	6,590	(3,494)
		<u>7,758</u>	<u>(1,529)</u>
Actuarial loss recognised in:			
- Other comprehensive income		(7,758)	1,529
- Profit and loss account		-	-
Net unrecognised actuarial (losses) / gains as at 31 December		<u>-</u>	<u>-</u>

*1/2/2017*

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

	<b>Actuarial loss / (gain) on remeasurement of</b>			
	<b>Obligation</b>		<b>Plan assets</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>(Rupees in '000)</b>		<b>(Rupees in '000)</b>	
Demographic assumptions	-	-	-	-
Financial loss	(163)	(1,091)	-	-
Experience adjustment	(1,005)	(874)	(6,590)	3,494
	<b>(1,168)</b>	<b>(1,965)</b>	<b>(6,590)</b>	<b>3,494</b>

**33.10 Sensitivity analysis**

	<b>Impact on defined benefit obligation</b>		
	<b>Change in assumption</b>	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
	<b>%</b>	<b>(Rupees in '000)</b>	
Discount rate	1	(12,203)	14,154
Salary growth rate	1	14,730	(12,905)

**33.11 Maturity profile of defined benefit obligation**

<b>Benefit payments</b>	<b>2017</b>	<b>2016</b>
<b>Distribution of timing of benefit payments</b>	<b>(Rupees in '000)</b>	
<b>Years</b>		
1	4,988	4,676
2	4,980	4,363
3	4,875	4,251
4	47,280	36,448
5	11,602	3,276
6 to 10	37,279	24,802
11 and above	259,843	241,592

**33.12** The expected gratuity contribution for the next year ending 31 December 2018 works out to Rs. 17.881 million.

**33.13** The average duration of the benefit obligation at 31 December 2017 is 9.34 years (2016: 9.88 years).

**34 DEFINED CONTRIBUTION PLAN**

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

<b>34.2</b>	<b>2017</b>	<b>2016</b>
<b>Contribution to the fund made during the year by the holding company</b>	<b>(Rupees in '000)</b>	
Contribution from the holding company	16,756	16,550
Contribution from the employees of holding company	16,756	16,550
	<b>33,512</b>	<b>33,100</b>

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

Contribution from the subsidiary company	1,705	1,349
Contribution from the employees of subsidiary company	1,705	1,349
	<b>3,410</b>	<b>2,698</b>

*kmml*

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Non-Executive Directors		Executives	
	2017	2016	2017	2016	2017	2016
	(Rupees in '000)					
Fees / remuneration	-	-	23,367	18,854	-	-
Managerial remuneration	113,984	67,063	-	-	248,977	236,366
Charge for defined benefit plan	2,879	2,255	-	-	13,364	13,857
Contribution to defined contribution plan	3,323	2,658	-	-	15,112	14,080
Medical	782	730	-	-	-	-
Utilities	2,659	1,842	-	-	2,089	2,418
Membership fee	184	181	-	-	56	37
Others	1,389	1,313	-	-	2,497	4,149
	<u>125,200</u>	<u>76,042</u>	<u>23,367</u>	<u>18,854</u>	<u>282,095</u>	<u>270,907</u>
Number of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>5</u>	<u>75</u>	<u>80</u>

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

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

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, and has been disclosed in note 9. Unquoted equity investments, 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 5.4 to these consolidated financial statements.

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

The re-pricing profile, effective rates and maturities are stated in notes 40.3.2 and 40.6.1 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.

36.1 On-balance sheet financial instruments

	2017		2016	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
<b>Assets</b>				
Cash and balances with treasury banks	170,000	170,000	88,909	88,909
Balances with other banks	2,043,137	2,043,137	1,684,442	1,684,442
Lendings to financial institutions	2,038,288	2,038,288	935,826	935,826
Investments - net	40,403,976	40,427,414	20,860,575	20,959,087
Advances - net	18,790,501	18,790,501	14,837,460	14,837,460
Other assets	487,178	487,178	399,021	399,021
	<u>63,933,080</u>	<u>63,956,518</u>	<u>38,806,233</u>	<u>38,904,745</u>
<b>Liabilities</b>				
Borrowings	45,153,690	45,158,690	25,150,898	25,150,898
Deposits and other accounts	10,501,149	10,501,149	5,342,975	5,342,975
Liabilities against assets subject to finance lease	1,346	1,346	1,671	1,671
Other liabilities	1,512,789	1,512,789	870,853	870,853
	<u>57,173,974</u>	<u>57,173,974</u>	<u>31,366,397</u>	<u>31,366,397</u>
	<u>6,759,106</u>	<u>6,782,544</u>	<u>7,439,836</u>	<u>7,538,348</u>

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.

*Handwritten signature*

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 2017

Note	31 December 2017						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)											
<b>Financial assets measured at fair value</b>											
<b>- Investments</b>											
Government Securities	23,851,239	11,670,376	-	-	-	-	35,521,615	-	35,521,615	-	35,521,615
Listed Term Finance Certificates	25,379	1,037,695	-	-	-	-	1,063,074	1,063,074	-	-	1,063,074
Unlisted Term Finance Certificates	214,995	1,299,982	-	-	-	-	1,514,977	-	1,514,977	-	1,514,977
Sukuk Certificates	-	762,599	-	-	-	-	762,599	-	762,599	-	762,599
Commercial Papers	-	47,479	-	-	-	-	47,479	-	47,479	-	47,479
Listed shares	4,418	74,696	-	-	-	-	79,114	79,114	-	-	79,114
<b>- Associates</b>											
Listed shares	-	-	-	-	-	-	-	23,438	-	-	23,438
Mutual funds	-	-	-	-	826,873	-	826,873	-	826,873	-	826,873
<b>Financial assets not measured at fair value</b>											
- Cash and bank balances with treasury banks	36.3.1	-	-	170,000	-	-	170,000	-	-	-	170,000
- Balances with other banks	36.3.1	-	-	2,043,137	-	-	2,043,137	-	-	-	2,043,137
- Lending to financial instruments	36.3.1	-	-	2,038,288	-	-	2,038,288	-	-	-	2,038,288
- Unlisted shares	36.3.1	-	226,000	-	-	-	226,000	-	-	-	226,000
- Associates - unlisted shares	36.3.1	-	-	-	362,245	-	362,245	-	-	-	362,245
- Advances	36.3.1	-	-	18,790,501	-	-	18,790,501	-	-	-	18,790,501
- Other assets	36.3.1	-	-	-	487,178	-	487,178	-	-	-	487,178
		24,096,031	15,118,827	-	23,041,926	1,676,296	-	-	-	-	63,933,080
<b>Financial liabilities not measured at fair value</b>											
- Borrowings from financial institutions	36.3.1	-	-	-	-	45,158,690	45,158,690	-	-	-	45,158,690
- Deposits and other accounts	36.3.1	-	-	-	-	10,501,149	10,501,149	-	-	-	10,501,149
- Liabilities against assets subject to finance lease	36.3.1	-	-	-	-	1,346	1,346	-	-	-	1,346
- Other liabilities	36.3.1	-	-	-	-	1,512,789	1,512,789	-	-	-	1,512,789
		-	-	-	-	57,173,974	57,173,974	-	-	-	57,173,974

13/11/17

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							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)												
<b>Financial assets measured at fair value</b>												
<b>- Investments</b>												
	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	
<b>- Associates</b>												
	Listed shares	-	-	-	-	-	-	98,512	-	-	98,512	
	Mutual funds	-	-	-	-	920,018	920,018	-	920,018	-	920,018	
<b>Financial assets not measured at fair value</b>												
	- 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	
<b>Financial liabilities not measured at fair value</b>												
	- 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	-	-	-	

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

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

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

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

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

*KRM*

### 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) -----				
<b>2017</b>				
Total income	15,120	2,743,134	1,474,173	76,603
Total expenses	91,829	2,376,330	1,083,352	122,567
Net (loss) / income	(76,709)	366,804	390,821	(45,964)
Segment assets (Gross)	-	45,615,279	20,267,339	910,964
Segment non-performing advances	-	-	964,378	-
Investments provided for	-	921,482	-	-
Segment provision required *	-	697,700	875,260	-
Segment liabilities	-	38,454,687	18,091,346	643,380
Segment return on net assets (%)	-	5.68%	30.05%	-17.18%
Segment return on assets (ROA) (%)	-	0.82%	2.02%	-5.05%
Segment cost of funds (%)	-	5.28%	5.02%	-
<b>2016</b>				
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	(79,876)	1,188,698	4,751	(2,928)
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%	-

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

*V. M.*

## **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  
Askari High Yield Scheme  
Askari Equity Fund  
Askari Asset Allocation Fund  
Askari Sovereign Yield Enhancer  
Askari Sovereign Cash Fund  
Askari Islamic Asset Allocation Fund  
Askari Islamic Income 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

13mm



## 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 2017.

#### 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 2017 was 19.72% 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 19.72% 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.

19/12/17

39.3 Capital Adequacy Ratio (CAR) disclosure template:

2017  
(Rupees in '000)

2016

Amount Amount

Rows # Common Equity Tier 1 capital (CET1): Instruments and reserves

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	1,071,761	984,427
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	737,744	984,139
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)	3,859	4,545
9	CET 1 before Regulatory Adjustments	7,963,364	8,123,111
10	Total regulatory adjustments applied to CET1 (Note 39.3.1)	2,227,644	1,062,309
11	Common Equity Tier 1	5,735,720	7,060,802
<b>Additional Tier 1 (AT 1) Capital</b>			
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)	1,767,906	535,740
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)	5,735,720	7,060,802
<b>Tier 2 Capital</b>			
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)	160	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	213	73
27	Revaluation Reserves (net of taxes)	-	-
28	of which: Revaluation reserves on fixed assets	-	-
29	of which: Unrealized gains/losses on AFS	7,247	231,140
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)	1,657,052	383,507
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)	5,735,720	7,060,802
39	Total Risk Weighted Assets (RWA) (for details refer Note 39.6)	29,092,250	25,079,553
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
40	CET1 to total RWA	19.72%	28.15%
41	Tier-1 capital to total RWA	19.72%	28.15%
42	Total capital to total RWA	19.72%	28.15%
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)	-	-
<b>National minimum capital requirements prescribed by SBP</b>			
48	CET1 minimum ratio	6.0%	6.0%
49	Tier 1 minimum ratio	7.5%	7.5%
50	Total capital minimum ratio	11.28%	10.65%

12/2022

2017

2016

(Rupees in '000)

Regulatory Adjustments and Additional Information		Amount	Amounts subject to Pre- Basel III treatment*	Amount	Amounts subject to Pre- Basel III treatment*
<b>Note 39.3.1</b>	<b>Common Equity Tier 1 capital: Regulatory adjustments</b>				
1	Goodwill (net of related deferred tax liability)	263,632			
2	All other intangibles (net of any associated deferred tax liability)	907		1,366	
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	5,847			
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)	38,687			
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)	149,668			
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)				
15	Amount exceeding 15% threshold		1,273,619		1,432,647
16	of which: significant investments in the common stocks of financial entities	693			
17	of which: deferred tax assets arising from temporary differences	464	1,273,619		1,432,647
18	National specific regulatory adjustments applied to CET1 capital				
19	Investments in TFCs of other banks exceeding the prescribed limit			525,203	525,203
20	Any other deduction specified by SBP (mention details)				
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	1,767,746		535,740	
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	2,227,644		1,062,309	

<b>Note 39.3.2</b>	<b>Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</b>				
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-			
24	Investment in own AT1 capital instruments	-			
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-			
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-			
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-			
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	118,912		383,507	
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	1,648,994		152,233	
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	1,767,906		535,740	

<b>Note 39.3.3</b>	<b>Tier 2 Capital: regulatory adjustments</b>				
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	118,912		383,507	
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)	1,458,140			
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	80,000			
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	1,657,052		383,507	

2017

2016

(Rupees in '000)

Additional Information		Amount	Amount
<b>Note 39.3.4</b>	<b>Risk Weighted Assets subject to pre-Basel III treatment</b>		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	Amounts below the thresholds for deduction (before risk weighting)	-	-
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

K 2017

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	As at period end
Assets (1)	(2)	(3)	
Cash and balances with treasury banks	170,000	170,000	
Balanced with other banks	2,043,137	2,043,137	
Lending to financial institutions	2,038,288	2,038,288	
Investments	40,403,976	40,403,976	
Advances	18,790,501	18,790,501	
Operating fixed assets	355,214	355,214	
Deferred tax assets	510,857	510,857	
Other assets	908,649	908,649	
<b>Total assets</b>	<b>65,220,622</b>	<b>65,220,622</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	-	-	
Borrowings	45,158,690	45,158,690	
Deposits and other accounts	10,501,149	10,501,149	
Sub-ordinated loans	-	-	
Liabilities against assets subject to finance lease	1,346	1,346	
Deferred tax liabilities	-	-	
Other liabilities	1,528,228	1,528,228	
<b>Total liabilities</b>	<b>57,189,413</b>	<b>57,189,413</b>	
Share capital/ Head office capital account	6,150,000	6,150,000	
Reserves	1,071,761	1,071,761	
Unappropriated/ Unremitted profit/ (losses)	737,744	737,744	
Minority Interest	8,142	8,142	
Surplus on revaluation of assets	63,562	63,562	
<b>Total liabilities &amp; equity</b>	<b>65,220,622</b>	<b>65,220,622</b>	

Table: 39.4.2		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
(1)		(2)	(3)	(4)
Cash and balances with treasury banks		170,000	170,000	
Balanced with other banks		2,043,137	2,043,137	
Lending to financial institutions		2,038,288	2,038,288	
Investments		40,403,976	40,403,976	
<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		18,790,501	18,790,501	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital</i>				f
Fixed Assets		355,214	355,214	
Deferred Tax Assets		510,857	510,857	
<i>of which: DTLs that rely on future profitability excluding those arising from temporary differences</i>				h
<i>of which: DTLs arising from temporary differences exceeding regulatory threshold</i>				i
Other assets		908,649	908,649	
<i>of which: Goodwill</i>				j
<i>of which: Intangibles</i>				k
<i>of which: Defined-benefit pension fund net assets</i>				l
<b>Total assets</b>		<b>65,220,622</b>	<b>65,220,622</b>	
<b>Liabilities &amp; Equity</b>				
Bills payable		-	-	
Borrowings		45,158,690	45,158,690	
Deposits and other accounts		10,501,149	10,501,149	
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		1,346	1,346	
Deferred tax liabilities		-	-	
<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		1,528,228	1,528,228	
<b>Total liabilities</b>		<b>57,189,413</b>	<b>57,189,413</b>	
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		1,071,761	1,071,761	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>		1,071,761	1,071,761	u
<i>of which: portion eligible for inclusion in Tier 2</i>				v
Unappropriated profit/ (losses)		737,744	737,744	
Minority interest		8,142	8,142	
<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		63,562	63,562	
<i>of which: Revaluation reserves on Fixed Assets</i>				
<i>of which: Unrealized Gains/Losses on AFS</i>		63,562	63,562	aa
<i>In case of Deficit on revaluation (deduction from CET1)</i>				ab
<b>Total liabilities &amp; Equity</b>		<b>65,220,622</b>	<b>65,220,622</b>	

6/2/2

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
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital/ Capital deposited with SBP	6,150,000	(a)
2 Balance in Share Premium Account	-	
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	1,071,761	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unrecruited profits/ (losses)	737,744	(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)	3,859	(x)
8 CET 1 before Regulatory Adjustments		
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9 Goodwill (net of related deferred tax liability)	263,632	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	907	(k) - (p)
11 Shortfall of provisions against classified assets	-	(l)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	((b) - (r)) * x%
13 Defined-benefit pension fund net assets	5,847	((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)	38,687	(a) - (ac) - (ac)
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)	149,668	(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	693	
25 of which: deferred tax assets arising from temporary differences	464	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 of which: investment in TFCs of other banks exceeding the prescribed limit	-	
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	1,767,746	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)	2,227,644	
31 Common Equity Tier 1	5,735,720	
<b>Additional Tier 1 (AT1) Capital</b>		
32 Qualifying Additional Tier-1 instruments plus any related share premium	-	
33 of which: Classified as equity	-	(t)
34 of which: Classified as liabilities	-	(m)
35 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(v)
36 of which: instrument issued by subsidiaries subject to phase out	-	
37 AT1 before regulatory adjustments	-	
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
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)	38,687	(ac)
42 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	149,668	(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	118,912	
44 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	1,648,994	
45 Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	1,956,261	
46 Additional Tier 1 capital	-	
47 Additional Tier 1 capital recognized for capital adequacy	-	
48 Tier 1 Capital (CET1 + admissible AT1) (31+47)	5,735,720	
<b>Tier 2 Capital</b>		
49 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	(a)
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)	160	(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	213	(g)
54 Revaluation Reserves	-	
55 of which: Revaluation reserves on fixed assets	-	portion of (aa)
56 of which: Unrealized Gains/Losses on AFS	7,247	
57 Foreign Exchange Translation Reserves	-	(v)
58 Undisclosed/Other Reserves (if any)	-	
59 T2 before regulatory adjustments	-	
<b>Tier 2 Capital: regulatory adjustments</b>		
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	118,912	
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)	1,458,140	(ac)
64 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	80,000	(af)
65 Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	1,657,052	
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)	5,735,720	

Kam

### 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

*Komal*

### 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>	
	2017	2016	2017	2016
<b>Credit Risk</b>				
<b>On-Balance sheet</b>				
<u>Portfolios subject to standardized approach</u> <u>(Simple or Comprehensive)</u>				
Public Sector entities	65,741	9,373	657,408	93,725
Banks	219,616	259,746	2,196,160	2,597,459
Corporate	1,552,941	1,115,753	15,529,407	11,157,531
Retail	944	1,079	9,437	10,789
Residential Mortgages	3,618	3,830	36,181	38,300
Past Due loans	8,382	14,521	83,819	145,212
Operating Fixed Assets	9,068	9,497	90,675	94,971
Other assets	217,879	193,409	2,178,785	1,934,089
<b>Off-Balance sheet</b>				
Non-market related	270,945	188,722	2,709,453	1,887,220
Equity Exposure Risk in the Banking Book	190,879	127,836	1,908,788	1,278,355
<b>Total Credit Risk</b>	<b>2,540,013</b>	<b>1,923,766</b>	<b>25,400,113</b>	<b>19,237,651</b>
<b>Market Risk</b>				
<u>Capital Requirement for portfolios subject to</u> <u>Standardized Approach</u>				
Interest rate risk	104,069	162,579	1,300,864	2,032,236
Equity position risk	1,741	112,063	21,763	1,400,787
<b>Total Market Risk</b>	<b>105,810</b>	<b>274,642</b>	<b>1,322,627</b>	<b>3,433,023</b>
<b>Operational Risk</b>				
<u>Capital Requirement for operational risks</u>	189,561	192,710	2,369,510	2,408,879
<b>TOTAL</b>	<b>2,835,384</b>	<b>2,391,118</b>	<b>29,092,250</b>	<b>25,079,553</b>

Capital Adequacy Ratios	2017		2016	
	Required	Actual	Required	Actual
CET1 to total RWA	10.00%	19.72%	10.00%	28.15%
Tier-1 capital to total RWA	10.00%	19.72%	10.00%	28.15%
Total capital to total RWA	10.00%	19.72%	10.00%	28.15%
Leverage Ratio	3.00%	7.96%	3.00%	16.12%

*km*

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	2017			2016		
		Amount Outstanding	Deduction CRM*	Net amount	Amount Outstanding	Deduction CRM*	Net amount
(Rupees in '000)							
Corporate	0	-	-	-	-	-	-
	1	1,339,584	247,705	1,587,289	883,198	197,512	1,080,710
	2	7,364,049	-	7,364,049	4,015,721	-	4,015,721
	3-4	1,342,889	-	1,342,889	-	-	-
	5-6	20,450	-	20,450	87,325	-	87,325
	Unrated	8,938,200	(247,705)	8,690,495	7,543,343	(197,512)	7,345,831
		<u>19,005,172</u>	<u>-</u>	<u>19,005,172</u>	<u>12,529,587</u>	<u>-</u>	<u>12,529,587</u>
Banks	0	-	-	-	-	-	-
	1	2,055,263	1,440,583	3,495,846	1,971,930	738,314	2,710,244
	2-3	1,285,594	(692,949)	592,645	4,407,774	(296,955)	4,110,819
	4-5	-	-	-	441,359	(441,359)	-
	Unrated	747,634	(747,634)	-	-	-	-
		<u>4,088,491</u>	<u>-</u>	<u>4,088,491</u>	<u>6,821,063</u>	<u>-</u>	<u>6,821,063</u>
Sovereigns etc.							
Unrated							

\*CRM= Credit Risk Mitigation

14, 2017

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

	2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Financial institution	3,587,722	18.24	3,129,000	29.80	2,622,085	38.34
Textile	3,486,973	17.73	-	-	953,896	13.95
Transportation and communication	3,284,574	16.70	200,000	1.90	160,000	2.34
Power	1,068,679	5.43	-	-	977,041	14.29
Cement	-	-	-	-	500,000	7.31
Electronics	828,571	4.21	-	-	-	-
Food and beverage	836,198	4.25	50,690	0.48	250,000	3.66
Services	1,034,912	5.26	1,833,526	17.46	75,000	1.10
Engineering and allied products	477,057	2.43	-	-	97,640	1.43
Chemical and pharmaceuticals	596,018	3.03	-	-	537,000	7.85
Automobiles	22,662	0.12	-	-	-	-
Fuel and energy	966,745	4.92	-	-	-	-
Construction	892,085	4.54	77,334	0.74	633,330	9.26
Sugar	1,762,723	8.96	-	-	-	-
Paper and board /packaging	356,622	1.81	-	-	-	-
Healthcare	256,250	1.30	-	-	25,000	0.37
Individual	117,964	0.60	908,948	8.66	-	-
Others	90,006	0.47	4,301,651	40.96	7,500	0.10
	<b>19,665,761</b>	<b>100.00</b>	<b>10,501,149</b>	<b>100.00</b>	<b>6,838,492</b>	<b>100.00</b>

	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	72.86	713,519	18.04
	<b>15,902,738</b>	<b>100.00</b>	<b>5,342,975</b>	<b>100.00</b>	<b>3,956,292</b>	<b>100.00</b>

*16/11/2017*

#### 40.2.2 Segment by sector

	2017					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	%	(Rupees in '000)	%	(Rupees in '000)	%
Public / Government	1,437,926	7.31	965,000	9.19	-	-
Private	18,227,835	92.69	9,536,149	90.81	6,838,492	100.00
	<u>19,665,761</u>	<u>100.00</u>	<u>10,501,149</u>	<u>100.00</u>	<u>6,838,492</u>	<u>100.00</u>

	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
	<u>15,902,738</u>	<u>100.00</u>	<u>5,342,975</u>	<u>100.00</u>	<u>3,956,292</u>	<u>100.00</u>

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

	2017		2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Automobile	22,662	22,662	67,985	67,985
Textile	415,859	399,348	429,211	404,211
Construction	-	-	4,435	3,675
Engineering and allied products	68,073	68,073	68,073	68,073
Electronics	50,000	50,000	50,000	50,000
Fuel and energy	104,865	104,865	232,095	232,095
Food and beverages	197,820	125,000	252,878	125,000
Financial institution	5,161	5,161	5,161	5,161
Power	68,200	68,200	68,200	68,200
Others	31,738	31,738	40,805	40,805
	<u>964,378</u>	<u>875,047</u>	<u>1,218,843</u>	<u>1,065,205</u>

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

	2017		2016	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Public / Government	-	-	-	-
Private	964,378	875,047	1,218,843	1,065,205
	<u>964,378</u>	<u>875,047</u>	<u>1,218,843</u>	<u>1,065,205</u>

#### 40.2.5 Geographical segment analysis

	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	634,952	65,220,622	8,031,209	6,838,492
Middle East	-	-	-	-
	<u>634,952</u>	<u>65,220,622</u>	<u>8,031,209</u>	<u>6,838,492</u>

*16mm*

#### 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, sukuku / 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 GAP	Duration (Middle of time band)	Interest Rate Shock	Duration Weighting factor	Interest Rate Shock (Stress)
1	Upto 1 Month	(18,931,466)	0.05%	9,466	0.08%	15,145
2	1 to 3 Months	21,892,201	0.20%	(43,784)	0.32%	(70,055)
3	3 to 6 Months	1,916,678	0.45%	(8,625)	0.72%	(13,800)
4	6 to 12 Months	(798,477)	0.90%	7,186	1.43%	11,418
5	1 to 2 Years	1,002,421	1.50%	(15,036)	2.77%	(27,767)
6	2 to 3 Years	17,061	2.50%	(427)	4.49%	(766)
7	3 to 4 Years	8,734	3.50%	(306)	6.14%	(536)
8	4 to 5 Years	935,054	4.50%	(42,077)	7.71%	(72,093)
9	5 to 7 Years	15,294	6.00%	(918)	10.15%	(1,552)
10	7 to 10 Years	18,016	8.50%	(1,531)	13.26%	(2,389)
11	Over 10 Years	25,715	12.50%	(3,214)	17.84%	(4,588)
		6,101,231		(99,266)		(166,983)

##### Interest Rate Risk in Banking Book (Earning Approach)

S.No	Time Bands	Assets/Liabilities GAP	Duration (Middle of time band)	Interest Rate Shock	Duration Weighting factor	Interest Rate Shock (Stress)
1	Upto 1 Month	(18,931,466)	0.05%	9,466	0.08%	15,145
2	1 to 3 Months	21,892,201	0.20%	(43,784)	0.32%	(70,055)
3	3 to 6 Months	1,916,678	0.45%	(8,625)	0.72%	(13,800)
4	6 to 12 Months	(798,477)	0.90%	7,186	1.43%	11,418
5	1 to 2 Years	1,002,421	1.50%	(15,036)	2.77%	(27,767)
		5,081,357		(50,793)		(85,059)

*lamm*

40.3.2 Mismatch of interest rate sensitive assets and liabilities for the year ended 31 December 2017

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)												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	170,000	-	-	-	-	-	-	-	-	-	-	170,000
Balances with other banks	7.31% 2,043,137	1,036,465	450,000	550,000	-	-	-	-	-	-	-	6,672
Lending to financial institutions	6.03% 2,038,288	2,038,288	-	-	-	-	-	-	-	-	-	-
Investments	6.24% 40,403,976	7,523,831	26,364,096	3,017,227	122,396	954,593	-	927,541	60	-	-	1,494,232
Advances	7.83% 18,790,501	5,960,933	7,031,689	3,780,450	249,443	248,003	230,561	437,373	813,752	25,715	-	12,582
Other assets	487,178	-	-	-	-	-	-	-	-	-	-	487,178
	63,933,080	16,559,517	33,845,785	7,347,677	371,839	1,202,596	230,561	1,364,914	813,812	25,715	-	2,170,664
<b>Liabilities</b>												
Borrowings from financial institutions	5.83% 45,158,690	31,775,130	8,826,927	2,923,783	18,540	199,793	212,889	421,126	780,502	-	-	-
Deposits and other accounts	6.21% 10,501,149	3,715,824	3,126,600	2,507,129	1,151,596	-	-	-	-	-	-	-
Liabilities against assets subject to finance leases	7.91% 1,346	29	57	87	180	382	611	-	-	-	-	-
Other liabilities	1,512,789	-	-	-	-	-	-	-	-	-	-	1,512,789
	57,173,974	35,490,983	11,953,584	5,430,999	1,170,316	200,175	213,500	421,126	780,502	-	-	1,512,789
<b>On-balance sheet gap</b>	6,759,106	(18,931,466)	21,892,201	1,916,678	(798,477)	1,002,421	17,061	943,788	33,310	25,715	-	657,875
Non-financial assets	1,287,542											
Non-financial liabilities	15,439											
<b>Total Net Assets</b>	<b>8,031,209</b>											
<b>Total yield / profit risk sensitivity gap</b>		(18,931,466)	21,892,201	1,916,678	(798,477)	1,002,421	17,061	943,788	33,310	25,715		
<b>Cumulative yield / profit risk sensitivity gap</b>		(18,931,466)	2,960,735	4,877,413	4,078,936	5,081,357	5,098,418	6,042,206	6,075,516	6,101,231		

h 222

Mismatch of interest rate sensitive assets and liabilities for the year ended December 31, 2016

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)												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
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
	<u>38,806,233</u>	<u>7,637,577</u>	<u>8,806,622</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>2,780,116</u>
<b>Liabilities</b>												
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
	<u>31,366,397</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>870,853</u>
On-balance sheet gap	7,439,836	<u>(3,076,523)</u>	<u>5,039,882</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>1,909,263</u>
Non-financial assets	1,043,073	-	-	-	-	-	-	-	-	-	-	-
Non-financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Assets	<u>8,482,909</u>	-	-	-	-	-	-	-	-	-	-	-
Total yield / profit risk sensitivity gap		<u>(3,076,523)</u>	<u>5,039,882</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>(3,076,523)</u>	<u>1,963,359</u>	<u>2,330,404</u>	<u>755,713</u>	<u>1,804,072</u>	<u>2,410,957</u>	<u>4,554,521</u>	<u>5,501,105</u>	<u>5,530,573</u>	-	-

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

40.3.4 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.

*Handwritten signature*

#### 40.4 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
	----- (Rupees in '000) -----			
Pakistan Rupees	65,220,296	57,189,413	-	8,030,883
United States Dollar	65	-	-	65
Omani Riyal	261	-	-	261
	<u>65,220,622</u>	<u>57,189,413</u>	<u>-</u>	<u>8,031,209</u>

#### 40.5 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.

#### 40.6 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.

*mm*

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

Maturities of assets and liabilities as at 31 December 2017

	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)										
<b>Assets</b>										
Cash and balances with treasury banks	170,000	170,000	-	-	-	-	-	-	-	-
Balances with other banks	2,043,137	1,043,137	450,000	550,000	-	-	-	-	-	-
Lending to financial institutions	2,038,288	2,038,288	-	-	-	-	-	-	-	-
Investments	40,403,976	6,726,330	25,442,344	1,682,855	259,870	1,563,679	187,540	2,787,201	1,754,157	-
Advances	18,790,501	251,059	995,181	1,451,988	2,394,414	4,696,313	3,639,073	3,718,573	1,618,185	25,715
Other assets	908,649	148,030	152,009	598,432	5,890	-	-	4,288	-	-
Operating fixed assets	355,214	2,960	5,737	16,532	12,851	23,514	8,626	273,975	11,019	-
Deferred tax assets	510,857	(44,700)	(17,684)	(31,072)	(80,847)	(77,873)	14,435	475,111	272,597	890
	<u>65,220,622</u>	<u>10,335,104</u>	<u>27,027,587</u>	<u>4,268,735</u>	<u>2,592,178</u>	<u>6,205,633</u>	<u>3,849,674</u>	<u>7,259,148</u>	<u>3,655,958</u>	<u>26,605</u>
<b>Liabilities</b>										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	45,158,690	31,541,796	5,851,927	1,217,690	1,300,667	2,014,046	1,112,142	1,339,920	780,502	-
Deposits and other accounts	10,501,149	3,715,824	3,126,600	2,507,129	1,151,596	-	-	-	-	-
Liabilities against assets subject to finance leases	1,346	29	57	87	180	382	611	-	-	-
Other liabilities	1,528,228	390,388	659,645	145,294	131,221	137,355	28,402	31,423	4,500	-
Deferred taxation	-	-	-	-	-	-	-	-	-	-
	<u>57,189,413</u>	<u>35,648,037</u>	<u>9,638,229</u>	<u>3,870,200</u>	<u>2,583,664</u>	<u>2,151,783</u>	<u>1,141,155</u>	<u>1,371,343</u>	<u>785,002</u>	<u>-</u>
Net assets	<u>8,031,209</u>	<u>(25,312,933)</u>	<u>17,389,358</u>	<u>398,535</u>	<u>8,514</u>	<u>4,053,850</u>	<u>2,708,519</u>	<u>5,887,805</u>	<u>2,870,956</u>	<u>26,605</u>
Share capital	6,150,000									
Reserves	1,071,761									
Unappropriated profit	737,744									
	<u>7,959,505</u>									
Surplus on revaluation of investment - net of tax	63,562									
Non controlling interest	8,142									
	<u>8,031,209</u>									

*Kmm*

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) -----										
<b>Assets</b>										
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
<b>Liabilities</b>										
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	-
	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	-
<b>Net assets</b>	<b>8,482,909</b>	<b>(5,975,351)</b>	<b>1,036,248</b>	<b>(752,248)</b>	<b>(1,215,314)</b>	<b>3,295,396</b>	<b>2,714,541</b>	<b>6,863,954</b>	<b>2,485,226</b>	<b>30,457</b>
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									

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.

*kymm*

40.6.2 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 2017

	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)										
<b>Assets</b>										
Cash and balances with treasury banks	170,000	170,000	-	-	-	-	-	-	-	-
Balances with other banks	2,043,137	1,043,137	450,000	550,000	-	-	-	-	-	-
Lending to financial institutions	2,038,288	2,038,288	-	-	-	-	-	-	-	-
Investments	40,403,976	6,726,330	25,442,344	1,682,855	259,870	1,563,679	187,540	2,787,201	1,754,157	-
Advances	18,790,501	251,059	995,181	1,451,988	2,394,414	4,696,313	3,639,073	3,718,573	1,618,185	25,715
Other assets	908,649	148,030	152,009	598,432	5,890	-	-	4,288	-	-
Operating fixed assets	355,214	2,960	5,737	16,532	12,851	23,514	8,626	273,975	11,019	-
Deferred tax assets	510,857	(44,700)	(17,684)	(31,072)	(80,847)	(77,873)	14,435	475,111	272,597	890
	<u>65,220,622</u>	<u>10,335,104</u>	<u>27,027,587</u>	<u>4,268,735</u>	<u>2,592,178</u>	<u>6,205,633</u>	<u>3,849,674</u>	<u>7,259,148</u>	<u>3,655,958</u>	<u>26,605</u>
<b>Liabilities</b>										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	45,158,690	31,541,796	5,851,927	1,217,690	1,300,667	2,014,046	1,112,142	1,339,920	780,502	-
Deposits and other accounts	10,501,149	3,715,824	3,126,600	2,507,129	1,151,596	-	-	-	-	-
Liabilities against assets subject to finance leases	1,346	29	57	87	180	382	611	-	-	-
Other liabilities	1,528,228	390,388	659,645	145,294	131,221	137,355	28,402	31,423	4,500	-
Deferred taxation	-	-	-	-	-	-	-	-	-	-
	<u>57,189,413</u>	<u>35,648,037</u>	<u>9,638,229</u>	<u>3,870,200</u>	<u>2,583,664</u>	<u>2,151,783</u>	<u>1,141,155</u>	<u>1,371,343</u>	<u>785,002</u>	<u>-</u>
Net assets	<u>8,031,209</u>	<u>(25,312,933)</u>	<u>17,389,358</u>	<u>398,535</u>	<u>8,514</u>	<u>4,053,850</u>	<u>2,708,519</u>	<u>5,887,805</u>	<u>2,870,956</u>	<u>26,605</u>
Share capital	6,150,000									
Reserves	1,071,761									
Unappropriated profit	737,744									
	<u>7,959,505</u>									
Surplus on revaluation of investment - net of tax	63,562									
Non controlling interest	8,142									
	<u>8,031,209</u>									

*lsm*

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) -----										
<b>Assets</b>										
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
<b>Liabilities</b>										
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	-
	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	-
<b>Net assets</b>	<b>8,482,909</b>	<b>(5,975,351)</b>	<b>1,036,248</b>	<b>(752,248)</b>	<b>(1,215,314)</b>	<b>3,295,396</b>	<b>2,714,541</b>	<b>6,863,954</b>	<b>2,485,226</b>	<b>30,457</b>
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									
	<u>8,482,909</u>									

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

13/11/16

#### 40.7 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.

#### 41 TRUST ACTIVITIES

The holding company is acting as trustee to Term Finance Certificates issued by Pakistan Refinery Limited, Askari Bank Limited, Pak Arab Fertilizers Limited, NRSP Microfinance Bank Limited, Al-Arabia Sugar Mills Limited and FINCA Microfinance Bank 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.

#### 42 POST BALANCE SHEET EVENTS

The Board of Directors of the holding company in their meeting held on 08 March 2018 have:

- proposed 7% cash dividend amounting to Rs 430.5 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.

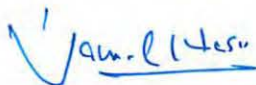
#### 43 GENERAL

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 08 March 2018 by the Board of Directors of the holding company.

*14/03/18*  



Chief Financial Officer



Managing Director  
and Chief Executive



Managing Director  
and Chief Executive



Chairman