PAK OMAN

Pak Oman Investment Company Limited

annual report 2010

Windows of Opportunity

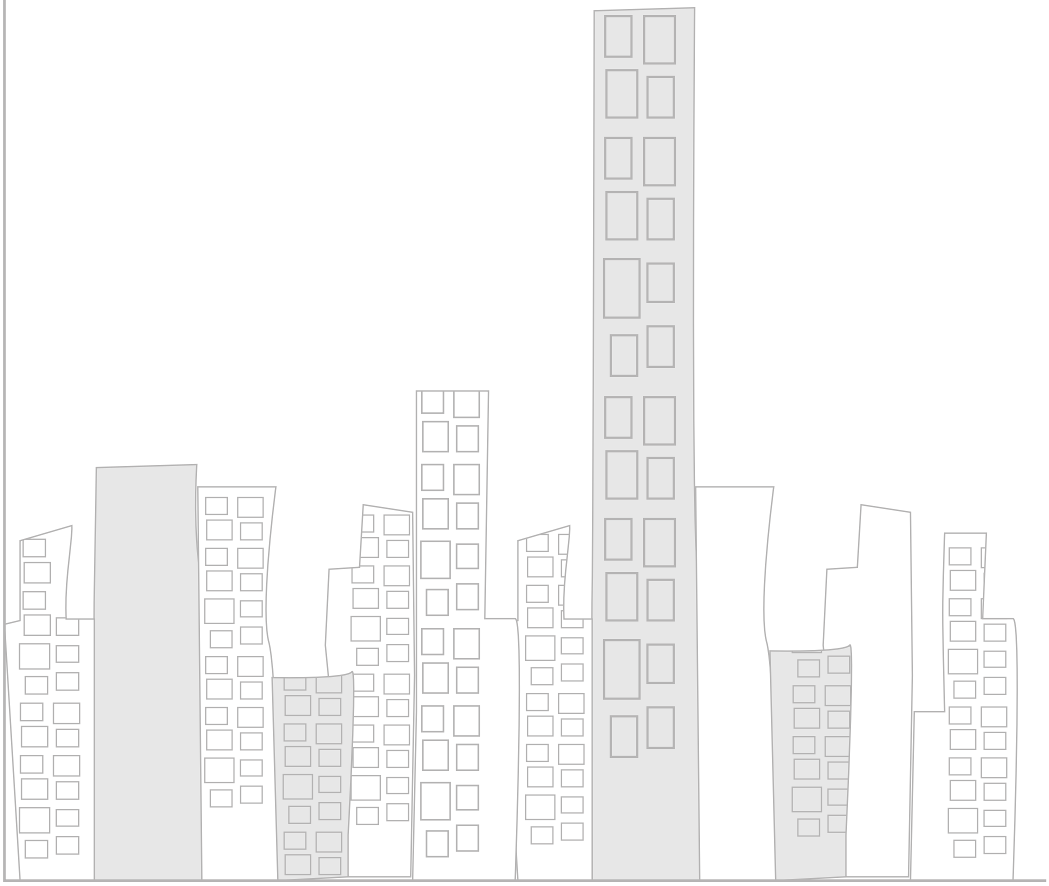
The World's economy is in constant flux. Where one window closes numerous others open.

The freedom to move forward to embrace new opportunities and to produce results comes from the depth of vision to look for the right investments.

Foresight and hindsight enable Pak Oman Investment Company to provide the window to successful investments where preparation meets opportunity.

Room to View

With a holistic view of the overall market conditions and the financial expertise to analyse, Pak Oman is uniquely poised to envision opportunities from various perspectives, including our customer's point of view.



Principal Perspective

At Pak Oman we view our business as an extension of our clients. We provide advice, support and solutions for their business needs. We open up possibilities and convert these into probabilities and profitability.

Introspection

It is our Human Resource, a diverse group of talented, perspicacious individuals, who are the windows through which our customers view Pak Oman.

Spotless integrity, clear thinking, sharp minded visionaries each empowered to present their point of view.

Vision

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

Mission

Pak Oman will 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.

Company Profile

Pak Oman Investment Company Limited is a specialized financial institution formed as a joint venture between the Governments of Pakistan and the Sultanate of Oman in July 2001.

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

A professional and independent Board is formed primarily from the Private Sector, having equal representation of both sponsors.

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

Company Objectives

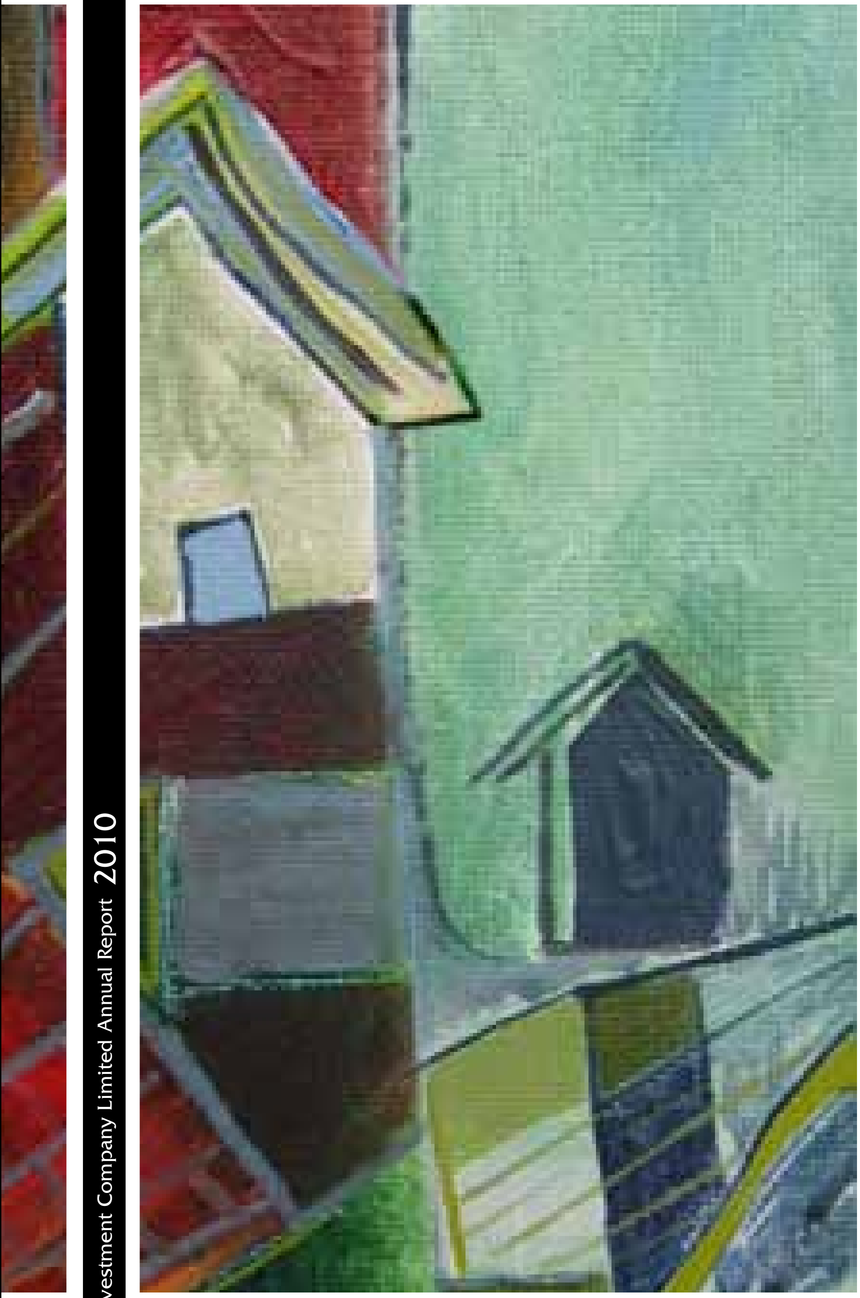
Pak Oman Investment Company Limited has the following objectives:

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

Facilitating Omani investment into Pakistan

And undertaking financially viable projects that meet socio-economic development goals.

Core Values



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

Placing the interests of clients and customers first

Continuous quest for quality in all aspects of operations

Respectful and dignified intra-personal relations

High ethical and moral standards

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

Strong civic sense and responsibility to community

Code of Ethics / Business Practices

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

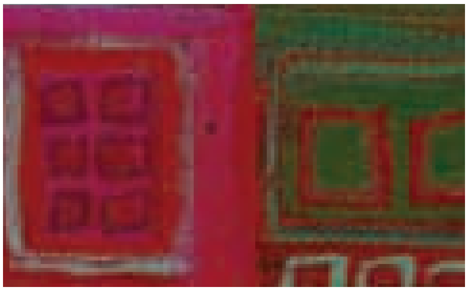
- Be an ethical role model
- Treat colleagues with respect and dignity
- Protect and enhance the Company's assets and reputation
- Make only factual and truthful statements about the Company's product
- Understand and comply with Company laws, regulations and policies wherever applicable
- Comply with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

Contents

Financial Statements

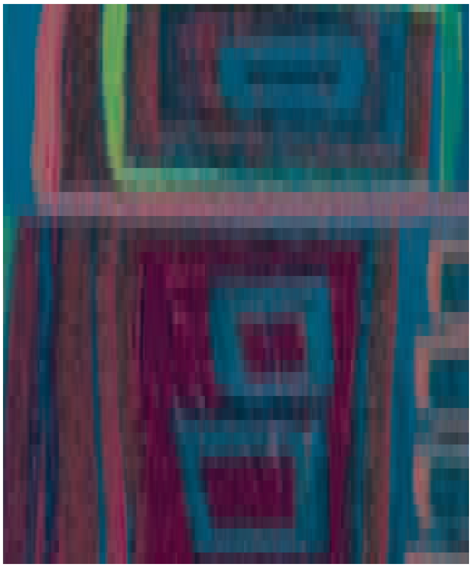
Key Management Teams

Finance & Treasury Back Office



Treasury & Capital Markets

Corporate Affairs



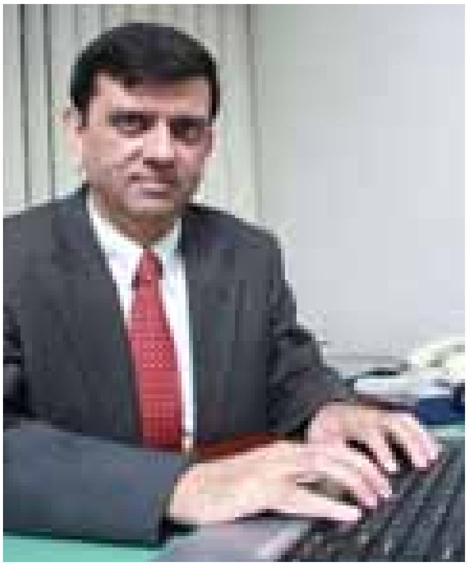
Corporate Credit

Compliance

HR and Administration

Internal Audit

Credit Administration



Information Technology

Risk Management

Board of Directors

From Left to Right

Mr. M. Zubair Motiwala
Director

Mr. Hamed Sloom Mubarak Al Athobi
Director

Mr. Agha Ahmed Shah
Managing Director & Chief Executive Officer

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

Mr. Muhammad Iqbal Awan
Director

Mr. Mustafa Bin Ali Sulaiman
Director

Management Team

Sitting (Left to Right)

Mr. Zalmai R. Khan
Head Risk Management

Ms. Saba Tariq Tajik
Company Secretary

Mr. Agha Ahmed Shah
Managing Director & Chief Executive Officer

Mr. Jehangir Shah
Deputy Managing Director

Mr. Mohammad Jamal Nasir
Chief Financial Officer

Standing (Left to Right)

Mr. Mohammad Ahmer Siddiqui
Chief Internal Auditor

S. M. Shoaib Omair
Head HR & Administration

Mr. Mohammad Naeem Saeed
Head Information Technology

Mr. S. Abdullah Jamal Ahmed
Head Compliance

Mr. Shamim Osman Khetani
Head Credit Administration

Mr. Mohammad Shoaib
Head Treasury & Capital Markets

Khurram Faizyab
Head Corporate Credit

Board & Management

Board of Directors

H.E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman
Mr. Agha Ahmed Shah	Managing Director & Chief Executive Officer
Mr. Hamed Sloom Mubarak Al Athobi	Director
Mr. Mustafa Bin Ali Sulaiman	Director
Mr. Muhammad Iqbal Awan	Director
Mr. M. Zubair Motiwala	Director

Audit Committee

Mr. Hamed Sloom Mubarak Al Athobi	Chairman
Mr. Muhammad Iqbal Awan	Member
Mr. M. Zubair Motiwala	Member
Mr. Mustafa Bin Ali Sulaiman	Member

Executive Committee

H.E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman
Mr. Muhammad Iqbal Awan	Member
Mr. M. Zubair Motiwala	Member
Mr. Agha Ahmed Shah	Member

Board's HR Committee for Remuneration & Compensation

Mr. Mustafa Bin Ali Sulaiman	Chairman
Mr. M. Zubair Motiwala	Member
Mr. Agha Ahmed Shah	Member

Management Team

Mr. Agha Ahmed Shah	Managing Director & Chief Executive Officer
Mr. Jehangir Shah	Deputy Managing Director
Mr. Mohammad Jamal Nasir	Chief Financial Officer
Mr. Khurram Faizyab	Head Corporate Credit
Mr. Zalmai Khan	Head Risk Management
Mr. S.M. Shoaib Omair	Head Human Resources and Administration
Ms. Saba Tariq Tajik	Company Secretary
Mr. Mohammad Shoaib	Head Treasury & Capital Markets
Mr. Mohammad Ahmer Siddiqui	Chief Internal Auditor
Mr. Mohammad Naeem Saeed	Head Information Technology
Syed Abdullah Jamal Ahmed	Head Compliance
Mr. Shamim Osman Khetani	Head Credit Administration
Mr. Kashif Khan	Regional Head, Islamabad
Mr. Nafees Ahmed	Head, Lahore Operations
Mr. Noaman Abdul Majid	Country Manager, Oman

Board of Directors

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

Executive President,
Capital Market Authority, Sultanate of Oman

Chairman - Pak Oman Board of Directors

His Excellency Yahya Bin Said Bin Abdullah Al-Jabri is the Executive President of the Capital Market Authority of Sultanate of Oman since 1999 and has spearheaded the effort to introduce and implement sound corporate governance practices in the financial sector of Oman.

His Excellency has vast experience of global corporate & investment banking with academic qualifications from prestigious American schools including the Kellogg School of Management, Harvard Business School and Darden University.

His Excellency also served as the Chairman of Oman Development Bank where he was responsible for the successful turnaround of the bank. He left this position subsequent to his appointment to the Board of Directors of Central Bank of Oman.

He is also the Chairman of the Board of Directors of Pak Oman Investment Company, Pak Oman Asset Management Company and Pak Oman Microfinance Bank Limited.

Mr. Mustafa Bin Ali Sulaiman

Director General
Ministry of Finance, Sultanate of Oman

Director - Pak Oman Investment Company

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

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

Board of Directors

Mr. Hamed Sloom Mubarak Al Athobi

Director - Pak Oman Investment Co. Ltd

Mr. Hamed Sloom Mubarak Al Athobi has 15 years of proficient experience in the oil and gas associated industry.

His official function is that of Head of Economic and Business Research for Oman Oil Company (OOC), a commercial business wholly owned by the Government of the Sultanate of Oman and represented by the Ministry of Finance.

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

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

In addition to Pak Oman, he is also a Board member in Oman India Fertilizer Company, GS EPS and Compania Logistica de Hidrocarburos (CLH).

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

Mr. Agha Ahmed Shah

Managing Director &
Chief Executive Officer
Pak Oman Investment Co. Ltd

Mr. Agha Ahmed Shah has over 25 years of banking experience in the field of Corporate & Investment Banking and Risk Management. He started his banking career with American Express Bank Limited where he also attended a one year intensive program at the bank's head office in New York. He has also worked in ANZ Grindlays Bank Ltd in Karachi as Senior Manager Corporate Banking and was responsible for the Multinational and Public Sector Groups.

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

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

- Pak Oman Microfinance Bank
- Pak Oman Asset Management Company Limited
- Vision Network Television (CNBC Pakistan)

Board of Directors

Mr. Muhammad Iqbal Awan

Additional Finance Secretary (Corporate Finance)
Ministry of Finance Government of Pakistan

Director - Pak Oman Board of Directors

Mr. Muhammad Iqbal Awan, who has an M.S degree from Columbia University, has 35 years professional experience, specialising in Finance. He is currently serving as the Additional Finance Secretary (Corporate Finance), Ministry of Finance.

Mr. Awan has served on various positions in the government as Director Commercial Audit, Deputy Secretary Regulations, and as Financial Advisor for, Ministry of Railways, Ministry of Petroleum & Natural Resources, Ministry of Population and Ministry of Health.

He is currently serving on the Boards of several listed and non-listed Public Oil & Gas Corporations, including Pakistan State Oil, Pakistan Petroleum Limited, National Refinery Limited, Pakistan Oil Field, Pirkoh Gas Company Limited, Government Holdings Private Limited, Oil & Gas Development Corporation, both Sui Northern and Sui Southern Gas Pipelines Limited, Attock Refinery Limited, Pak Arab Refinery Company, Pakistan Mineral Development Corporation, Lakhra Coal Development Corporation, Interstate Gas System Limited and Hydrocarbon Development Institute of Pakistan

Mr. M. Zubair Motiwala

Advisor to Chief Minister Sindh on Investment

Vice Chairman Sindh Board of Investment

Director
Pak Oman Investment Co. Ltd

Mr. Muhammad Zubair Motiwala is the Advisor to Chief Minister Sindh on Investment since January 2009. He is a prominent industrialist and has played an outstanding role in strengthening the national economy by promoting industrialization. He has served the business community in various capacities as one of their leading representatives.

He carries the honor of being elected as the Chairman of All Pakistan Textile Processing Mills Association (Central). In 1996, Zubair was taken as member of Prime Minister's Committee on Textile and Exports. In 1996-97, he was elected as the Chairman of SITE Association of Industry. He also served as the Chairman of the Council of Karachi Industrial Associations during 1997-98 and was elected as President Karachi Chamber of Commerce & Industry in 2000.

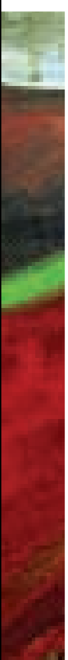
He has been the Director on the boards of various public and private organizations which include Workers Welfare Funds Islamabad, Karachi Electric Supply Corporation, Karachi Water and Sewerage Board, Sindh Industrial Trading Estate, Export Processing Zone Authority, IBA Karachi, Ziauddin Medical University,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

In November 2009, Mr. Zubair Motiwala was nominated as the Board of Directors of "Sindh Public Procurement Regulatory Authority (SPPRA). In February 2010 he was chosen as a Chairman of Steering Committee for Investment Promotion in Sindh.

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

Chairman's Review

It gives me pleasure to share with you the performance of Pak Oman Investment Company for the year 2010. The Company completed a difficult year being affected adversely by the macro and micro-economic environment. Despite all the negative factors, your Company has been able to achieve the following:



- After absorbing shocks of the financial meltdown of 2008, the Company turned around and became profitable in 2010
- The Company maintained its Credit Rating of AA+ and Corporate Governance Rating of CGR 9 by JCR-VIS Credit Rating Company
- The Company was reappointed as Primary Dealer by the State Bank of Pakistan
- It continued booking new relationships in a very difficult year
- Deposit mobilization from the retail sector, which was initiated in April 2009 saw exceptional growth in 2010 and now stand over Rs 450 million

Overview of Operations

Your Company has successfully turned around and has recorded a profit after tax of Rs 278 million (US$ 3.3 million) compared to a loss after tax of Rs 607 million (US$ 7 million) in 2009. As at December 31, 2010, Company's Total Assets stood at Rs 19 billion (US$ 224 million).

Corporate Credit

In 2010, Pakistan was devastated by the worst ever floods in its history, inundating about 20% of the total country and destroying significant areas of cotton, sugarcane and rice cultivation. This coupled with the ongoing power and gas crisis as well as deteriorating law and order situation, prevailing high interest rates, record inflation, significant rise in NPLs of the banking sector as well as a sharp decline in private sector credit off take, did not make it easy to do business in 2010. Despite these challenges, Corporate Credit managed to disburse Rs 2.5 billion in 2010 and booked a fee income of over Rs 8 million. This was achieved by adopting a conservative, yet proactive management of the portfolio.

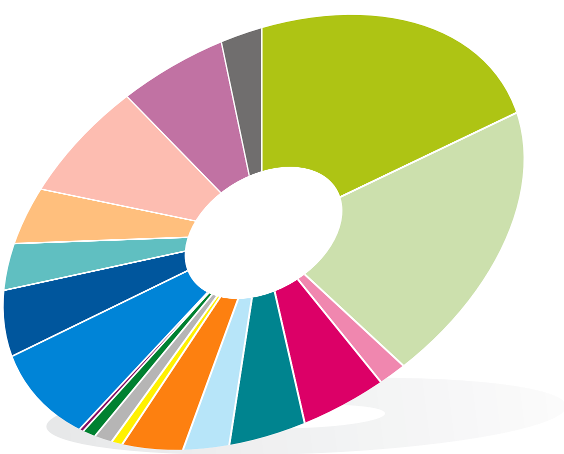
As in the past, Power and Textile sectors continued to remain the dominant sectors of the portfolio, both combining to about 40% of the total loan portfolio. Overall exposure in the power sector was reduced to about 20% of the lending portfolio compared to 25% in 2009. It may be noted that out of five new IPPs financed by Pak Oman, two successfully achieved Commercial Operation (COD) in the first half of 2010 while one IPP had already achieved it in 2009. The remaining two IPPs are expected to achieve COD in 2011.

Corporate Credit has continued the strategy of booking top end export oriented customers and servicing them through SBP subsidized credit lines. Through this strategy and utilization of these lines, Corporate has continued to cash in on the advantage offered by such lines to address the issue of mismatch between its assets and corresponding liabilities, and yet have a fixed percentage spread on these credit facilities.

Earlier last year, Corporate Credit had institutionalized the practice of closely monitoring flagged accounts. The practice has started paying dividends as many accounts which could had been relegated to litigation status have managed to stay regular.

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

Textile	21.38%
Power	19.36%
Pharmaceutical	1.58%
Engineering	4.97%
Electronics	4.74%
Auto & Allied	3.0%
Chemicals / Fertilizers	4.25%
Paper, Board & Packaging	0.82%
Construction/Housing	1.34%



Cement	0.98%
Finance	0.33%
Sugar	8.46%
Communications & Media	5.31%
Transportation	3.42%
Healthcare	3.94%
Other	7.44%
Food, Beverages & Tobacco	6.19%
Oil & Gas Marketing / Exploration / Other	2.49%

Investment Banking

Investment Banking Division ("IBD") continues to play an active role in origination and distribution of debt and equity instruments. It also plays a pivotal role in bringing foreign investment into Pakistan.

During the year, Pak Oman acquired 5.43% shareholding in Orient Power Company (Pvt.) Limited, a 225 MW, dual fired Independent Power Plant. The Company also successfully advised and arranged Rs 350 million long term project finance facility for Orient Power Company (Pvt.) Limited, to meet its capital costs.

Pak Oman also acted as one of the Advisors & Arrangers to ORIX Leasing Pakistan Limited for their Rs 600 million Commercial Papers Issue. In addition, it also successfully closed the mandate for advising and arranging a Rs 150 million Term Finance Facility for Saif Healthcare Limited.

Treasury

The core functions of the Company's treasury are resource mobilization and money market activities including trading fixed income securities. It has also maintained the status of State Bank's primary dealer since 2004

Treasury's book size as of 31st December 2010 was Rs 11,660 million. This also included an equity portfolio of Rs 305 million and investments in Mutual Funds of Rs 698 million.

In 2010 investment in T-Bills and PIBs declined significantly. The strategy of offloading this portfolio was executed to ensure an upward shifting of the yield curve.

TFC and Sukuk portfolio also declined by 4.35%, mainly in view of the strategy to benefit from higher prices in the market. This portfolio now stands at Rs 4.8 billion.

One of the highlights of the year was increase in generation of funds through COIs. Currently, the amount acquired in COI is Rs 5.6 billion which is an increase of 22% compared to 2009. Deposit Mobilization from retail side, which was started in April 2009 saw exceptional growth in the year 2010 and these deposits are now over Rs 450 million

Capital Market Division also recorded an income of Rs 99 million in terms of realized gains and dividend income in the equity market.

Risk Management

Pak Oman has stringent and robust risk management policies. During 2010, Pak Oman's Capital Adequacy Ratio was sufficiently high to cover any unforeseen shocks and the company remained compliant with the requirements pertaining to implementation of the Basel II as mandated by the State Bank of Pakistan Regulations. Furthermore the company acquired and implemented Operation Risk software which has laid the groundwork for moving towards higher levels of operational risk as per Basel II in due course of time.

Support Operations

Finance, Information Technology, Human Resources and Administration, played their role in supporting core operations of the Company. Information Technology Department concentrated on improving IT Infrastructure by installing new database servers and storage devices to improve overall system availability and performance. A new firewall was installed to improve network security. Also implemented A new application module to meet business needs. 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

Social Responsibility / Contribution to National Economy

Pak Oman was established at a time when the practice of granting tax exemptions had been eradicated. In the year 2010, the Company's contribution to the national exchequer was Rs 244 million.

Pak Oman contributed a sum of Rs 5 million for the Flood Relief Funds in September 2010.

Pak Oman Investment Company Limited recognises the importance of environmental, social and ethical issues. “Friends of Life” is a social responsibility cell which is an internal committee dedicated to promoting social welfare and environmental friendly practices within and outside the company.

Friends of Life continued the initiatives it took last year which were geared towards health for the underprivileged.

- **Al-Mehrab Tibbi Imdad**

Friends of Life initiated a project to provide medicinal aid on a quarterly basis to Al-Mehrab Tibbi Imdad, a sanctuary for the terminally ill. Al-Mehrab is a society formed for the purpose of providing free medical aid to destitute and needy patients suffering from terminal illness, particularly cancer. The Hospice extends dedicated care required to nurse cancer patients and help them spend their last moments with ease.

- **Friends of Burns Centre (Civil Hospital)**

Burns Centre (Civil Hospital) is run by a Committee "Friends of Burns Centre" and is the first of its kind in Pakistan, operating according to International medical standards. The Centre manages to cater to approximately 20,000 patients per year, with an average of 500-600 in-patients from all over Pakistan with severe burns, completely free of cost. Pak Oman's Friends of Life Committee sponsors the monthly salary of a professionally trained, highly qualified burns doctor for the Centre.

- **Dar-ul-Sukun**

Friends of Life also financially assist on a regular basis Dar-ul-Sukun, an institute for the mentally and physically handicapped.

2011 and Beyond

The company will continue to focus on its core business and in consolidating its operations. A major challenge for 2011 will be working out on non-performing loans and flagged accounts. Management will channel its efforts on recoveries through the litigation process, out of court settlement and/or by way of feasible re-structuring of facilities. For this purpose a broad strategy has also been prepared.

Real Estate market offers substantial scope for capital gains as well as rental income. To take advantage of this option as well as to cater to the needs of a growing company, Pak Oman will look for opportunities to build its own office building.

Last year we had planned to launch a Private Equity Fund (Fund) in Muscat Sultanate of Oman. The aim of the fund will be to expand in the Sultanate of Oman and facilitate more contact between investors of the two countries. This fund shall be a country specific USD 40 million (equivalent to RO 15 million) closed end fund listed in the Muscat Securities Market.

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 toward 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 government, and customers for their valuable support and cooperation & the regulatory bodies for their guidance.

Yahya Bin Said Bin Abdullah Al-Jabri
Chairman

Muscat: March 06, 2011

Directors' Report

On behalf of the Board of Directors, it gives me pleasure to present the Ninth Annual Report and the Audited Financial Statements together with the Auditors' Report of your Company, along with Consolidated Audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2010.

Economy

Pakistan's economy is passing through a difficult phase due to the energy crises and the ongoing internal security situation in the country. In addition, the recent devastating floods have caused massive damage to infrastructure and agricultural output.

In the aftermath of these floods, the Government has been forced to slash down its public sector development program by 46 % and divert the funds for the relief of flood effectee. Further, FDI inflow for the period also reduced to 44%. As a result, GDP growth is now projected at 3.5 % from an earlier target of 4.5%.

There has been an increase in inflation due to enhanced borrowings by the government from State Bank of Pakistan. The expected levy of Reformed General Sales Tax will generate additional revenue.

Non Performing Loans are expected to rise in the year 2011, mainly due to high interest rates and the energy crises.

Operational Review

Despite uncertain conditions in the country, your Company has turned around successfully in 2010 and recorded a profit before tax of Rs 382 million (US$ 4.5 million) against a loss before tax of Rs 654 million (US$ 7.6 million) in 2009. Also, underlying growth of the Company's core business has been strong. On a cumulative basis, total revenue from operations amounted to Rs 2,431 million (US$ 28.4 million). After accounting for Mark-up and interest expense of Rs 1,462 million (US$ 17.1million) and total administrative and other expenses of Rs 249 million (US$ 2.9 million), the Company achieved a profit before provisions of Rs 720 million (US$ 8.4 million). However, during the year SBP carried out its inspection and recommended an additional specific provision of Rs 129 million (US$ 1.5 million) based on a subjective criteria. This resulted in a total provision of Rs 338 million (US$ 3.9 million) for the year. As a result, the Company achieved profit before tax of Rs 382 million (US$ 4.5 million) and profit after tax of Rs 278 million (US$ 3.3 million) respectively. Company's coverage ratio of total provisions to total non-performing loans was 91%.

Pak Oman continued to build a well-diversified asset portfolio, comprising of loans and leases, as well as corporate bonds and investment in government securities. As at December 31, 2010, Company's Total Assets stood at Rs 19 billion (US$ 224 million).

Financial Results

	For the Year ended 2010	
	Rs million	US$ million
Total Assets	19,174	223.7
Advances	5,948	69.4
Investments	9,144	106.7
Profit after taxation	278	3.3

Appropriations

The Board has recommended following appropriations:

	For the Year ended 2010	
	Rs million	US$ million
To Statutory Reserve	56	0.65
From General Reserve	55	0.64
To and from Contingencies Reserve	22	0.26
Cash Dividend @ Rs 0.40 per share	246	2.87

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 denotes 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. Pak Oman is the first financial institution to accomplish this milestone in the first year of assessment. This remarkable achievement is the result of the 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 2010-2011.

Pak Oman Microfinance Bank

In the year 2010, Pak Oman Microfinance Bank continued to create its impact in the Microfinance landscape of Pakistan.

The salient features of Pak Oman Micro Finance Bank's performance:

Total number of operational branches	14
Service Centres	3
Total number of Borrowers	45,601
Total number of Deposit Holders	17,082
Total number of Customers	62,683
Total Amount of Disbursement	Rs 660,048,000
Total Amount of Deposits	Rs 27,724,332
Total number of Loans	45,601
Average loan size	Rs 14,474

In 2011, the Bank plans to steadily increase its outreach by opening three more Branches and three Service Centres across the country. It also continues to focus on providing access to a sound and affordable micro-insurance service to its borrowers in collaboration with a renowned insurance company of Pakistan.

Pak Oman Asset Management Company

Pak Oman Asset Management Company Limited had a difficult year due to the overall market conditions. However, its management is confident to close full year's operations with a profit. Presently, POAMCL is managing three open-end funds. During the year, Pak Oman Advantage Stock Fund was categorized into Pak Oman Advantage Asset Allocation Fund in order to position it in moderate risk category and Pak Oman Advantage Islamic Fund's name was changed to Pak Oman Islamic

Asset Allocation Fund. Pak Oman Advantage Asset Allocation Fund posted a return of 4.89% in 2010, Pak Oman Islamic Asset Allocation Fund posted a return of 19.10% in 2010 and Pak Oman Advantage Islamic Income Fund posted a return of 10.52% in 2010.

Risk Management Framework

The Directors acknowledge that although the onus for risk management trickles down to the operational level, its overall responsibility rests with the Board of Directors. The Company constantly endeavours for betterment of the existing risk management systems and procedures. In this regard there is an ongoing process of upgrading the IT systems, which would not only cover the Company's increasing needs but also form the basis for BASEL II implementation. The Company is fully compliant to SBP's guidelines on BASEL II implementation.

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 Accounting 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.
- There has been no material departure from the best practices of corporate governance.

The Board of Directors of the Company held five meetings during the year ended December 2010 to discuss policy matters and to review operations. These were attended as follows:

Name of Director	Meetings Attended
H.E. Yahya Bin Said Bin Abdullah Al-Jabri	5
Mr. Muhammad Zubair Motiwala	3
Mr. Mustafa Bin Ali Sulaiman	5
Mr. Hamed Sloom Mubarak Al Athobi	5
Mr. Muhammad Iqbal Awan	4
Mr. Agha Ahmed Shah	5

Statement of Investments of Provident & Gratuity funds

Investments of Provident & Gratuity funds as at December 31, 2010 according to their un-audited financial statements were Rs 39.6 million and Rs 31.2 million respectively.

Auditors

The present Auditors, M/s Anjum Asim Shahid Rahman, (a member firm of Grant Thornton) Chartered Accountants has completed its tenure in accordance to the decision of the Audit Committee and stands retired. The Board of Directors, on the suggestion of the Audit Committee, recommended the appointment of M/s M. Yousuf Adil Saleem & Company, (a member firm of Deloitte Touche Tohmatsu) Chartered Accountants, as auditors of the Company for the year ending December 31, 2011.

Pattern of Shareholding	
Government of Pakistan:	
Ministry of Finance	49.99%
Secretary - Economic Affairs Division	0.01%
Sultanate of Oman:	
Ministry of Finance	49.99%
Ministry of Commerce & Industry	0.01%

Acknowledgements

Stakeholders

The Board is grateful to the respective Governments of Sultanate of Oman and 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

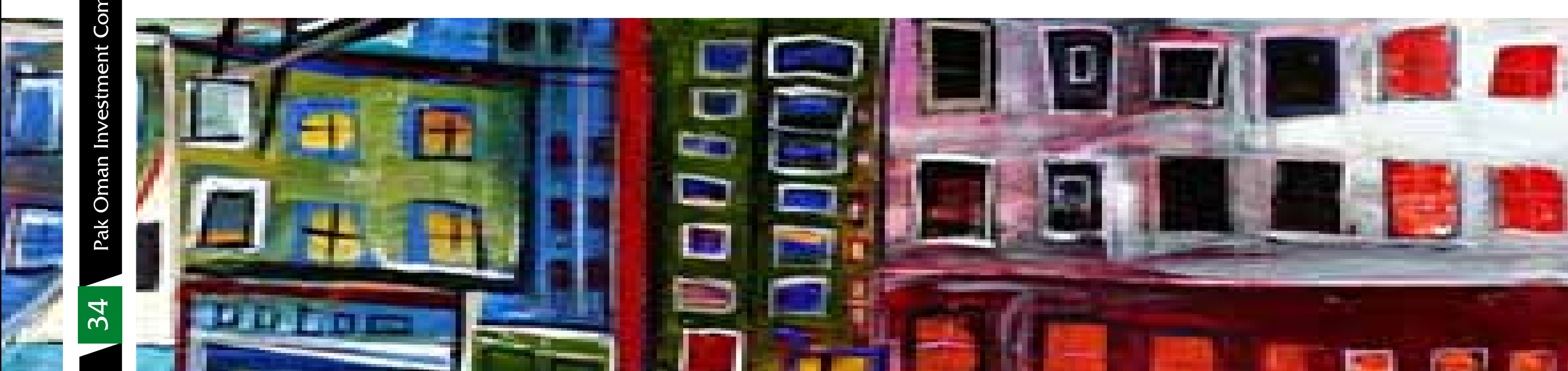
The Board acknowledges the Management and staff for their exceptional efforts in positioning the Company as a strong player in the financial sector. This is the result of collective team work, commitment and dedication towards achieving the Company's objectives.

Agha Ahmed Shah
Managing Director & Chief Executive Officer

Muscat: March 06, 2011

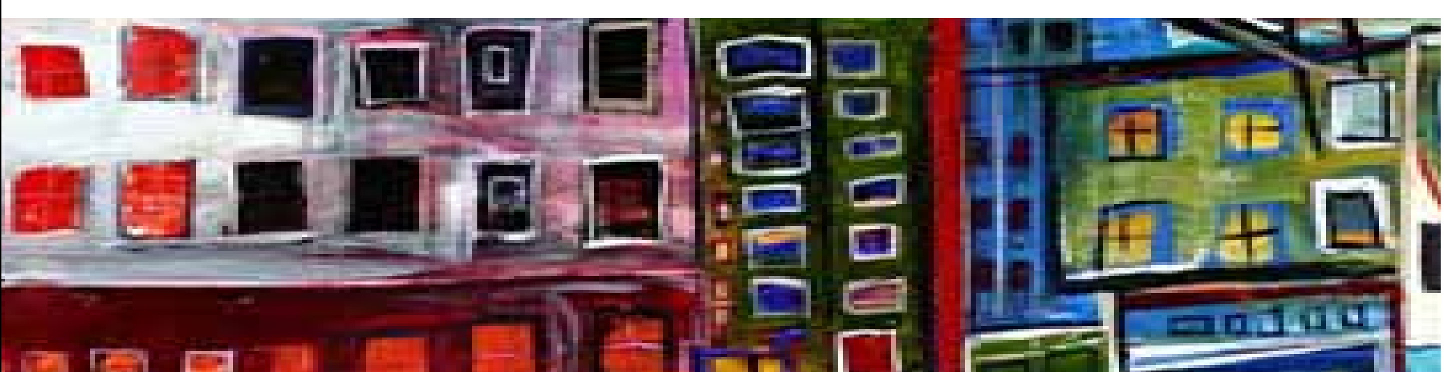
Financial Summary

	2010	2009	2008
Balance Sheet			
Shareholders capital	6,150,000	6,150,000	6,150,000
Reserves & unappropriated profit	692,896	414,920	1,022,413
Lendings to financial institutions	2,454,610	2,846,936	3,137,180
Investments	9,143,686	10,775,046	6,996,478
Advances	5,947,929	5,514,114	5,740,174
Borrowing from financial institutions	6,145,349	8,895,096	7,491,561
Deposits and other accounts	5,561,165	4,562,089	3,023,121
Profit & Loss			
Mark up income	2,224,130	2,319,194	2,038,155
Mark up expense	1,462,002	1,636,815	1,318,404
Profit / (loss) before tax	381,757	(653,819)	126,560
Investors Information			
Basic and diluted (loss) / earnings per share	0.45	(0.99)	0.01
Profit / (loss) before tax ratio	1.37	(1.08)	19.61
Gross spread ratio	0.34	0.29	0.35
Return on Equity	4.15%	-8.84%	0.09%
Income / Expense	1.19	0.75	1.07



Rupees in '000

2007	2006	2005	2004	2003	2002
6,150,000	3,000,000	1,500,000	1,500,000	1,500,000	1,500,000
1,323,460	1,100,155	906,435	665,112	423,602	114,016
3,706,071	2,825,482	1,770,300	2,062,013	2,293,560	818,630
9,063,700	4,172,175	4,703,362	3,975,175	3,969,879	3,948,978
6,878,787	6,135,812	4,668,845	2,601,599	1,115,576	349,775
11,776,222	7,868,858	5,249,759	4,882,000	4,042,762	3,391,379
2,168,358	3,009,583	3,977,226	1,553,675	1,273,911	50,000
1,572,096	1,159,681	731,642	396,805	363,596	271,926
1,063,943	830,342	472,518	135,017	108,829	88,836
676,076	330,692	278,817	318,726	440,962	144,714
1.22	1.22	1.61	1.61	2.06	0.86
1.29	1.08	1.16	1.32	1.42	1.27
0.32	0.28	0.35	0.66	0.70	0.67
9.66%	9.41%	10.56%	11.81%	17.50%	7.32%
1.49	1.32	1.41	2.33	3.28	1.81



Anjum Asim Shahid Rahman
Chartered Accountants

Grant Thornton

Review Report to the Members on Statement of Compliance with the Best Practices of **Code of Corporate Governance**

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

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance as applicable to the Company and report if it does not. 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 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and effectiveness of such internal controls.

Further, sub-Regulation (xiii)(a) of Listing Regulation 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before 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 of Corporate Governance as applicable to the Company, for the year ended **December 31, 2010.**

Anjum Asim Shahid Rahman
Chartered Accountants

Karachi: March 06, 2011

Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2010

This statement is being presented to comply with the Code of Corporate Governance framed by the Securities and Exchange Commission of Pakistan and as required by paragraph 3 of BSD Circular No. 15 of 2002 issued by the State Bank of Pakistan.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors. At present the Board has only one executive director.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the Board during the year ended December 31, 2010.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall 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.

7. 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 CEO have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. The directors have also discussed the corporate governance requirements of the DFIs as required by the State Bank of Pakistan' Prudential Regulations during the year.

10. The Board has approved the appointment of the CFO, the Company Secretary and the Head of Internal Audit and as authorized by the Board their remuneration and terms and conditions of employment were determined by the CEO.

11. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee, which comprises of four non-executive directors.

16. The meetings of the audit committee are held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. 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 in this regard.

20. All related party transactions have been presented before the Audit Committee and approved by the Board of Directors.

21. We confirm that all other material principles contained in the Code have been complied.

Yahya Bin Said Bin Abdullah Al-Jabri
Chairman

Agha Ahmed Shah
Managing Director & Chief Executive Officer

Muscat: March 06, 2011

Statement of Internal Controls

For the year ended December 31, 2010

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.

Further, recognizing to be ongoing process, the management of Pak Oman is in the process of adopting an internationally accepted COSO (Internal Control - Integrated) framework with the assistance of a reputable advisory firm in accordance with SBP Guidelines on Internal Controls, Pak Oman expects to achieve external auditors' certification on internal controls over financial reporting in 2011.

Mohammad Jamal Nasir
Chief Financial Officer

S. Abdullah Jamal Ahmed
Head of Compliance

Mohammad Ahmer Siddiqui
Chief Internal Auditor

Muscat: March 06, 2011

Anjum Asim Shahid Rahman
Chartered Accountants

Grant Thornton

Independent Auditors' Report
to the members

We have audited the annexed statement of financial position of **Pak Oman Investment Company Limited** (the Company) as at **December 31, 2010** and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') 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 financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the 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 financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

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

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at the December 31, 2010, and of the profit, total comprehensive income, 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).

Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

Karachi: March 06, 2011

Statement of Financial Position
As at December 31, 2010

2010	2009		Note	2010	2009
US $ in '000				Rupees in '000	
		ASSETS			
821	863	Cash and balance with treasury banks	6	70,373	73,968
7,710	6,889	Balance with other banks	7	660,750	590,362
28,642	33,220	Lendings to financial institutions	8	2,454,610	2,846,936
106,694	125,730	Investments	9	9,143,686	10,775,046
69,404	64,342	Advances	10	5,947,929	5,514,114
759	730	Operating fixed assets	11	65,082	62,538
4,814	3,655	Deferred tax assets	12	412,574	313,222
4,901	4,534	Other assets	13	419,985	388,553
223,745	239,963			19,174,989	20,564,739
		LIABILITIES			
-	-	Bills payable		-	-
71,708	103,793	Borrowings from financial institutions	14	6,145,349	8,895,096
64,891	53,233	Deposits and other accounts	15	5,561,165	4,562,089
-	-	Sub-ordinated loans		-	-
177	165	Liabilities against assets subject to finance lease	16	15,202	14,168
-	-	Deferred tax liabilities		-	-
8,358	7,825	Other liabilities	17	716,383	670,485
145,134	165,016			12,438,099	14,141,838
78,611	74,947	**NET ASSETS**		6,736,890	6,422,901
		REPRESENTED BY			
71,762	71,762	Share capital	18	6,150,000	6,150,000
5,748	4,842	Reserves	19	492,568	414,920
2,338	-	Unappropriated profit		200,328	-
79,848	76,604			6,842,896	6,564,920
(1,237)	(1,657)	Deficit on revaluation of securities - net of tax	20	(106,006)	(142,019)
78,611	74,947			6,736,890	6,422,901
		Contingencies and commitments	21		

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

Managing Director and Chief Executive Officer **Chairman**

Profit and Loss Account
For the year ended December 31, 2010

2010	2009		Note	2010	2009
US $ in '000				Rupees in '000	
25,953	27,062	Mark-up/Return/Interest earned	22	2,224,130	2,319,194
17,060	19,099	Mark-up/Return/Interest expensed	23	1,462,002	1,636,815
8,893	7,963	***Net mark-up/interest income***		762,128	682,379
2,119	6,908	Provision against non-performing loans and advances	10.6	181,614	592,044
1,824	1,606	Provision for diminution in the value of investments	9.3	156,315	137,630
-	-	Bad debts written off directly		-	-
3,943	8,514			337,929	729,674
4,950	(551)	***Net mark-up/interest income after provisions***		424,199	(47,295)
		NON MARK-UP/INTEREST INCOME			
257	183	Fee, commission and brokerage income		22,013	15,693
857	903	Dividend income		73,426	77,420
-	-	Income from dealing in foreign currencies		-	-
1,234	(828)	Gain / (loss) on sale of investments	24	105,762	(70,968)
-	(4,436)	Provision for impairment in the value of investments		-	(380,132)
32	(23)	Unrealised surplus / (deficit) on revaluation of investments classified as held-for-trading		2,780	(1,952)
27	1	Other income	25	2,332	43
2,407	(4,200)	***Total non markup/interest income***		206,313	(359,896)
7,357	(4,751)			630,512	(407,191)
		NON MARK-UP/INTEREST EXPENSES			
2,802	2,737	Administrative expenses	26	240,169	234,559
-	-	Other provisions/write offs		-	-
100	141	Other charges	27	8,586	12,069
2,902	2,878	***Total non markup/interest expenses***		248,755	246,628
4,455	(7,629)			381,757	(653,819)
-	-	Extra ordinary/unusual items		-	-
4,455	(7,629)	**PROFIT / (LOSS) BEFORE TAXATION**		381,757	(653,819)
		Taxation	28		
2,375	1,392	current		203,535	119,278
-	-	prior years		-	-
(1,164)	(1,932)	deferred		(99,754)	(165,604)
1,211	(540)			103,781	(46,326)
3,244	(7,089)	**PROFIT / (LOSS) AFTER TAXATION**		277,976	(607,493)
-	60	Unappropriated profit brought forward		-	5,162
3,244	(7,029)	Profit / (loss) available for appropriation		277,976	(602,331)
US $				Rupees	
0.0053	(0.0115)	Basic and diluted earnings / (loss) per share	29	0.45	(0.99)

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

Managing Director and Chief Executive Officer **Chairman**

Statement of Comprehensive Income

For the year ended December 31, 2010

2010	2009		Note	2010	2009
US $ in '000				Rupees in '000	
3,244	(7,089)	**PROFIT / (LOSS) AFTER TAXATION**		277,976	(607,493)
		Other comprehensive income not transferred to equity			
425	9,065	Surplus on revaluation of securities		36,415	776,875
(5)	(225)	Deferred tax (liability) on Government Securities		(402)	(19,304)
7	6	Actuarial gains on defined benefit plan	32.11	582	554
427	8,846			36,595	758,125
3,671	1,757	**Total comprehensive income for the year**		314,571	150,632

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

Managing Director and Chief Executive Officer **Chairman**

Cash Flow Statement

For the year ended December 31, 2010

2010	2009		Note	2010	2009
US $ in '000				Rupees in '000	
		CASH FLOW FROM OPERATING ACTIVITIES			
4,455	(7,629)	Profit / (loss) before taxation		381,757	(653,819)
857	903	Less: Dividend income		73,426	77,420
3,598	(8,532)			308,331	(731,239)
		Adjustments for non-cash charges			
173	168	Depreciation	11.1	14,838	14,440
20	7	Amortization of intangible assets	11.2	1,672	635
(32)	23	Unrealised (surplus) / deficit on revaluation of investments classified as 'held-for-trading'		(2,780)	1,952
(27)	13	(Gain) / Loss on sale of operating fixed assets	25&27	(2,330)	1,150
2,119	6,908	Provision against non-performing loans and advances	10.6	181,614	592,044
-	4,436	Provision for impairment in the value of investments		-	380,132
1,824	1,606	Provision for diminution in the value of investments	9.3	156,315	137,630
28	24	Finance charges on leased assets	26	2,364	2,098
4,105	13,185			351,693	1,130,081
7,703	4,653			660,024	398,842
		(Increase)/Decrease in operating assets			
-	-	Balances with other banks		-	-
4,578	2,220	Lendings to financial institutions		392,326	190,244
38,685	(39,805)	Investment classified as 'Held-for-trading'		3,315,343	(3,411,250)
(7,181)	(4,271)	Advances		(615,429)	(365,984)
(366)	3,956	Other assets		(31,287)	338,931
35,716	(37,900)			3,060,953	(3,248,059)
		Increase/(Decrease) in operating liabilities			
-	-	Bills payable		-	-
(32,086)	16,377	Borrowings from financial institutions		(2,749,747)	1,403,535
11,658	17,958	Deposits and other accounts		999,076	1,538,968
387	1,350	Other liabilities		33,221	115,583
(20,041)	35,685			(1,717,450)	3,058,086
23,378	2,438			2,003,527	208,869
(27)	(25)	Finance charges paid on leased assets		(2,281)	(2,105)
(2,228)	(1,802)	Income tax paid		(190,941)	(154,451)
21,123	611	**Net cash from operating activities**		1,810,305	52,313
		CASH FLOW FROM INVESTING ACTIVITIES			
(22,938)	(748)	Net investments in 'available-for-sale' securities		(1,965,810)	(64,094)
56	84	Net investments in 'held-to-maturity' securities		4,833	7,204
1,866	(622)	Investments in associates		159,874	(53,267)
855	905	Dividend received		73,281	77,579
(121)	(48)	Investments in operating fixed assets		(10,376)	(4,095)
54	39	Sale proceeds of operating fixed assets disposed off		4,601	3,322
(20,228)	(390)	**Net cash used in investing activities**		(1,733,597)	(33,351)
		CASH FLOW FROM FINANCING ACTIVITIES			
(116)	(137)	Payments of lease obligations		(9,915)	(11,740)
-	-	Dividend paid		-	-
(116)	(137)	**Net cash used in financing activities**		(9,915)	(11,740)
779	84	Increase in cash and cash equivalents		66,793	7,222
7,752	7,668	Cash and cash equivalents at beginning of the year		664,330	657,108
8,531	7,752	**Cash and cash equivalents at end of the year**	30	731,123	664,330

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

Managing Director and Chief Executive Officer **Chairman**

Statement of Changes in Equity

For the year ended December 31, 2010

	Issued, subscribed and paid up capital	Reserves			Unappropriated profit	Total
		Statutory reserve	General reserve	Reserve for contingencies		
	Rupees in '000					
Balance as at January 1, 2009	6,150,000	348,483	575,755	93,013	5,162	7,172,413
Transfer to general reserve	-	-	5,162	-	(5,162)	-
Transfer from general reserve	-	-	(27,419)	-	-	(27,419)
Transfer to contingencies reserve relating to year ended December 31, 2008	-	-	-	27,419	-	27,419
Loss for the year ended December 31, 2009	-	-	-	-	(607,493)	(607,493)
Transfer from general reserve	-	-	(487,061)	-	487,061	-
Transfer from contingencies reserve	-	-	-	(120,432)	120,432	-
Balance as at December 31, 2009	**6,150,000**	**348,483**	**66,437**	**-**	**-**	**6,564,920**
Profit for the year ended December 31, 2010	-	-	-	-	277,976	277,976
Transfer to statutory reserve	-	55,595	-	-	(55,595)	-
Transfer to contingencies reserve	-	-	-	22,053	(22,053)	-
Balance as at December 31, 2010	**6,150,000**	**404,078**	**66,437**	**22,053**	**200,328**	**6,842,896**

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

Managing Director and Chief Executive Officer **Chairman**

Notes to the Financial Statements
For the year ended December 31, 2010

1 LEGAL STATUS AND NATURE OF BUSINESS

Pak-Oman Investment Company Limited was incorporated as a private limited company on July 23, 2001. Subsequently, on March 17, 2004 the Company was converted into a public company. It is a joint venture between the Government of Pakistan and the Government of the Sultanate of Oman. The Company's objectives interalia include promotion of the economic growth of Pakistan and Oman through industrial development and agro-based industries on commercial basis and to carry on the business of finance and/or investment bank. The registered office of the Company is situated at 1st Floor, Block A, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company operates a branch at Lahore and other representative offices at Islamabad, Gawadar and Muscat. The Company is designated as a development financial institution (DFI) under the BPD circular No. 35 dated October 28, 2003 issued by the State Bank of Pakistan.

2 STATEMENT OF COMPLIANCE

2.1 These separate financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984 (the Ordinance) and the directives issued under Companies Ordinance, 1984 and the State Bank of Pakistan (SBP). The approved accounting standards comprise such International Financial Reporting Standards as are notified under the provisions of the Companies Ordinance, 1984. However, wherever the requirements of the Ordinance or directives issued under the Companies Ordinance, 1984 and the SBP differ with the requirements of approved standards, the requirements of the Ordinance or the requirements of such directives shall prevail.

3 BASIS OF PRESENTATION

3.1 The SBP through its BSD circular No. 11 dated September 11, 2002 has deferred implementation of IAS 39 ‘Financial Instruments: Recognition and Measurement’ and IAS 40 ‘Investment Property’ for Non-Bank Financial Institutions (NBFIs) in Pakistan. Further, the Securities and Exchange Commission of Pakistan (SECP) has also deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411 (1) / 2008 dated April 28, 2008. Accordingly, the requirements of those IASs and IFRSs have not been considered in preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

Separate financial statements

These financial statements are separate financial statements of Pak-Oman Investment Company Limited in which the investments in subsidiary and associates are accounted for at cost and hence not on the basis of reported results and net assets of the investee.

US Dollar equivalent

The US dollar amounts shown in the statement of financial position, profit and loss account and cash flow statement are stated as additional information solely for the convenience of the reader. For this purpose the amounts in Pakistan rupees have been converted at a rate of Rs. 85.70 = US dollar 1 for the years ended December 31, 2010 and December 31, 2009.

4 BASIS OF MEASUREMENT

4.1 These 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.

These financial statements have been prepared following the accrual basis of accounting except cash flow information.

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

4.2 Critical accounting 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 areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

(a) Critical judgments in classification of investments in accordance with the Company's policy (notes 5.3 and 9).

(b) Assumption and estimation in recognition of taxation and deferred taxation (notes 5.8, 12 and 28).

(c) Actuarial assumptions and estimations in recognition of defined benefit obligation and calculation of charge for defined benefit plan (notes 5.10 and 32).

(d) Impairment is determined when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant and prolonged requires judgment.

(e) In estimating depreciation / amortization management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Company.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 **Cash and cash equivalents**

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

5.2 **Revenue recognition**

(i) Gain on sale of securities and income from bank deposits and government securities are recognised on an accrual basis.

Income from loans and term finance certificates are recognised on an accrual basis.

Profit required to be suspended in compliance with the prudential regulations issued by the SBP is recorded on receipt basis.

(ii) Fees and commission are recognised on receipt basis.

(iii) The Company follows finance method in recognising income on lease financing. Under this method the unearned income i.e. the excess of aggregate lease rentals over the cost of the asset under lease facility is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.

(iv) Dividend income is recognised when the Company's right to receive the amount is established.

5.3 **Investments**

5.3.1 In accordance with BSD circular No. 10, 11 and 14 dated July 13, 2004, August 2004 and September 2004 the Company classifies its investments as follows:

Held-for-trading

These are investments acquired principally for the purpose of generating profit from short-term fluctuation in prices or dealers' margins, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-to-maturity

These are securities acquired by the Company with the intention and ability to hold them up to maturity.

Available-for-sale

These are investments that do not fall under the 'held-for-trading' or 'held-to-maturity' categories.

Associates

Those Companies where there are common directors but the Company does not have significant influence are classified as investment in associates.

5.3.2 The Company values its investments as follows:

- Listed securities, excluding investments categorised as 'held-to-maturity' securities and investments in an associates, are stated at revalued amounts.

- Investment in quoted associate is stated at cost.

- Investments in unlisted associate and subsidiary are stated at cost less provision for impairment, if any. Unlisted equity securities other than investments in an associate and a subsidiary are stated at lower of cost or break-up value.

- Investments in securities categorised as 'held-to-maturity' are carried at amortised cost.

5.3.3 Any surplus/deficit arising as a result of revaluation of listed and government securities categorised as 'available-for-sale' is presented below shareholders' equity in balance sheet while any surplus/deficit arising as a result of revaluation of 'held-for-trading' securities is credited/charged to the profit and loss account.

5.3.4 The cost of acquisition of 'dealing securities' (i.e. quoted securities purchased and sold on the same day) is not considered for calculating the 'moving average cost' of other quoted securities (i.e. quoted securities sold after the date of purchase).

5.3.5 Premium paid/discount on acquisition of securities are amortised on effective rate basis over the term of respective securities.

5.3.6 Unlisted debt securities where active market does not exist are stated at cost.

5.3.7 The Company follows trade date accounting for investments in listed equity securities.

5.3.8 Gains and losses arising on sale of investments are recognised in profit and loss account.

5.3.9 Impairment is recognized when ever the caring amount of investments exceeds its recoverable amount. An impairment is recognized in income currently.

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

The Company determines provision against advances on a prudent basis in accordance with the prudential regulations issued by the SBP.

5.5.3 Net investment in finance lease

When substantially all the risks and rewards related to ownership transferred to the lessee, are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payment. The difference between the gross receivable and the present value of receivable is recognized as unearned finance income.

Advances and 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 **Owned**

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation is charged at rates stated in note 11.1.

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

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

Depreciation on additions and deletions of operating fixed assets during a year is charged in proportion to the period of use.

Maintenance and normal repairs are charged to income as and when incurred.

Profit or loss on sale or retirement of operating fixed assets is recognised in the profit and loss account.

5.6.2 **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. Finance charges are allocated to accounting periods in a manner 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 **Intangible assets**

Expenditure incurred to acquire software licences 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. Amortization is charged 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.

5.7 **Sale and repurchase agreement**

Securities sold subject to repurchase agreements (repo) are retained in the financial statements as investments and the counterparty liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to counter party is included in lendings to financial institution. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-income / expensed on a time proportion basis, as the case may be.

5.8 **Taxation**

5.8.1 **Current**

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

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 using the applicable tax rates. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

5.10 **Staff retirement benefits**

5.10.1 **Defined benefit plan**

The Company operates a funded-gratuity scheme for all its permanent employees. Contribution to the fund is made every year based on actuarial valuation. The scheme was established on November 1, 2002 and approved by the Commissioner of Income Tax with effect from January 31, 2003. The actuarial valuation was conducted as at December 31, 2010.

5.10.2 **Defined contribution plan**

The Company also operates a provident fund scheme for 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 November 1, 2002 and approved by the Commissioner of Income Tax with effect from January 31, 2003.

5.11 **Compensated absences**

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

5.12 **Foreign currencies**

Monetary assets and liabilities in foreign currencies are reported in Pakistan rupees at the rates of exchange prevailing on the balance sheet date. Foreign currency transactions during the year are recorded at the rates prevailing on the date of transaction. Exchange gains and losses are included in the 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 events, and 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.

5.14 **Offsetting**

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

5.15 **Dividend and reserves**

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the balance sheet date are recognised as liability and recorded as changes in reserves respectively in the period in which these are approved by the directors/shareholders as appropriate.

5.16 **Impairment**

The carrying amounts of the Company's assets other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

5.17 **Segment information**

A segment is a distinguishable component of the Company that is engaged in either in 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. The Company's primary format if reporting is based on business segments.

Business segments

- Corporate / Commercial Banking

Consists of lending for project finance, trade finance, corporate customers and investment banking, includes advices and placement to corporate mergers and acquisitions, underwriting, privatization and securitization.

- Treasury

Involves the businesses of equity trading and fixed income securities.

5.18 **New / revised standards and interpretations to existing standards effective from current period or early adopted but not relevant to the Company**

The following standards (revised or amended) and interpretations became effective for the current financial period or early adopted, but are either not relevant or do not have any material effect on the financial statements of the Company

- IFRS 2 (Amendments) "Share-based Payments - Group cash-settled share-based payment transactions"
- IFRS 5 (Amendments) "Non-current Assets Held for Sale and Discontinued Operations"
- Amendments to IAS 1 "Presentation of Financial Statements"
- Amendments to IAS 7 "Statement of Cash Flows"
- IAS 27 (Amended) "Consolidated and Separate Financial Statements"
- IAS 27 (as revised in 2008) "Consolidated and Separate Financial Statements"
- IAS 28 (as revised in 2008) "Investments in Associates"
- IFRIC 15 "Agreement for Construction of Real Estate"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"

The application of improvements to IFRSs issued in 2009 has not had any material effect on amounts reported in these financial statements.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2011 or later:

- IFRS 9 'Financial instruments' introduces new requirements for the classification and measurement of financial assets and financial liabilities and for their derecognition. While the International Accounting Standards Board has prescribed the effective date period beginning on or after January 1, 2013 with earlier application permitted, the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan have still not notified its effective date for adoption locally. As a result, there will be no impact on the bank's financial statement till IFRS 9 is notified.

- IAS 12 Deferred Tax: Tax Recovery of Underlying Assets (Amendments to IAS 12). The amendment to IAS 12 is effective for annual periods beginning on or after January 01, 2012. Earlier application is permitted. The limited scope amendments are relevant only when an entity elects to use the fair value model for measurement in IAS 40 Investment Property. the amendments introduce a reputable presumption that in such circumstances, an investment property is recovered entirely through sale.

- IAS 24 (Revised), 'Related party disclosures' (effective for annual periods beginning on or after January 01, 2011) - The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. This amendment will result in some changes in disclosures.

- IAS 32 (Amendment) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after February 01, 2010) – 'Classification of rights issues' - The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

- IFRIC 13 (Amendment) 'Customer Loyalty Programmes' (effective from annual periods on or after January 01, 2011). The amendment clarifies that the fair value of award credits take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. This amendment will have no impact on the bank's financial statement.

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after July 01, 2010) – This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. This amendment will have no impact on the bank's financial statement.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on the bank's financial statements.

- "Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 01, 2011. The amendments include list of events or transactions that require disclosure in the financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

5.19 **General**

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

6 CASH AND BALANCE WITH TREASURY BANKS

	Note	2010	2009
		Rupees in '000	
Cash in hand in local currency		94	65
Cheques in hand		-	8,101
Balances with State Bank of Pakistan (SBP) in local currency			
current accounts		3,279	2,402
cash reserve	6.1	67,000	63,400
		70,373	73,968

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

7 BALANCE WITH OTHER BANKS

	Note	2010	2009
		Rupees in '000	
In Pakistan			
current account		2,330	8,348
deposit accounts	7.1	658,073	580,397
		660,403	588,745
Outside Pakistan			
current accounts		347	1,617
		660,750	590,362

7.1 These include term deposit receipts (TDRs) aggregating Rs. 250 million (2009: Rs. 500 million). The rate of return on these TDRs is 13.85 percent per annum (2009: 13 to 13.5 percent per annum).

8 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2010	2009
Reverse repurchase agreement lendings	8.1	2,189,741	2,832,220
Certificate of investments (COIs)	8.4	264,869	14,716
		2,454,610	2,846,936

8.1 These are short-term lending to different financial institutions secured against government and other securities as disclosed in note 8.3 which are purchased under resale obligations.

8.2 **Particulars of lending**

	2010	2009
In local currency	2,454,610	2,846,936
In foreign currency	-	-
	2,454,610	2,846,936

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

	Note	2010			2009		
		Held by the company	**Further given as collateral**	**Total**	Held by the company	Further given as collateral	Total
		Rupees in '000					
T-bills		-	-	-	619,376	595,502	1,214,878
PIBs		163,225	2,026,516	2,189,741	132,537	1,476,805	1,609,342
Others	8.3.1	-	-	-	8,000	-	8,000
		163,225	2,026,516	2,189,741	759,913	2,072,307	2,832,220

8.3.1 Others represent term finance certificates (TFCs)/shares/bonds held as collateral against finance provided in respect of reverse repo lendings.

8.4 COIs aggregating Rs. 256.462 million (2009: Rs. 7.604 million) are due for maturity within a year. The rate of return on these COIs range from 12 to 14 percent per annum (2009: 7.25 to 14 percent per annum).

9 INVESTMENTS

	Note	2010 Held by the Company	2010 Given as collateral	2010 Total	2009 Held by the Company	2009 Given as collateral	2009 Total
		Rupees in '000					
9.1 **Investments by types**							
Held-for-trading securities							
Pakistan investment bonds		113,479	25,556	139,035	39,253	61,508	100,761
Market treasury bills (T-Bills)		18,121	-	18,121	257,364	2,785,262	3,042,626
Listed shares	9.8.2.2	4,485	-	4,485	205,987	-	205,987
Mutual funds units	9.8.2.1	25,000	-	25,000	-	-	-
Sukuk Certificates		-	-	-	142,419	-	142,419
Term finance certificates (TFCs)		51,258	-	51,258	61,449	-	61,449
		212,343	25,556	237,899	706,472	2,846,770	3,553,242
Available-for-sale securities							
Pakistan investment bonds		48,658	472,516	521,174	142,200	646,442	788,642
Market treasury bills		668,776	1,249,421	1,918,197	-	-	-
Listed shares	9.8.1.2	273,718	12,206	285,924	334,997	266,911	601,908
Unlisted shares	9.6	208,333	226,000	434,333	208,333	-	208,333
Mutual funds Units	9.8.1.1	184,211	-	184,211	257,083	-	257,083
Sukuk certificates	9.6 & 9.14	1,311,891	-	1,311,891	1,361,536	-	1,361,536
Commercial papers		-	-	-	93,112	-	93,112
Term finance certificates (TFCs)		3,271,840	189,887	3,461,727	3,178,185	30,130	3,208,315
		5,967,427	2,150,030	8,117,457	5,575,446	943,483	6,518,929
Held-to-maturity securities							
Pakistan investment bonds		263,219	-	263,219	268,052	-	268,052
Associates	9.12						
Japan Power Generation Limited	9.12.2	51,921	70,726	122,647	51,921	70,726	122,647
IGI Aggressive Income Fund *(formerly:Pak Oman Bank of Punjab Advantage Plus Fund)*		-	-	-	159,874	-	159,874
Pak Oman Advantage Fund		262,828	-	262,828	262,828	-	262,828
Pak Oman Advantage Islamic Income Fund		92,667	-	92,667	92,667	-	92,667
Pak Oman Islamic Asset Allocation fund *(formerly : Pak Oman Advantage Islamic Fund)*		92,414	-	92,414	92,414	-	92,414
Pak Oman Advantage Asset Allocation Fund *(formerly: Pak Oman Advantage Stock Fund)*		84,078	-	84,078	84,078	-	84,078
Pak Oman Micro Finance Bank Limited		251,108	-	251,108	251,108	-	251,108
		835,016	70,726	905,742	994,890	70,726	1,065,616
Subsidiary							
Pak Oman Asset Management Company Limited	9.13	168,300	-	168,300	168,300	-	168,300
Investment at cost		7,446,305	2,246,312	9,692,617	7,713,160	3,860,979	11,574,139
Less: Provision for diminution in the value of investment	9.3	378,228	40,943	419,171	238,126	24,730	262,856
Less: Provision for impairment in the value of investment		12,850	-	12,850	268,024	112,108	380,132
Investment - net of provisions		7,055,227	2,205,369	9,260,596	7,207,010	3,724,141	10,931,151
(Deficit) / Surplus on revaluation of held-for-trading securities	9.7	998	(170)	828	(3,038)	1,086	(1,952)
(Deficit) on revaluation of available-for-sale securities	20	(86,231)	(31,507)	(117,738)	(112,917)	(41,236)	(154,153)
Total investments at market value		6,969,994	2,173,692	9,143,686	7,091,055	3,683,991	10,775,046

	Note	2010	2009
		Rupees in '000	
9.2 Investments by segments			
Federal government securities			
Pakistan investment bonds (PIBs)	9.4	923,428	1,157,455
Market treasury bills	9.5	1,936,318	3,042,626
		2,859,746	4,200,081
Fully paid up ordinary shares/certificate/units			
Listed	9.8	1,154,254	1,879,486
Unlisted	9.9	853,741	627,741
		2,007,995	2,507,227
Term finance certificates (TFCs)			
Listed	9.10	2,682,030	2,796,819
Unlisted	9.11	830,955	472,945
		3,512,985	3,269,764
Commercial papers		-	93,112
Sukuk certificates-Unlisted	9.14	1,311,891	1,503,955
Total investments at cost		9,692,617	11,574,139
Less: Provision for diminution in the value of investments	9.3	419,171	262,856
Less: Provision for impairment in the value of investments		12,850	380,132
Investments (net of provisions)		9,260,596	10,931,151
Surplus / (Deficit) on revaluation of 'held-for-trading' securities		828	(1,952)
(Deficit) on revaluation of 'available- for-sale' securities		(117,738)	(154,153)
Total investments at market-value		9,143,686	10,775,046

	Note	2010	2009
9.3 Particulars of provision for diminution in the value of investments			
Opening balance		262,856	125,226
Gross charge for the year		158,352	139,180
Reversal for the year		(2,037)	(1,550)
Closing balance	9.3.1	419,171	262,856

	2010	2009
9.3.1 Particulars of provision in respect of types and segments		
Available-for-sale securities		
Fully paid-up ordinary shares	120,726	107,955
TFCs and sukuk certificates	185,370	112,016
Subsidairy	42,075	-
Associates	71,000	42,885
	419,171	262,856

9.4 The rate of return on these PIBs maturing between April 2011 to August 2018 (2009: December 2010 to October 2026), range from 8 to 14 (2009: 9 to 14) percent per annum. The market value of these PIBs as at December 31, 2010 aggregates Rs. 858.914 million (2009: Rs. 1,086.045 million).

9.5 The rates of return on these market treasury bills maturing between March 2011 to July 2011 (2009: May 2010 to September 2010), range from 12.28% to 13.48% (2009: 12.25 to 12.30) percent per annum. The market value of these T -bills as at December 31, 2010 aggregated Rs. 1,933.400 million (2009: Rs. 3,043.719 million).

Investee	2010 Market Value	2010 Rating	2009 Market Value	2009 Rating
	Rupees in '000	Securities	Rupees in '000	Securities
9.6 Quality of available-for-sale-securities/entities				
Pakistan investment bonds (PIBs)				
20 Year PIBs	-	-	21,145	Unrated
10 Year PIBs	408,888	Unrated	636,196	Unrated
7 Year PIBs	81,679	Unrated	96,632	Unrated
	490,567		753,973	
Market treasury bills				
12-months T-bills	1,727,712	Unrated	-	-
06-months T-bills	187,572	Unrated	-	-
	1,915,284			
Mutual funds units/certificates		Entity		Entity
Open-end mutual funds				
National Investment (Unit Trust)	-	-	137,038	AM2
IGI Aggressive Income Fund (Formerly POBOP Advantage Plus Fund)	131,292	A-(f)	-	-
Closed-end mutual funds				
NAMCO Balance Fund	10,050	AM3-	11,487	AM3-
Quoted shares				
Cement				
Lucky Cement Limited	-	-	18,164	Unrated
Dewan Cement Limited	33,965	D	-	-
Fertilizer				
Fatima Fertilizer Company Limited	47,894	A/A1	-	-
Non Life Insurance				
Adamjee Insurance Company Limited	29,987	AA	-	-
Automobile assembled				
Al-Ghazi Tractor Limited	-	-	27,770	A/A2
Chemical				
Ghani Gases Limited	-	-	8,158	Unrated
LOTTE Pakistan PTA Limited	42,470	Unrated	-	-
Commercial Banks				
National Bank of Pakistan	47,682	AAA/A-1+	107,384	AAA/A-1+
Silkbank Limited	12,686	A-/A-2	94,348	A-/A-3
NIB Bank Limited	-	-	10,383	AA-/A1+
Allied Bank Limited	58,548	AA/A1+	11,911	AA/A1+
Refinery				
National Refinery Limited	27,724	AAA/A1+	43,498	AAA/A1+
	442,298		470,141	
Unlisted shares stated at cost				
Al-Hamra Avenue (Private) Limited	50,000	Unrated	50,000	Unrated
Systems Limited	10,000	Unrated	10,000	Unrated
Vision Network Television Limited	77,000	Unrated	77,000	Unrated
Pakistan Textile City Limited	50,000	Unrated	50,000	Unrated
Techlogix International Limited	21,333	Unrated	21,333	Unrated
Orient Power Company (Private) Limited	226,000	Unrated	-	-
	434,333		208,333	

Investee	2010 Market Value	2010 Rating	2009 Market Value	2009 Rating
	Rupees in '000	Entity Long term/ short term	Rupees in '000	Entity Long term/ short term
Term Finance Certificates (TFCs)				
Modarbas				
Al Zamin Leasing Modarba II	-	-	14,695	A
Investment bank/companies/securities				
Jahangir Siddiqui and Company Limited IV	97,274	AA	99,210	AA+
Escort Investment Bank Limited	9,989	A	16,637	A+
Commercial banks				
Allied Bank Limited I	122,973	AA-	121,329	AA-
Allied Bank Limited II	67,129	A+	62,480	A+
Askari Bank Limited II	4,888	AA-	4,794	AA-
Askari Bank Limited III	244,192	AA-	239,187	AA-
Bank Al-Falah Limited III	4,901	AA-	4,812	AA-
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited II)	21,709	AAA	59,553	AAA
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited III)	111,251	AAA	116,114	AAA
Faysal Bank Limited	85,630	AA-	84,429	AA-
Faysal Bank Limited-(unlisted stated at cost)	150,000	AA-	-	-
NIB Bank Limited	273,093	A+	176,415	A1+
Bank Al Habib Limited	51,558	AA	49,933	AA
Bank Al Habib Limited-(unlisted stated at cost)	49,940	AA	49,980	AA
Bank Al-Falah Limited-(unlisted stated at cost)	150,086	AA-	100,000	AA-
United Bank Limited-IV	164,429	AA	110,152	AA
Technology and communication				
Telecard Limited	100,776	BBB	115,975	BBB
Pakistan Mobile Communication Limited	108,141	A+	130,191	AA-
Pakistan Mobile Communication Limited (unlisted stated at cost)	-	-	97,223	AA-
World Call Telecom Limited	452,053	A	511,851	AA-
Chemical				
Engro Fertilizers Limited	177,091	AA	200,611	AA
Engro Fertilizers Limited (unlisted stated at cost)	204,837	AA	16,315	AA
Azgard Nine Limited	54,357	CCC(RW)	56,020	AA-
Azgard Nine Limited-III (unlisted stated at cost)	9,992	CCC(RW)	9,992	A1+
Azgard Nine Limited-IV (unlisted stated at cost)	25,000	CCC(RW)	-	-
Textile				
Kunjah Textile Mills Limited (unlisted stated at cost)	15,000	BBB	15,000	BBB
Nishat Chunain Limited (unlisted stated at cost)	50,000	A+	-	-
Fertilizer				
Agri Tech Limited (Formerly PAFL) (unlisted stated at cost)	99,920	CCC	99,920	A+/A1
Pak Arab Fertilizers Limited	45,590	AA	46,921	AA
Leasing companies				
Saudi Pak Leasing Company Limited	75,867	D	111,180	BB+
Security Leasing Corporation Limited (unlisted stated at cost)	18,281	Unrated	22,500	BBB-/A-3
Cement				
Gharibwal Cement Limited (unlisted stated at cost)	12,013	D	12,016	D

Investee	2010 Market Value Rupees in '000	2010 Rating Entity Long term/ short term	2009 Market Value Rupees in '000	2009 Rating Entity Long term/ short term
Miscellaneous				
Pace (Pakistan) Limited	292,079	A+(-)	292,114	A/A1
Avari Hotels Limited (unlisted stated at cost)	42,457	A-	50,000	A-
	3,392,496		3,097,549	
Sukuk certificates- unlisted stated at cost				
Amtex Limited	80,666	Unrated	105,292	A-/A-2
Karachi Shipyard & Engineering Works Limited-II	200	Unrated	200	Unrated
Security Leasing Corporation Limited	25,391	Unrated	31,250	BBB-/A-3
Security Leasing Corporation Limited II	30,469	Unrated	37,711	BBB-/A-3
Orix Leasing Pakistan Limited	37,500	AA/A1+	62,500	AA(p)
Sitara Energy Limited	78,748	Unrated	119,074	Unrated
Sui Southern Gas Company Limited	300,836	AA	502,922	AA-/A1+
Al-Razi HealthCare (Private) Limited	150,000	Unrated	100,000	Unrated
Century Papers & Board Mills Limited	38,448	A+	44,592	A+
House Building Finance Corporation Limited	184,633	A/A-2	149,814	A-/A1
Liberty Power Tech (Private) Limited	300,000	AA-	123,181	Unrated
New Allied Electronic Industries (Private) Limited	85,000	D	85,000	D
	1,311,891		1,361,536	
Commercial Papers - unlisted stated at cost				
Pak Elektron Limited	-	-	93,112	A+
	-		93,112	
	7,986,869		5,984,644	

9.7 **Unrealised surplus / (loss) on revaluation of investments' classified as 'held-for-trading' securities**

	2010 Rupees in '000	2009 Rupees in '000
Pakistan investment bonds	25	(583)
Market treasury bills	(5)	1,093
Term finance certificates (TFCs)	790	(268)
Quoted shares/units	18	(2,194)
	828	(1,952)

9.8 The Company holds investments in shares/certificates/units of Rs 10 each, unless stated otherwise, of listed companies/funds:

9.8.1 **Available For Sale**

Investee	Number of Units 2010	Number of Units 2009	Cost Rupees in '000 2010	Cost Rupees in '000 2009
9.8.1.1 Mutual Funds Units				
Open-end mutual funds				
National Investment Unit Trust	-	4,530,184	-	232,746
IGI Aggressive Income Fund (Formerly POBOP Advantage Plus Fund)	3,014,544	-	159,874	-
Close-end mutual funds				
NAMCO Balance Fund	2,433,667	2,433,667	24,337	24,337
			184,211	257,083
	Number of shares			
9.8.1.2 Shares				
Commercial banks				
NIB Bank Limited	-	2,163,100	-	18,226
National Bank of Pakistan	620,696	1,443,920	43,762	168,819
Silkbank Limited	4,842,083	19,904,576	13,167	248,795
Allied Bank Limited	834,618	202,809	50,230	10,747
Cement				
Lucky Cement Limited	-	274,212	-	20,614
Dewan Cement Limited	15,162,780	-	23,502	-
Refinery				
National Refinery Limited	101,260	246,000	27,508	93,759
Fertilizer				
Fatima Fertilizer Company Limited	4,245,916	-	55,869	-
Non Life Insurance				
Adamjee Insurance Company Limited	342,706	-	29,352	-
Automobile assembler				
Al-Ghazi Tractors Limited	-	116,660	-	32,790
Chemical				
Ghani Gases Limited	-	582,738	-	8,158
LOTTE Pakistan PTA Limited	3,100,000	-	42,534	-
			285,924	601,908
Total investment classified as available for sale			470,135	858,991

	Investee	2010 Number of Units	2009 Number of Units	2010 Cost Rupees in '000	2009 Cost Rupees in '000
9.8.1.3	**Associates**				
	Units				
	Open-end mutual funds				
	IGI Aggressive Income Fund *(formerly:Pak Oman Bank of Punjab Advantage Plus Fund)*	-	3,014,544	-	159,874
	Pak Oman Advantage Islamic Income Fund	2,003,976	2,000,000	92,667	92,667
	Pak Oman Islamic Asset Allocation Fund *(formerly : Pak Oman Advantage Islamic Fund)*	2,000,000	2,000,000	92,414	92,414
	Pak Oman Advantage Asset Allocation Fund *(formerly: Pak Oman Advantage Stock Fund)*	2,000,000	2,000,000	84,078	84,078
	Close-end mutual funds				
	Pak Oman Advantage Fund	27,109,000	27,109,000	262,828	262,828
				531,987	691,861
		Number of shares			
	Shares				
	Power generation and distribution				
	Japan Power Generation Limited	30,560,189	30,560,189	122,647	122,647
	Total investment in associates			654,634	814,508
9.8.2	**Held for trading**				
	Investee	Number of Units			
9.8.2.1	**Mutual Funds Units**				
	Open-end mutual funds				
	PICIC Cash Fund	248,802	-	25,000	-
9.8.2.2	Shares	Number of shares			
	Commercial banks				
	Allied Bank Limited	40,548	557,863	2,837	33,432
	Askari Bank Limited	-	852,015	-	22,320
	Habib Bank Limited	-	61,432	-	7,748
	National Bank of Pakistan Limited	16,000	-	1,236	-
	Cement				
	Lucky Cement Limited	-	345,645	-	25,058
	Oil and gas marketing/Exploration companies				
	Pakistan Oilfield Limited	-	145,673	-	32,963
	Pakistan Petroleum Limited	-	175,000	-	33,281
	Pakistan State Oil Company Limited	-	25,000	-	7,390
	Oil and Gas Development Company Limited	-	306,450	-	34,265
	Personal Goods				
	Nishat Mills Limited	6,459	-	412	-
	Fertilizer				
	Engro Chemical (Pakistan) Limited	-	50,000	-	9,530
	Total investment classified as held for trading			29,485	205,987
	Total investments in listed shares and units			1,154,254	1,879,486

9.8.3 The market value of these shares/certificates/units aggregated Rs. 1,146.827 million (2009: Rs. 1,500.139 million).

9.9 Particulars of investments held in shares of unlisted companies

Investee	Note	2010	2009	2010	2009	Percentage of holding %	Break-up value per share Rupees	Latest available financial statements	Name of the chief executive
		Number of shares		Cost Rupees in '000					
Ordinary shares									
Shareholding more than 10%									
Pak Oman Asset Management Company Limited	9.9.1 and 9.9.2	16,830,000	16,830,000	168,300	168,300	51.00	4.60	December 31, 2010****	Ms. Hina Ghazanfar
Pak Oman Micro Finance Bank Limited	9.9.1 and 9.9.3	25,110,788	25,110,788	251,108	251,108	33.40	9.10	December 31, 2010*	Mr. Munawar Suleman
Shareholding upto 10%									
							30-Jun		
AL Hamra Avenue (Private) Limited		5,000,000	5,000,000	50,000	50,000	3.12	9.54	June 30, 2009**	Mr. Habib Ahmed
Systems Limited		622,702	622,702	10,000	10,000	2.40	16.63	December 31, 2009**	Mr. Ashraf Kapadia
Vision Network Television Limited		4,400,000	4,400,000	77,000	77,000	4.80	0.98	June 30, 2009**	Mr. Zafar Siddiqui
Pakistan Textile City Limited	9.9.1	5,000,000	5,000,000	50,000	50,000	4.00	8.37	June 30, 2010**	Mr. Zaheer A. Hussain
Techlogix International Limited		1,872,197	1,872,197	21,333	21,333	1.84	2.81	December 31, 2009***	Mr. Kewan Qadre Khawaja
Orient Power Company (Private) Limited		22,600,000	-	226,000	-	6.07	10.84	June 30 2010**	Mr. Nadeem Baber
				853,741	627,741				

* Unaudited financial statements
** Audited financial statements
*** Audited consolidated financial statements
**** Half yearly unaudited financial statements

9.9.1 These investments form part of strategic investment of company and cannot be sold for a period of five (5) years from the last date of purchase of such securities.

9.9.2 These shares are in the custody of SECP and cannot be sold without the prior approval of the SECP in accordance with circular No. 9 of 2006 dated June 15, 2006 in addition to mandatory holding period of five years from the last date purchase of these shares.

9.9.3 These shares cannot be sold or transferred without the prior permission in writing from the SBP.

9.10 Particulars of investments held in listed TFCs

Investee	2010	2009	2010	2009
	Number of certificates		Cost Rupees in '000	
Modarabas				
Al-Zamin Leasing Modaraba II	-	8,902	-	14,923
Investment banks/companies/securities				
Escort Investment Bank Limited	4,031	4,031	10,069	16,782
Jahangir Siddiqui and Company Limited	19,397	19,397	96,830	96,868
Commercial banks				
Askari Bank Limited I	-	800	-	3,891
Askari Bank Limited II	1,000	1,000	4,647	4,587
Askari Bank Limited III	48,136	49,136	244,036	245,680
NIB Bank Limited	66,167	50,967	322,846	241,272
Faysal Bank Limited	17,681	17,681	88,148	88,229
Bank Al-Habib Limited	10,900	10,900	53,153	52,445
Allied Bank Limited I	25,078	25,078	126,352	126,589
Allied Bank Limited II	13,962	13,962	69,782	69,809
Bank Al-Falah Limited III	1,000	1,000	4,996	4,999
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited II)	17,392	17,392	21,740	59,967
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited III)	23,240	23,240	110,781	117,032
United Bank Limited	34,600	25,000	164,272	113,061
Leasing companies				
Saudi Pak Leasing Company Limited	28,469	28,469	104,238	124,502
Technology and communication				
Telecard Limited	56,716	56,716	104,216	129,227
Pakistan Mobile Communication Limited -I	26,000	26,000	108,160	129,818
World Call Telecom Limited	108,623	108,623	465,247	542,896
Chemicals				
Engro Chemical (Pakistan) Limited	36,177	43,177	178,436	207,103
Azgard Nine Limited	15,000	15,000	56,173	56,199
Fertilizer				
Pak Arab Fertilizer Limited	10,000	10,000	47,000	49,970
Miscellaneous				
Pace Pakistan Limited	60,230	60,230	300,908	300,969
			2,682,030	2,796,818

9.10.1 The face value of each certificate held in listed TFCs is Rs. 5,000 (2009: Rs. 5,000) per certificate as at December 31, 2010.

9.10.2 The market value of these TFCs aggregated Rs. 2,613.589 million (2009: Rs. 2,685.785 million).

9.10.3 The rate of return on these TFCs maturing between January 2011 to November 2021 (2009: May 2010 to November 2019) ranges from 6 to 17.16 (2009: 9.5 to 16.16) percent per annum.

9.11 **Particulars of investments held in unlisted TFCs**

Investee	Number of certificates 2010	Number of certificates 2009	Cost Rupees in '000 2010	Cost Rupees in '000 2009	Name of the chief executive
Avari Hotels Limited	10,000	10,000	42,458	50,000	Mr. Byram D. Avari
Security Leasing Corporation Limited	12,000	12,000	18,282	22,500	Mr. Muhammad Khalid Ali
Agri Tech Limited Formerly Pak American Fertilizer Limited	20,000	20,000	99,920	99,920	Mr. Ahmed Jaudet Bilal
Kunjah Textile Mills Limited	3,000	3,000	15,000	15,000	Mr. Manzur Ahmad Mir
Azgard Nine Limited-III	2,000	2,000	9,992	9,992	Mr. Ahmed H. Shaikh
Azgard Nine Limited-IV	5,000	-	25,000	-	Mr. Ahmed H. Shaikh
Bank Al-Habib Limited	10,000	10,000	49,940	49,980	Mr. Abbas D.Habib
Engro Chemical (Pakistan) Limited -I	40,800	-	190,979	-	Mr. Asad Umar
Engro Chemical (Pakistan) Limited -II	3,700	3,700	17,285	16,315	Mr. Asad Umar
Gharibwal Cement Limited	2,406	2,406	12,013	12,016	Mr. Muhammad Tousif Paracha
Bank Al-Falah Limited	30,000	20,000	150,086	100,000	Mr. Sirajuddin Aziz
Pakistan Mobile Communication Limited	-	20,000	-	97,222	Mr. Rashid Khan
Faysal Bank Limited	30,000	-	150,000	-	Mr. Naved A.Khan
Nishat Chunain Limited	10,000	-	50,000	-	Mr. Shahzad Saleem
			830,955	472,945	

9.11.1 The rate of return on these TFCs maturing between March 2014 to March 2018 (2009: October 2010 to March 2018) ranges from 6 to 16.48 (2009: 13.91 to 16.10) percent per annum.

9.12 **Associates**

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

Name of the Investee company	Number of shares / units 2010	Number of shares / units 2009	Cost Rupees in '000 2010	Cost Rupees in '000 2009	Percentage of holding %	Break-up value per share (Rupees)	Latest available financial statements	Name of the chief executive
Quoted								
Japan Power Generation Limited (JPGL)	30,560,189	30,560,189	122,647	122,647	19.59%	(9.23)	September 30, 2010**	Mr. Khan Ahmed Saleem
Pak Oman Advantage Fund	27,109,000	27,109,000	262,828	262,828	27.11%	10.49	December 31, 2010**	Ms. Hina Ghazanfar
IGI Aggressive Income Fund (formerly: Pak Oman Bank of Punjab Advantage Fund)	-	3,014,544	-	159,874	17.34%	46.40	December 31, 2009**	Ms. Hina Ghazanfar
Pak Oman Advantage Islamic Income Fund	2,003,976	2,000,000	92,667	92,667	42.69%	51.56	December 31, 2010**	Ms. Hina Ghazanfar
Pak Oman Islamic Asset Allocation Fund (formerly : Pak Oman Advantage Islamic Fund)	2,000,000	2,000,000	92,414	92,414	90.95%	59.70	December 31, 2010**	Ms. Hina Ghazanfar
Pak Oman Advantage Asset Allocation Fund (formerly: Pak Oman Advantage Stock Fund)	2,000,000	2,000,000	84,078	84,078	59.55%	58.14	December 31, 2010**	Ms. Hina Ghazanfar
Unquoted								
Pak Oman Micro Finance Bank Limited	25,110,788	25,110,788	251,108	251,108	33.40%	9.10	December 31, 2010**	Mr. Munawar Suleman
			905,742	1,065,616				

* Audited financial statements

**Unaudited financial statements.

9.12.1 The above associates are incorporated in Pakistan.

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

9.13 **Subsidiary**

Name of the Investee company	2010	2009	2010	2009	Percentage of holding %	Break-up value per share (Rupees)	Latest available financial statements	Name of the chief executive
	Number of shares		Rupees in '000					
Pak Oman Asset Management Company Limited (Ordinary shares)	16,830,000	16,830,000	168,300	168,300	51	4.60	December 31, 2010*	Ms. Hina Ghazanfar

* Based on half yearly unaudited financial statements.

9.13.1 The nominal value of these shares is Rs. 10 each.

9.14 The rate of return on these sukuk certificates maturing between May 2012 to March 2021 (2009: May 2012 to March 2021) range from 6 to 17.22 (2009: 12.40 to 16.85) percent per annum.

10 ADVANCES

	Note	2010	2009
		Rupees in '000	
In Pakistan			
Loans		5,036,551	4,547,230
Net investment in finance leases	10.3	1,188,650	1,300,338
Advance against leases		3,360	-
LTF EOP scheme under State Bank of Pakistan for export oriented projects	14.3	268,216	357,144
Long term finance facility under State Bank of Pakistan's scheme for export oriented projects	14.3	465,810	117,971
Staff loans	10.4	92,971	117,446
		7,055,558	6,440,129
Less: Provision for non-performing loans and advances	10.6	1,107,629	926,015
		5,947,929	5,514,114
10.1 **Particulars of advances**			
10.1.1 In local currency	10.1.3	5,947,929	5,514,114
10.1.2 In foreign currency		-	-
10.1.3 Short term (for upto one year)		2,010,532	1,732,029
Long term (for over one year)		3,937,397	3,782,085
		5,947,929	5,514,114

10.1.4 Included in advances are amounts aggregating Rs. 1,699 million (2009: Rs. 1,322 million) against which provision of Rs. 808 million (2009: Rs 468 million) has been made which are outstanding for a period exceeding three years.

	Note	2010	2009
10.1.5 Considered good		5,834,552	5,297,622
Considered doubtful		1,221,006	1,142,507
		7,055,558	6,440,129
Less: Provision for non-performing loans and advances	10.6	1,107,629	926,015
		5,947,929	5,514,114

10.2 **Amendments in Prudential Regulations in respect of provisioning against non-performing advances**

SBP vide its BSD Circular No.2 dated January 27, 2009, BSD Circular No.10 dated October 20, 2009 and BSD Circular 2 dated June 3, 2010 has amended Prudential Regulations in respect of provisioning against non-performing advances. These regulations have introduced the benefit of Forced Sale Value (FSV) for three years (for pledged stocks, mortgaged residential / commercial / industrial properties) and four years (for open plot or land where building is constructed, separate valuation is available).

Due to the aforesaid changes in the computation of provisioning, total benefit of FSV availed by the Company resulted in increase in after tax profit of Rs. 38.985 million (2009: decrease in after tax loss of Rs. 53.026 million). Said amount shall not be available for the payment of cash or stock dividend.

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

	2010				2009			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	632,345	588,397	-	1,220,742	584,736	773,059	-	1,357,795
Residual value	75,257	97,046	-	172,303	80,748	126,146	-	206,894
Minimum lease payments	707,602	685,443	-	1,393,045	665,484	899,205	-	1,564,689
Financial charges for future periods	(113,811)	(90,584)	-	(204,395)	(132,725)	(131,626)	-	(264,351)
Present value of minimum lease payments	593,791	594,859	-	1,188,650	532,759	767,579	-	1,300,338

10.3.1 The above lease receivables are under hypothecation to the extent as stated in note 14.5.

10.3.2 In respect of the aforementioned finance leases the Company holds an aggregate sum of Rs. 164.235 million (2009: Rs. 198.826 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (note 17).

10.3.3 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 2015 and are subject to finance income at rates ranging between 10 to 19.64 (2009: 8.79 to 20.90) percent per annum.

10.3.4 These lease agreements are subject to the provision of clean placement of funds to the lessor of the amount equivalent to cash price of leased vehicles.

10.4 Staff loans include personal loans and house loans advanced to employees in accordance with their terms of appointment. House loans carry mark-up at a rate of 5 (2009: 5) percent per annum, while no mark-up is charged on personal loans.

10.4.1 Staff loans include an amount of Rs. 9.832 million (2009: Rs.11.714 million) advanced to the Company's chief executive.

10.5 **Particulars of classification**

Advances include Rs. 1,221.006 million which have been placed under the non-performing status as detailed below:

	2010								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	20,988	-	20,988	8,125	-	8,125	8,125	-	8,125
Doubtful	23,617	-	23,617	6,949	-	6,949	6,949	-	6,949
Loss	1,176,401	-	1,176,401	1,092,555	-	1,092,555	1,092,555	-	1,092,555
	1,221,006	-	1,221,006	1,107,629	-	1,107,629	1,107,629	-	1,107,629

Advances include Rs. 1,142.507 million which have been placed under the non-performing status as detailed below:

	2009								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	74,000	-	74,000	18,500	-	18,500	18,500	-	18,500
Doubtful	-	-	-	-	-	-	-	-	-
Loss	1,068,507	-	1,068,507	907,515	-	907,515	907,515	-	907,515
	1,142,507	-	1,142,507	926,015	-	926,015	926,015	-	926,015

10.6 **Particulars of provision against non-performing advances**

	Note	2010			2009		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		926,015	-	926,015	333,971	-	333,971
Charge during the year		205,531	-	205,531	602,284	-	602,284
Reversal during the year		(23,917)	-	(23,917)	(10,240)	-	(10,240)
Net charge		181,614	-	181,614	592,044	-	592,044
Less: Amounts written off during the year	10.7	-	-	-	-	-	-
Closing balance		1,107,629	-	1,107,629	926,015	-	926,015

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

	2010 Specific	2010 General	2010 Total	2009 Specific	2009 General	2009 Total
In local currency	1,107,629	-	1,107,629	926,015	-	926,015
In foreign currencies	-	-	-	-	-	-
	1,107,629	-	1,107,629	926,015	-	926,015

	Note	2010	2009
		Rupees in '000	
10.7 Particulars of write offs			
Against provisions		-	-
Directly charged to profit and loss account		-	-
		-	-
10.7.1 Write offs of Rs. 500,000 and above		-	-
Write offs of below Rs 500,000		-	-
		-	-

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

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

	2010	2009
Balance at beginning of the year	117,446	106,993
Loans granted during the year	22,106	46,062
Repayments	(46,581)	(35,609)
Balance at end of the year	92,971	117,446

Debts due by companies or firms in which the directors of the Company are interested as directors, partners or in the case of private companies as members.

	2010	2009
Balance at beginning of the year	-	-
Loans granted during the year	-	-
Repayments	-	-
Balance at end of the year	-	-

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

	2010	2009
Balance at beginning of the year	74,263	82,426
Loans granted during the year	-	-
Repayments	(3,175)	(8,163)
Balance at end of the year	71,088	74,263
	164,059	191,709

10.9 Maximum total amount of advances including temporary advances granted during the year amounts to Rs. 185.524 (2009: Rs. 192.391) million. The maximum amount has been calculated by reference to month end balance.

11 OPERATING FIXED ASSET

	Note	2010	2009
Property and equipment	11.1	61,391	62,218
Intangible	11.2	3,691	320
		65,082	62,538

11.1 **Property and equipment**

Tangible fixed assets	Cost			Depreciation			Net Book Value	
	As at January 1, 2010	Addition (deletion) during the year	As at December 31, 2010	As at January 1, 2010	During the year/ (on disposals)	As at December 31, 2010	As at December 31, 2010	Rate %
	Rupees in '000							
Owned								
Office premises on leasehold land *	42,126	-	42,126	11,233	2,106	13,339	28,787	5
Improvement	7,903	26 (160)	7,769	5,378	1,117 (147)	6,348	1,421	20
Office equipment	8,286	239 (286)	8,239	5,282	1,370 (270)	6,382	1,857	20
Computer equipment	11,857	4,645 (947)	15,555	10,014	1,795 (893)	10,916	4,639	33.33
Furniture and fixtures	10,973	423 (450)	10,946	7,333	1,532 (315)	8,550	2,396	20
Vehicles	2,291	-	2,291	2,021	190	2,211	80	20
Assets subject to finance lease								
Vehicles	33,749	10,949 (7,482)	37,216	13,706	6,728 (5,429)	15,005	22,211	20
2010	117,185	16,282 (9,325)	124,142	54,967	14,838 (7,054)	62,751	61,391	
2009	115,343	14,976 (13,134)	117,185	49,189	14,440 (8,662)	54,967	62,218	

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

11.1.1 **Reconciliation of net book values**

	Office premises on lease hold land	Improv-ement	Office equipment	Computer equipment	Furniture & fixtures	Vehicles	Asset subject to finance lease	Total
	Rupees in '000							
As at January 1, 2009								
Cost	42,126	7,772	6,775	10,617	12,194	2,291	33,568	115,343
Depreciation	(9,127)	(4,154)	(3,972)	(8,994)	(7,082)	(1,563)	(14,297)	(49,189)
Net book value	32,999	3,618	2,803	1,623	5,112	728	19,271	66,154
Year ended December 31, 2009								
Additions	-	131	1,555	1,510	899	-	10,881	14,976
Net book of value of disposals	-	-	(32)	(51)	(714)	-	(3,675)	(4,472)
Depreciation charge	(2,106)	(1,224)	(1,322)	(1,239)	(1,657)	(458)	(6,434)	(14,440)
Net book value	30,893	2,525	3,004	1,843	3,640	270	20,043	62,218
Year ended December 31, 2010								
Additions	-	26	239	4,645	423	-	10,949	16,282
Net book of value of disposals	-	(13)	(16)	(54)	(135)	-	(2,053)	(2,271)
Depreciation charge	(2,106)	(1,117)	(1,370)	(1,795)	(1,532)	(190)	(6,728)	(14,838)
Net book value as at December 31, 2010	28,787	1,421	1,857	4,639	2,396	80	22,211	61,391

11.1.2 Details of disposals of fixed assets to executives and other major disposals are as follows:

Description	Cost	Accumulated Depreciation	Net book Value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of purchaser
	Rupees in '000						
Furniture and fixtures	100	97	3	3	-	Company Policy	Mr. Anas Ahmed (Former Executive)
- do-	250	158	92	92	-	Company Policy	Mr. Shahbaz Jameel (Former Executive)
- do-	100	60	40	40	-	Company Policy	Mr. Naveed Shahzad (Former Executive)
	450	315	135	135	-		
Vehicles on finance lease							
Toyota Corolla	800	800	-	300	300	Company Policy	Mr. Anas Ahmed (Former Executive)
Honda Accord	1,359	1,133	226	749	523	Company Policy	Mr. Anas Ahmed (Former Executive)
Toyota Corolla	969	581	388	681	293	Company Policy	Mr. Zalmai R. Khan (Executive)
Honda Civic	700	245	455	705	250	Negotiations	M/s Auto One (Khalid bin Waleed Road, Karachi)
Suzuki Liana	700	455	245	380	135	Company Policy	Mr. Shiraz S. Nandwani (Former Executive)
Honda Civic	1,200	860	340	619	279	Company Policy	Mr. Shahbaz Jameel (Former Executive)
Honda Civic	954	849	105	300	195	Company Policy	Mr. Khurram Faizyab (Executive)
Honda City	800	506	294	572	278	Company Policy	Mr. Naveed Shahzad (Former Executive)
	7,482	5,429	2,053	4,306	2,253		
Others	202	150	52	52	-	Company Policy	Mr. Anas Ahmed (Former Executive)
Others	1,191	1,160	31	108	77	Negotiations	Various buyers
	9,325	7,054	2,271	4,601	2,330		

11.2 **Intangible assets**

	Cost			Amortization			Net Book Value	
	As at January 1, 2010	Addition during the year	As at December 31, 2010	As at January 1, 2010	Addition during the year	As at December 31, 2010	As at December 31, 2010	Rate %
	Rupees in '000							
Software licences	4,153	5,043	9,196	3,833	1,672	5,505	3,691	33.33
2010	4,153	5,043	9,196	3,833	1,672	5,505	3,691	
2009	4,153	-	4,153	3,198	635	3,833	320	

11.2.1 **Reconciliation of net book value**

	Year Ended December 31, 2010				Year Ended December 31, 2009			
	Net book value as at January 1, 2010	Addition	Amortization charge for the year	Net book value as at December 31, 2010	Net book value as at January 1, 2009	Addition	Amortization charge for the year	Net book value as at December 31, 2009
	Rupees in '000							
Computer software	320	5,043	1,672	3,691	955	-	635	320

12 DEFERRED TAX ASSETS

	Note	2010	2009
		Rupees in '000	
Deferred (credit)/debit arising from:			
- Accelerated tax depreciation allowances		(860)	(1,225)
- Assets subject to finance leases		2,452	2,056
- Net investment in finance leases		(163,839)	(160,292)
- Amortization of premium		53,581	59,632
- Deficit on revaluation of available-for-sale government securities (net)	20	11,732	12,134
- Provision for diminution in the value of investments		121,860	76,990
- Provision against non-performing loans and advances		387,670	324,105
- Others		(22)	(178)
		412,574	313,222

13 OTHER ASSETS

	Note	2010	2009
Mark-up/Return/Interest receivable in local currency			
- PLS accounts		1,708	2,763
- PIBs		14,034	22,466
- Listed TFCs		74,797	95,936
- Unlisted TFCs		31,232	9,583
- Sukuk certificates		31,096	27,316
- Commercial paper		-	3,750
- Certificate of investments		794	1,321
- Lending to financial institutions - Reverse repo		20,569	58,270
- Advances		132,903	118,967
- Net investment in finance leases		10,625	11,889
Dividend income receivable		145	-
Mark-up/profit receivable on purchase of securities		32,374	15,525
Security deposits		3,518	3,350
Prepayments		5,728	4,282
Receivable against sale of investments		59,405	12,417
Employee gratuity fund	32.6	769	553
Non-banking assets acquired in satisfaction of claims		-	-
Others		288	165
		419,985	388,553

13.1 The above balances include an aggregate amount of Rs. 416.167 million (2009: Rs. 385.203 million) due within a year.

14 BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	2010	2009
		Rupees in '000	
In Pakistan		6,145,349	8,895,096
Outside Pakistan		-	-
		6,145,349	8,895,096

14.1 Particulars of borrowings with respect to currencies

In local currency	6,145,349	8,895,096
In foreign currencies	-	-
	6,145,349	8,895,096

14.2 Particulars of borrowings

	Note	2010	2009
Secured			
Borrowings from the State Bank of Pakistan under LTF-EOP	14.3	250,523	353,810
Borrowings from the State Bank of Pakistan under LTFF	14.3	465,035	117,970
Repurchase agreement borrowings	14.4	3,742,523	5,528,353
Long term borrowings	14.5	433,333	866,667
Short term borrowings	14.6	500,000	800,000
Short term running finance		172,415	3,296
Unsecured			
Placements	14.7	581,520	1,225,000
		6,145,349	8,895,096

14.3 The Company has entered into agreements for financing with the SBP for long term finance for export oriented projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the date of maturity of the finances by directly debiting the current account maintained by the Company with the SBP. The rate of return ranges from 5 to 8.8 (2009: 5 to 9) percent per annum.

14.4 The rate of return on these repurchase agreement borrowings, maturing between January 2011 to March 2011 (2009: January 2010 to February 2010), ranges between 12.83 to 13.30 (2009: 11.9 to 12.30) percent per annum. Securities having cost of Rs 3,771.218 million (2009: Rs 5.566 million) have been pledged against these borrowings.

14.5 The rate of return on borrowings maturing between September 2011 to December 2011 (2009: September 2011 to December 2011) range from 13.88 to 15.04 (2009: 12.82 to 14.32) percent per annum. These loans are secured by way of hypothecation on specific leased assets together with related lease rentals, loans receivable and TFCs amounting to Rs. 1,851 million (2009 : Rs. 2,488 million).

14.6 The rate of return on short term borrowings maturing January 2011 (2009: January 2010 to November 2010). The rate of return is 12.80 (2009:12 to 13.48) percent per annum.

14.7 The rates of return on these placements maturing January 2011 (2009: January 2010 to February 2010). The rate of return range from 12.50 to 13.75 (2009: 12.25 to 12.85) to percent per annum.

15 DEPOSITS AND OTHER ACCOUNTS

	2010	2009
	Rupees in '000	
Certificates of investment - remunerative (in local currency)		
Financial institutions	763,119	964,361
Others	4,798,046	3,597,728
	5,561,165	4,562,089

15.1 The rate of return on deposits maturing January 2011 to January 2013 (2009: January 2010 to May 2012). The rate of return is 12 to 18 (2009:11.25 to 18) percent per annum.

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2010			2009		
	Minimum lease Payments	Financial charges for future periods	Principal outstanding	Minimum lease Payments	Financial charges for future periods	Principal outstanding
	Rupees in '000					
Not later than one year	9,722	1,580	8,142	9,707	1,552	8,155
Later than one year but not later than five years	7,924	864	7,060	6,612	599	6,013
	17,646	2,444	15,202	16,319	2,151	14,168

16.1 The mark-up rate on these liabilities against assets subject to finance leases range from 10.58 to 16 (2009: 8.35 to 16) percent per annum.

17 OTHER LIABILITIES

	Note	2010	2009
		Rupees in '000	
Mark-up/Return/Interest payable in local currency on			
repurchase agreement borrowings - secured		13,922	23,089
long-term borrowing - secured		13,473	3,920
clean borrowings - unsecured		17,229	7,776
COIs - unsecured		198,852	164,085
short-term borrowings - secured		1,528	16,916
Accrued expenses		64,270	48,252
Security deposits against investment in finance leases	10.3.2	164,235	198,826
Provision for staff gratuity		-	-
Payable against purchase of investments		44,338	54,576
Taxation		132,279	119,685
Others		66,257	33,360
		716,383	670,485

18 SHARE CAPITAL

Authorised, issued, subscribed and paid-up capital

	Ordinary shares			
	Number		Amount Rupees in '000	
	2010	**2009**	**2010**	**2009**
Authorised capital				
Ordinary shares of Rs. 10 each	1,000,000,000	1,000,000,000	10,000,000	10,000,000

A summary of the movement in issued, subsribed and paid-up share capital is given below:

Issued, subscribed and paid-up capital				
As at January 1, ordinary shares of Rs. 10 each	615,000,000	615,000,000	6,150,000	6,150,000
Right issue during the year	-	-	-	-
Bonus issue during the year	-	-	-	-
As at December 31, - fully paid in cash	615,000,000	615,000,000	6,150,000	6,150,000

18.1 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 (2009: 307,495,900) ordinary shares of the holding company. While 4,100 (2009: 4,100) ordinary shares each are held by the Secretary - Economic Affairs Division, Government of Pakistan and Ministry of Commerce and Industry, Sultanate of Oman.

18.2 **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 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 December 31, 2009 and in future periods till further notification issued by SBP, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset as per the CAMELS Rating assigned to the institution or above the minimum prescribed level of 10%.

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

Tier 1 or core capital: share capital, share premium, reserves for bonus shares, general reserves created out of the profits for the year and unappropriated profit.; and

Tier 2 supplementary capital: general provisions or general reserves for loans losses, revaluation reserves exchange translation reserves, undisclosed reserves and subordinated debt.

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 table refer to in note 38, summarizes the composition of regulatory capital and the ratios of the Company for the year ended December 31, 2010.

19 RESERVES

	Note	2010	2009
		Rupees in '000	
Statutory reserve	19.1		
As at January 1		348,483	348,483
Add: Appropriation of profit		55,595	-
		404,078	348,483
General reserve			
As at January 1		66,437	575,755
Add: (Transfer to unappropriated profit)		-	(509,318)
		66,437	66,437
Contingencies reserve	19.2		
As at January 1		-	93,013
Add: Appropriation of profit / (Transfer to unappropriated profit)		22,053	(93,013)
		22,053	-
		492,568	414,920

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

19.2 The Company has set up a separate 'contingencies reserve' in which an amount equal to 0.5% of the outstanding balance as at the year end of advances, excluding staff loans and financing in respect of CFS is appropriated from the profit.

20 DEFICIT ON REVALUATION OF SECURITIES (NET)

	Note	2010	2009
Government securities - (deficit)		(33,520)	(34,669)
Less: Deferred tax asset	12	11,732	12,134
		(21,788)	(22,535)
Listed TFCs - (deficit)		(69,231)	(110,766)
Shares/Units - (deficit)		(14,987)	(8,718)
		(106,006)	(142,019)

21 CONTINGENCIES AND COMMITMENTS

	Note	2010	2009
		Rupees in '000	
Transaction related contingent liability:			
guarantees		11,301	24,301
import letters of credit		13,730	168,590
Pledge of shares on behalf of JPGL	21.1	70,726	70,726
Pledge of shares on behalf of Orient Power Company (Pvt.) Ltd	21.2	226,000	-
Commitments for:			
sale of government securities		-	477,710
purchase of Term Finance Certificates		-	30,627
sale of Term Finance Certificates		-	102,089
repurchase agreement borrowing		-	67,000
Commitments for loans and advances and net investment in finance leases		303,930	193,910

21.1 Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 (2009: Rs.70.726) million are pledged as security on behalf of that associate company against a syndicate finance facility obtained by it (the associate company).

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

22 MARK-UP / RETURN / INTEREST EARNED

	2010	2009
On loans and advances to		
customers	810,635	752,922
financial institutions	9,623	19,791
On investments in		
available-for-sale-securities	913,608	681,746
held-to-maturity	20,167	17,796
held for trading	204,952	378,268
Securities purchased under resale agreements	224,173	413,191
Deposit accounts	36,965	47,134
Placements	1,889	5,078
Certificate of investments	2,118	1,807
Financing in respect of CFS	-	1,461
	2,224,130	2,319,194

	Note	2010	2009
		Rupees in '000	

23 MARK-UP / RETURN / INTEREST EXPENSED

	2010	2009
On secured borrowings		
Repurchase agreement borrowings	477,609	666,613
Long-term borrowings	126,085	206,104
Short-term borrowings	66,799	74,268
On un-secured borrowings		
Placements	120,013	155,979
Certificate of investments	671,496	533,851
	1,462,002	1,636,815

24 GAIN / (LOSS) ON SALE OF INVESTMENTS

	2010	2009
PIBs	(1,643)	41,647
T-bills	(18,777)	(5,766)
Listed shares/units	76,310	(119,179)
TFCs	49,872	12,330
	105,762	(70,968)

25 OTHER INCOME

	2010	2009
Gain on sale of operating fixed assets	2,330	-
Exchange gain on revaluation	2	43
	2,332	43

26 ADMINISTRATIVE EXPENSES

	Note	2010	2009
Salaries, allowances and employees' benefits		105,514	91,954
Contribution to defined contribution plan		6,042	5,474
Charge for defined benefit plan	32.10	6,485	7,552
Non-executive directors' fee	34	189	212
Chief executive's remuneration	34	13,996	34,700
Board meeting expenses		13,673	12,413
Traveling and accommodation		13,379	11,694
Rent, rates and taxes		9,620	9,689
Utilities		1,561	986
Communication		6,593	5,511
Professional training		1,317	1,107
Advertisement and business promotion		1,673	1,459
Membership and subscriptions		1,544	1,468
Printing, stationery and periodicals		3,606	2,465
Depreciation	11.1	14,838	14,440
Amortization of intangible assets	11.2	1,672	635
Auditors' remuneration	26.1	1,072	936
Legal and professional charges		10,154	10,095
Repairs and maintenance		5,271	5,171
Transportation		7,966	6,950
Insurance		3,387	2,939
Finance charges on leased assets		2,364	2,098
Entertainment and canteen expenses		1,638	2,160
Donation	26.2	5,651	936
Others		964	1,515
		240,169	234,559

	Note	2010	2009
		Rupees in '000	

26.1 **Auditors' remuneration**

Audit fee		351	319
Half yearly review		175	160
Special certifications and others		413	286
Out of pocket expenses		133	171
		1,072	936

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.

Donations made in excess of Rs. 0.100 million to a single donee are as follows:

Prime Minister's Flood Relief Fund		1,500	-
Army Flood Relief Fund		2,500	-
Pak Oman AMC Flood Relief Fund		1,000	-
Al-Mehrab Tibbi Imdad		140	-
The Kidney Centre Post Graduation Training Institute		200	-
Burns Centre		140	105
Prime Minister Fund for IDPs		-	600
		5,480	705

27 OTHER CHARGES

Fees and commission		8,586	10,919
Loss on sale of fixed assets		-	1,150
		8,586	12,069

28 TAXATION

Current			
for the year		203,535	119,278
for prior year		-	-
Deferred		(99,754)	(165,604)
		103,781	(46,326)

28.1 **Relationship between tax expense and accounting profit**

Profit / (Loss) before taxation		381,757	(653,819)
Tax at the applicable rate of 35 %		133,615	(228,837)
Tax effect of income taxed at different rate		(18,357)	(19,355)
Tax effect of exempt capital gain / loss		(17,250)	59,131
Tax effect of exempt provision for impairment in the value of investments		-	133,046
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge		5,773	9,689
Tax charge for the year		103,781	(46,326)
Tax charge for the current year		203,535	119,278
Deferred tax		(99,754)	(165,604)
Total tax charge		103,781	(46,326)

	Note	2010	2009
		Rupees in '000	

29 EARNINGS PER SHARE

	Note	2010	2009
Profit / (Loss) after taxation		277,976	(607,493)
Weighted average number of ordinary shares in issue (numbers in thousands)	29.1	615,000	615,000
Basic earnings / (loss) per share (Rupees)		0.45	(0.99)
Diluted earnings / (loss) per share (Rupees)		0.45	(0.99)

29.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2010 and 2009.

30 CASH AND CASH EQUIVALENTS

	Note	2010	2009
Cash and balances with treasury banks	6	70,373	73,968
Balances with other banks	7	660,750	590,362
		731,123	664,330

31 STAFF STRENGTH

	2010	2009
	Number	
Permanent	63	61
Temporary / on contractual basis	12	22
Company's own staff strength at end of the year	75	83
Outsourced	22	14
Total staff strength	97	97

32 DEFINED BENEFIT PLAN

32.1 The company operates a funded staff retirement gratuity scheme for all its permanent employees.

Principal actuarial assumptions

The projected unit credit method, as allowed under IAS 19 'Employee Benefits', was used for actuarial valuation based on following significant assumptions:

	2010	2009
	Percent per annum	
Discount rate	14	14
Expected rate of increase in salary levels	14	14
Expected rate of return on plan assets	14	14

The Company recognises actuarial gains or losses applying faster recognition technique in the period in which such gains or losses arise.

The disclosures made in notes 32.1 to 32.14 are based on the information included in the actuarial valuation as of December 31, 2010.

32.2 **Mortality rate**

The rates assumed were based on the EFU 61-66 mortality table.

	Note	2010	2009
		Rupees in '000	

32.3 **Expected return on plan assets**

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.

32.4 **Reconciliation of amount payable to defined benefit plan**

	Note	2010	2009
Present value of defined benefit obligation	32.5	30,787	25,514
Fair value of plan assets	32.7	(31,556)	(25,263)
		(769)	251
Net unrecognised actuarial (losses)/ gains	32.12	-	-
Non vested past service cost		-	(804)
Unrecognised transitional liability		-	-
Recognised (asset)		(769)	(553)

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

	2010	2009
Present value of obligation as at January 1	25,514	26,408
Current service cost	5,858	5,759
Interest cost	3,941	3,962
Benefits paid	(4,030)	(9,391)
Actuarial (gain) on obligation	(496)	(1,224)
Present value of obligation as at December 31	30,787	25,514

32.6 **Movement in payable to defined benefit plan:**

	Note	2010	2009
Opening liability		(553)	8,658
Expense for the year	32.10	6,485	7,552
Contributions to the fund		(6,701)	(16,763)
Closing (asset)/liability		(769)	(553)

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

	Note	2010	2009
Fair value of plan assets as at January 1		25,263	16,139
Expected return on plan assets		3,537	2,421
Contributions		6,701	16,763
Benefits paid		(4,030)	(9,391)
Actuarial (loss)/gain on plan assets		86	(670)
Fair value of plan assets as at December 31	32.9	31,557	25,263

32.8 Actual return on plan assets during the year was Rs. 3.623 million (2009: Rs. 1.751 million).

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

Particulars	2010 Rupees in '000	2010 %	2009 Rupees in '000	2009 %
Equity instruments	-	-	-	-
Debt instruments	29,776	98.07	24,564	97.24
Bank balances and other assets	586	1.93	698	2.76
	30,362	100	25,262	100

	Note	2010 Rupees in '000	2009 Rupees in '000
32.10 The amount recognised in the income statement is as follows:			
Current service cost		5,858	5,759
Interest cost		3,941	3,962
Expected return on plan assets		(3,537)	(2,421)
Vested past service cost		805	806
Actuarial (gain) recognised	32.11	(582)	(554)
		6,485	7,552
32.11 Actuarial gain to be recognised			
Actuarial gain to be recognised	32.12	582	554
32.12 Net unrecognised actuarial (losses)/gains			
Net unrecognised actuarial gains/(losses) as at January 1		-	-
Actuarial gain/(loss) on obligation		496	1,224
Actuarial (loss)/gain on plan assets		86	(670)
		582	554
Actuarial (gain) / loss recognised for the year		(582)	(554)
Net unrecognised actuarial (losses)/gains as at December 31		-	-

32.13 **The history of the plan for the current and prior four years are as follows:**

	Note	2010	2009	2008	2007	2006
		Rupees in '000				
Present value of defined benefit obligation	32.5	30,787	25,514	26,408	14,220	9,641
Fair value of plan assets	32.7	(31,557)	(25,263)	(16,139)	(9,835)	(6,476)
Deficit/(Surplus)		(770)	251	10,269	4,385	3,165
Experience adjustments on defined benefit obligation	32.5	(496)	(1,224)	5,415	1,955	3,223
Experience adjustments on assets	32.7	(86)	670	(572)	(496)	375

32.14 **Expected gratuity expense for the next year**

The expected gratuity expense for the next year ending December 31, 2011 works out to Rs. 6.556 million.

33 DEFINED CONTRIBUTION PLAN

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

	2010	2009
	Rupees in '000	
33.2 Contribution to the fund made during the year		
Contribution from the Company	6,962	6,374
Contribution from employees	6,962	6,374
	13,924	12,748

34 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	Rupees in '000					
Fees	-	-	189	212	-	-
Managerial remuneration	11,960	33,127	-	-	73,684	74,739
Charge for defined benefit plan	833	965	-	-	5,278	5,978
Contribution to defined contribution plan	920	900	-	-	5,489	4,811
Medical	439	226	-	-	-	-
Utilities	622	392	-	-	-	-
Membership fee	55	55	-	-	-	-
	14,829	35,665	189	212	84,451	85,528
Number of persons	1	2	5	5	45	40

34.1 The managing director and 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

35.1 On-balance sheet financial instruments

	2010		2009	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
Assets				
Cash and balances with treasury banks	70,373	70,373	73,968	73,968
Balances with other banks	660,750	660,750	590,362	590,362
Lendings to financial institutions	2,454,610	2,454,610	2,846,936	2,846,936
Investments	9,143,686	9,201,146	10,775,046	10,785,876
Advances	5,947,929	5,947,929	5,514,114	5,514,114
Other assets	414,257	414,257	384,271	384,271
	18,691,605	18,749,065	20,184,697	20,195,527
Liabilities				
Borrowings from financial institutions	6,145,349	6,145,349	8,895,096	8,895,096
Deposits and other accounts	5,561,165	5,561,165	4,562,089	4,562,089
Liabilities against assets subject to finance lease	15,202	15,202	14,168	14,168
Other liabilities	584,104	584,104	550,800	550,800
	12,305,820	12,305,820	14,022,153	14,022,153
	6,385,785	6,443,245	6,162,544	6,173,374

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

35.3 Off-balance sheet financial instruments

Forward purchase of foreign exchange	-	-	-	-
Forward agreements for borrowing	-	-	67,000	67,000
Forward sale of foreign exchange	-	-	-	-
Forward agreements for lending	-	-	-	-

36 SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Others
2010	Rupees in '000								
Total income	12,432	1,589,120	-	828,891	-	-	-	-	-
Total expenses	39,280	1,252,323	-	757,083	-	-	-	-	-
Net income / (loss)	(26,848)	336,797	-	71,808	-	-	-	-	-
Segment assets (gross)	-	13,253,190	-	7,448,599	-	-	-	-	-
Segment non-performing loans	-	-	-	1,221,006	-	-	-	-	-
Investments provided for	-	779,671	-	-	-	-	-	-	-
Segment provision required *	-	419,171	-	1,107,629	-	-	-	-	-
Segment liabilities	-	7,820,340	-	4,617,759	-	-	-	-	-
Segment return on net assets (%)	-	6.72%	-	4.17%	-	-	-	-	-
Segment return on assets (ROA) (%)	-	2.62%	-	1.13%	-	-	-	-	-
Segment cost of funds (%)	-	8.02%	-	7.83%	-	-	-	-	-
2009									
Total income	12,551	1,552,630	-	774,249	-	-	-	-	-
Total expenses	37,720	1,790,010	-	1,165,519	-	-	-	-	-
Net income / (loss)	(25,169)	(237,380)	-	(391,270)	-	-	-	-	-
Segment assets (gross)	-	14,995,765	-	6,757,845	-	-	-	-	-
Segment non-performing loans	-	-	-	1,142,507	-	-	-	-	-
Investments provided for	-	442,995	-	-	-	-	-	-	-
Segment provision required*	-	262,856	-	926,015	-	-	-	-	-
Segment liabilities	-	9,727,605	-	4,414,233	-	-	-	-	-
Segment return on net assets (%)	-	-4.74%	-	-27.60%	-	-	-	-	-
Segment return on assets (ROA) (%)	-	-1.61%	-	-6.71%	-	-	-	-	-
Segment cost of funds (%)	-	8.89%	-	8.58%	-	-	-	-	-

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

37 RELATED PARTY TRANSACTIONS

37.1 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include a subsidiary company, associated companies with or without common directors, retirement benefit funds, directors, and key management personnel.

37.2 A number of transactions are entered into with related parties in the normal course of business. These include advances, deposits and other transactions. These transactions were carried out on commercial terms and at market rates.

37.3 **Subsidiary company**
Pak Oman Asset Management Company Limited

37.4 **Associates**
Pak Oman Micro Finance Bank Limited
Japan Power Generation Limited
Pak Oman Advantage Fund
Pak Oman Advantage Islamic Income Fund
Pak Oman Islamic Asset Allocation Fund (Formerly Pak Oman Advantage Islamic Fund)
Pak Oman Advantage Asset Allocation Fund (Formerly Pak Oman Advantage Stock Fund)

37.5 **Key management personnel**
All heads of departments
Directors

37.6 **Retirement benefit fund**
Defined benefit plan
Defined contribution plan

37.7 **Other related party**
Orient Power Company (Private) Limited

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

	Total		Subsidiary		Associates		Key management personnel		Other related parties	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	Rupees in '000									
Advances / Investments										
At January 01,	1,680,123	1,595,243	174,363	175,726	1,133,816	1,087,349	53,630	57,694	318,314	274,474
Disbursed during the year	878,696	145,573	-	-	-	84,108	16,199	17,625	862,497	43,840
Received/transfered during the year	(574,557)	(60,693)	(3,175)	(1,363)	(159,874)	(37,641)	(23,445)	(21,689)	(388,063)	-
At December 31,	1,984,262	1,680,123	171,188	174,363	973,942	1,133,816	46,384	53,630	792,748	318,314
Deposits/borrowings										
At January 01,	212,743	213,893	882	882	211,861	213,011	-	-	-	-
Deposits/borrowings during the year	451,639	446,515	-	-	451,639	446,515	-	-	-	-
Repaid during the year	(212,147)	(447,665)	(286)	-	(211,861)	(447,665)	-	-	-	-
At December 31,	452,235	212,743	596	882	451,639	211,861	-	-	-	-
Balances										
Other receivables	138	132	-	-	-	132	-	-	138	-
Transactions, income and expenses										
Markup income	107,512	54,276	648	943	-	696	2,356	2,171	104,508	50,466
Mark up expense	55,507	30,910	-	-	55,507	30,910	-	-	-	-
Dividend income	37,198	26,038	-	-	37,198	26,038	-	-	-	-
Capital gain	-	7,147	-	-	-	7,147	-	-	-	-
Outright sale of T-Bills	1,943	-	-	-	1,943	-	-	-	-	-
Salaries and short term benefits paid	43,167	61,722	-	-	-	-	43,167	61,722	-	-
Staff retirement benefits	5,728	5,415	-	-	-	-	5,728	5,415	-	-
Fee income	6,784	1,100	414	650	-	-	-	-	6,370	450

38 CAPITAL ADEQUACY

The Company's CAR as at December 31, 2010 was 37.48% of its risk weighted exposure.

The calculation of capital adequacy enables the DFIs to assess the long term soundness. Pak Oman 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 37.48% of 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 risk weighted assets to capital ratio, calculated (as per standardized approach of Basel II) in accordance with SBP's guidelines on capital adequacy is as follows:

	2010	2009
Regulatory Capital Base	Rupees in '000	
Tier I Capital		
Share Capital	6,150,000	6,150,000
Reserves	492,568	414,920
Unappropriated profit	200,328	-
	6,842,896	6,564,920
Deductions:		
Book value of intangibles	3,691	320
Shortfall in provisions required against classifies assets irrespective of any relaxation allowed by SBP	81,499	-
Deficit on account of revaluation of available for sale investment	117,738	154,153
Investments in TFCs of other banks exceeding the prescribed limit	887,092	635,252
Other deductions (50% of the amount calculated on CAP 2)	320,081	341,118
	1,410,101	1,130,843
Total eligible Tier I Capital	5,432,795	5,434,077
Supplementary Capital		
Subordinated debt (up to 50% of total Tier 1 Capital)	-	-
General provision or general reserves for loan losses up to maximum of 1.25% of risk weighted assets.	-	-
Revaluation reserve (up to 45%)	-	-
Other deductions (50% of the amount calculated on CAP 2)	(320,081)	(341,118)
Total Eligible Tier II Capital	(320,081)	(341,118)
Eligible Tier III Capital	-	-
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier I Capital)		
Total Eligible Capital	5,112,714	5,092,959

	2010	2009
	Rupees in '000	
Risk Weighted Amounts		
Total Credit Risk Weighted Amount	7,743,844	7,300,509
Total Market Risk Weighted Amount	4,452,492	5,417,318
Total Operational Risk Weighted Amount	1,443,390	1,541,744
Total Risk Weighted Amount	13,639,726	14,259,571
Capital Adequacy Ratios		
Credit Risk Capital Adequacy Ratio	66.02%	69.76%
Tier 1 Capital to Total Risk Weighted Amount	39.83%	38.11%
Total Capital Adequacy Ratio	37.48%	35.72%

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 maximising returns to shareholders, the board of directors takes cognisance 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.

Out of the total financial assets of Rs. 18,691.605 million (2009: Rs. 20,184.697 million), the financial assets which were subject to credit risk amounted to Rs. 15,780.952 million (2009: Rs. 15,922.341 million). The major credit risk in respect of advances is concentrated in sectors such as textile, transportation and communication and financial institutions. The Company manages its exposure to credit risk through portfolio diversification and adequate collateral, wherever, applicable. The emphasis is to provide short to medium term financing to a target customer base. The Company has developed systems to monitor problem accounts so that instant instructions based on early warning signals are passed on to the departments to deal with potential problem accounts.

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

Exposures	JCR-VIS	PACRA	OTHER (Specify)
Corporate	Yes	Yes	x
Banks	Yes	Yes	x
Sovereigns	x	x	x
SME's	x	x	x
Securitizations	x	x	x
Others (Specify)	x	x	x

Credit Exposures subject to Standardised approach

		2010			2009		
Exposures	Rating Category	**Amount Outstanding**	**Deduction CRM***	**Net amount**	Amount Outstanding	Deduction CRM*	Net amount
		Rupees in '000					
Corporate	0	-	-	-	-	-	-
	1	848,061	787,122	1,635,183	484,750	1,322,849	1,807,599
	2	494,597	(250,047)	244,550	769,620	(549,787)	219,833
	3-4	362,500	-	362,500	494,922	(86,000)	408,922
	5-6	89,469	-	89,469	90,000	-	90,000
	Unrated	4,998,946	(537,075)	4,461,871	5,148,105	(687,062)	4,461,043
		6,793,573	-	6,793,573	6,987,397	-	6,987,397
Banks	0	-	-	-	-	-	-
	1	1,260,750	802,619	2,063,369	606,521	648,306	1,254,827
	2-3	-	-	-	200,000	-	200,000
	Unrated	802,619	(802,619)	-	648,306	(648,306)	-
		2,063,369	-	2,063,369	1,454,827	-	1,454,827
Sovereigns etc							
Unrated							

*CRM= Credit Risk Mitigation

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

39.2 Segmental information

39.2.1 Segment by class of business

	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Financial institution	17,007	0.24	763,119	13.72	-	-
Textile	1,367,859	19.39	-	-	234,500	37.48
Transportation and communication	384,440	5.45	310,000	5.57	-	-
Power	1,546,146	21.91	150,000	2.70	318,257	50.87
Electronics	272,380	3.86	-	-	-	-
Food and beverage	371,933	5.27	-	-	49,380	7.89
Services	412,789	5.85	150,000	2.70	-	-
Engineering and allied products	169,374	2.40	-	-	-	-
Chemical and pharmaceuticals	569,252	8.07	85,000	1.53	720	0.12
Automobiles	271,879	3.85	-	-	-	-
Fuel and energy	161,518	2.29	-	-	4,360	0.70
Construction	343,670	4.87	-	-	-	-
Cement	78,333	1.11	-	-	-	-
Sugar	660,793	9.37	-	-	-	-
Paper and board / packaging	36,598	0.52	-	-	16,500	2.64
Healthcare	166,285	2.36	-	-	-	-
Individual	92,971	1.32	465,518	8.37	-	-
Others	132,331	1.87	3,637,528	65.41	1,970	0.32
	7,055,558	100	5,561,165	100	625,687	100

39.2.2 Segment by sector

	2010					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public/Government	94,840	1.34	2,600,000	46.75	-	-
Private	6,960,718	98.66	2,961,165	53.25	625,687	100.00
	7,055,558	100	5,561,165	100	625,687	100

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

	2010		2009	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Automobile	271,879	271,879	315,833	262,087
Cement	70,000	70,000	70,000	70,000
Textile	308,308	284,470	153,129	126,056
Chemical and pharmaceuticals	129,075	124,870	129,075	124,871
Construction	75,250	53,675	78,911	55,646
Engineering and allied products	93,023	93,023	90,664	64,789
Electronics	41,775	41,775	48,775	48,775
Fuel and energy	89,600	49,621	121,723	60,144
Food and beverages	19,197	18,697	19,197	18,697
Financial institution	11,613	5,000	20,000	5,000
Power	68,200	68,200	68,200	68,200
Sugar	19,469	19,469	20,000	20,000
Transportation & Communication	23,617	6,950	7,000	1,750
	1,221,006	1,107,629	1,142,507	926,015

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

	2010		2009	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Public/Government	-	-	-	-
Private	1,221,006	1,107,629	1,142,507	926,015
	1,221,006	1,107,629	1,142,507	926,015

39.2.5 **Geographical segment analysis**

	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	381,757	19,172,723	6,736,890	625,687
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	2,266	-	-
Africa	-	-	-	-
	381,757	19,174,989	6,736,890	625,687

39.3 **Market risk**

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

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

39.3.1 **Interest rate risk**

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The lending, funding and investment activities of the Company are exposed to interest rate risk. The Company is using a 16 band 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.

39.3.2 **Foreign currency risk**

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

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupees	19,174,588	12,438,099	-	6,736,489
United States Dollar	140	-	-	140
Omani Riyal	261	-	-	261
	19,174,989	12,438,099	-	6,736,890

39.3.3 Equity position risk

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

39.3.4 Liquidity risk

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

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

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

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

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

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

39.3.5 Mismatch of interest rate sensitive assets and liabilities as at December 31, 2010

	Exposed to yield / interest risk											
	Effective yield/ interest rate	Total	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		70,373	-	-	-	-	-	-	-	-	-	70,373
Balances with other banks	11.00%	660,750	408,073	250,000	-	-	-	-	-	-	-	2,677
Lending to financial institutions	12.67%	2,454,610	1,318,964	1,124,015	1,248	1,976	5,209	3,198	-	-	-	-
Investments	12.35%	9,143,686	43,266	686,539	1,490,127	992,776	876,952	1,072,837	846,795	1,380,519	7,500	1,746,375
Advances	14.73%	5,947,929	76,052	501,606	600,553	826,740	1,159,726	873,230	864,868	1,023,096	14,290	7,768
Other assets		414,257	-	-	-	-	-	-	-	-	-	414,257
		18,691,605	1,846,355	2,562,160	2,091,928	1,821,492	2,041,887	1,949,265	1,711,663	2,403,615	21,790	2,241,450
Liabilities												
Borrowings from financial institutions	11.63%	6,145,349	3,939,925	1,197,773	145,924	293,343	145,242	141,275	198,021	83,846	-	-
Deposits and other accounts	12.66%	5,561,165	1,283,814	1,925,030	842,532	1,493,289	1,500	15,000	-	-	-	-
Liabilities against assets subject to finance leases	15.98%	15,202	1,200	1,327	2,014	3,601	4,417	1,810	833	-	-	-
Other liabilities		584,104	-	-	-	-	-	-	-	-	-	584,104
		12,305,820	5,224,939	3,124,130	990,470	1,790,233	151,159	158,085	198,854	83,846	-	584,104
On-balance sheet gap		6,385,785	(3,378,584)	(561,970)	1,101,458	31,259	1,890,728	1,791,180	1,512,809	2,319,769	21,790	1,657,346
Non-financial assets		483,384										
Non-financial liability		132,279										
Total net asset		6,736,890										
Total yield/profit risk sensitivity gap			(3,378,584)	(561,970)	1,101,458	31,259	1,890,728	1,791,180	1,512,809	2,319,769	21,790	
Cumulative yield/profit risk sensitivity gap			(3,378,584)	(3,940,554)	(2,839,096)	(2,807,837)	(917,109)	874,071	2,386,880	4,706,649	4,728,439	

Mismatch of interest rate sensitive assets and liabilities as at December 31, 2009

	Exposed to yield / interest risk											
	Effective yield/ interest rate	Total	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		73,968	-	-	-	-	-	-	-	-	-	73,968
Balances with other banks	12.99%	590,362	580,397	-	-	-	-	-	-	-	-	9,965
Lending to financial institutions	13.02%	2,846,936	1,778,908	1,057,354	1,332	2,230	4,211	2,901	-	-	-	-
Investments	10.79%	10,775,046	40,788	187,273	1,966,781	1,731,855	1,092,316	1,359,826	904,628	1,492,772	33,464	1,965,343
Advances	15.26%	5,514,114	105,912	190,855	591,274	840,190	1,040,482	895,988	908,634	913,555	22,606	4,618
Other assets		384,271	-	-	-	-	-	-	-	-	-	384,271
		20,184,697	2,506,005	1,435,482	2,559,387	2,574,275	2,137,009	2,258,715	1,813,262	2,406,327	56,070	2,438,165
Liabilities												
Borrowings from financial institutions	12.36%	8,895,096	6,423,458	850,665	311,823	530,861	547,282	88,048	115,667	27,292	-	-
Deposits and other accounts	13.71%	4,562,089	473,028	1,710,402	1,777,048	600,111	1,500	-	-	-	-	-
Liabilities against assets subject to finance leases	14.24%	14,168	873	1,328	1,961	3,993	5,129	884	-	-	-	-
Other liabilities		550,800	-	-	-	-	-	-	-	-	-	550,800
		14,022,153	6,897,359	2,562,395	2,090,832	1,134,965	553,911	88,932	115,667	27,292	-	550,800
On-balance sheet gap		6,162,544	(4,391,354)	(1,126,913)	468,555	1,439,310	1,583,098	2,169,783	1,697,595	2,379,035	56,070	1,887,365
Non-financial assets		380,042										
Non-financial liability		119,685										
Total net asset		6,422,901										
Total yield/profit risk sensitivity gap			(4,391,354)	(1,126,913)	468,555	1,439,310	1,583,098	2,169,783	1,697,595	2,379,035	56,070	
Cumulative yield/profit risk sensitivity gap			(4,391,354)	(5,518,267)	(5,049,712)	(3,610,402)	(2,027,304)	142,479	1,840,074	4,219,109	4,275,179	

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

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

39.4 Operational risk

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

The Company has instituted sound internal controls through policies, plans and processes 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 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 has also formulated a business continuity plan, a disaster recovery plan and guidelines for information security, employee conduct and for prevention of fraud and forgery to ensure smooth functioning of the Company's operations.

39.4.1 Maturities of assets and liabilities

Maturities of assets and liabilities as at December 31, 2010

	Total	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	70,373	3,373	67,000	-	-	-	-	-	-	-
Balances with other banks	660,750	410,750	250,000	-	-	-	-	-	-	-
Lending to financial institutions	2,454,610	1,318,964	1,124,015	1,248	1,976	5,209	3,198	-	-	-
Investments	9,143,686	43,266	691,027	1,515,142	1,293,733	876,952	1,072,837	2,262,710	1,380,519	7,500
Advances	5,947,929	76,575	502,621	601,975	829,361	1,161,913	873,230	864,868	1,023,096	14,290
Other assets	419,985	-	416,467	-	-	-	-	3,518	-	-
Operating fixed assets	65,082	1,971	3,941	5,912	11,146	11,052	8,593	4,212	10,532	7,723
Deferred tax assets	412,574	-	-	-	-	-	-	412,574	-	-
	19,174,989	1,854,899	3,055,071	2,124,277	2,136,216	2,055,126	1,957,858	3,547,882	2,414,147	29,513
Liabilities										
Borrowings from financial institutions	6,145,349	3,939,925	1,197,773	145,924	293,343	145,242	141,275	198,021	83,846	-
Deposits and other accounts	5,561,165	1,283,814	1,925,030	842,532	1,493,289	1,500	15,000	-	-	-
Liabilities against assets subject to finance leases	15,202	1,200	1,327	2,014	3,601	4,417	1,810	833	-	-
Others liabilities	716,383	-	426,191	10,323	183,166	41,694	29,211	25,798	-	-
Deferred liabilities	-	-	-	-	-	-	-	-	-	-
	12,438,099	5,224,939	3,550,321	1,000,793	1,973,399	192,853	187,296	224,652	83,846	-
Net assets	6,736,890	(3,370,040)	(495,250)	1,123,484	162,817	1,862,273	1,770,562	3,323,230	2,330,301	29,513
Share capital	6,150,000									
Reserves	492,568									
Unappropriated profit	200,328									
	6,842,896									
Deficit on revaluation of investment - net of tax	(106,006)									
	6,736,890									

Maturities of assets and liabilities as at December 31, 2009

	Total	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	73,968	10,568	63,400	-	-	-	-	-	-	-
Balances with other banks	590,362	590,362	-	-	-	-	-	-	-	-
Lending to financial institutions	2,846,936	1,778,908	1,057,354	1,332	2,230	4,211	2,901	-	-	-
Investments	10,775,046	40,788	391,066	1,966,781	2,893,858	1,092,316	1,359,826	1,504,175	1,492,772	33,464
Advances	5,514,114	106,321	191,643	592,356	841,709	1,041,302	895,988	908,634	913,555	22,606
Other assets	388,553	-	385,203	-	-	-	-	3,350	-	-
Operating fixed assets	62,538	1,674	3,347	4,517	7,373	13,051	8,003	4,212	10,532	9,829
Deferred tax assets	313,222	-	-	-	-	-	-	313,222	-	-
	20,564,739	2,528,621	2,092,013	2,564,986	3,745,170	2,150,880	2,266,718	2,733,593	2,416,859	65,899
Liabilities										
Borrowings from financial institutions	8,895,096	6,423,458	850,665	311,823	530,861	547,282	88,048	115,667	27,292	-
Deposits and other accounts	4,562,089	473,028	1,710,402	1,777,048	600,111	1,500	-	-	-	-
Liabilities against assets subject to finance leases	14,168	873	1,328	1,961	3,993	5,129	884	-	-	-
Others Liabilities	670,485	333	368,336	5,512	176,393	26,460	62,780	30,671	-	-
Deferred taxation	-	-	-	-	-	-	-	-	-	-
	14,141,838	6,897,692	2,930,731	2,096,344	1,311,358	580,371	151,712	146,338	27,292	-
Net assets	6,422,901	(4,369,071)	(838,718)	468,642	2,433,812	1,570,509	2,115,006	2,587,255	2,389,567	65,899
Share capital	6,150,000									
Reserves	414,920									
Unappropriated profit	-									
	6,564,920									
Deficit on revaluation of investment - net of tax	(142,019)									
	6,422,901									

40 ASSOCIATES - KEY INFORMATION

Particulars	Pak Oman Advantage Fund	Pak Oman Advantage Islamic Income Fund	Pak Oman Islamic Asset Allocation Fund	Pak Oman Advantage Asset Allocation Fund	Japan Power Generation Limited	Pak Oman Micro Finance Bank Limited	Total
Assets	1,057,880	246,808	142,595	198,669	7,782,178	727,681	10,155,811
Liabilities	8,722	4,785	11,310	3,417	8,768,292	45,939	8,842,465
Profit / (loss) before taxation	80,055	25,932	21,388	12,291	(925,434)	8,029	(777,739)
Profit / (loss) after taxation	80,055	25,932	21,388	12,291	(926,779)	8,029	(779,084)

41 POST BALANCE SHEET EVENTS

The Board of Directors of the Company in their meeting held on March 06, 2011 have:

- approved a transfer from contingency reserve of Rs. 22.053 million;

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

- approved transfer from general reserve Rs 54.807 million for the year ended December 31, 2010 for the aforementioned distribution.

These financial statements do not recognise the aforementioned appropriation as these have been proposed and approved subsequent to the balance sheet date.

42 GENERAL

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

43 DATE OF AUTHORISATION

These financial statements were authorised on March 06, 2011 by the board of directors of the Company.

Managing Director & Chief Executive Officer **Chairman**

Consolidated Financial Statements

Anjum Asim Shahid Rahman
Chartered Accountants

Grant Thornton

Independent 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 (together 'the Group') as at December 31, 2010 the related consolidated profit and loss account, consolidated statement of other 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. The financial statements of the subsidiary company covering period from January 1, 2010 to December 31, 2010 have been extracted from audited financial statements of subsidiary company for the year ended June 30, 2010 and reviewed financial statements for the six months ended December 31, 2010. These financial statements are the responsibility of the holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of Pak Oman Investment Company Limited and its subsidiary company as at December 31, 2010 and the results of their operations for the year then ended.

Anjum Asim Shahid Rahman
Chartered Accountants

Karachi: March 06, 2011

Consolidated Statement of Financial Position

As at December 31, 2010

2010	2009		Note	2010	2009
US $ in '000				Rupees in '000	
		ASSETS			
822	865	Cash and balance with treasury banks	5	70,420	74,119
7,750	7,483	Balance with other banks	6	664,169	641,256
28,792	33,565	Lendings to financial institutions	7	2,467,467	2,876,508
106,528	123,929	Investments	8	9,129,453	10,620,720
69,370	64,271	Advances	9	5,945,041	5,508,051
874	948	Operating fixed assets	10	74,901	81,202
4,719	3,777	Deferred tax assets	11	404,429	323,703
5,102	4,800	Other assets	12	437,244	411,466
223,957	239,638			19,193,124	20,537,025
		LIABILITIES			
-	-	Bills payable		-	-
71,708	103,793	Borrowings from financial institutions	13	6,145,349	8,895,096
64,891	53,233	Deposits and other accounts	14	5,561,165	4,562,089
-	-	Sub-ordinated loans		-	-
186	175	Liabilities against assets subject to finance lease	15	15,978	15,014
-	-	Deferred tax liabilities		-	-
8,267	7,835	Other liabilities	16	708,485	671,491
145,052	165,036			12,430,977	14,143,690
78,905	74,602	**NET ASSETS**		6,762,147	6,393,335
		REPRESENTED BY			
71,762	71,762	Share capital	17	6,150,000	6,150,000
5,748	4,842	Reserves	18	492,568	414,920
1,765	(1,471)	Unappropriated Profit / (Accumulated loss)		151,276	(126,035)
79,275	75,133			6,793,844	6,438,885
867	1,126	Non controlling interest	19	74,309	96,469
80,142	76,259			6,868,153	6,535,354
(1,237)	(1,657)	Deficit on revaluation of securities - net of tax	20	(106,006)	(142,019)
78,905	74,602			6,762,147	6,393,335
		Contingencies and commitments	21		

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

Managing Director and Chief Executive Officer **Chairman**

Consolidated Profit and Loss Account

For the year ended December 31, 2010

2010	2009		Note	2010	2009
US $ in '000				Rupees in '000	
26,038	27,188	Mark-up/Return/Interest earned	22	2,231,471	2,329,974
17,060	19,099	Mark-up/Return/Interest expensed	23	1,462,002	1,636,815
8,978	8,089	**Net mark-up/interest income**		769,469	693,159
2,119	6,908	Provision against non-performing loans and advances	9.6	181,614	592,044
1,005	1,106	Provision for diminution in the value of investments	8.3	86,125	94,745
-	-	Bad debts written off directly		-	-
3,124	8,014			267,739	686,789
5,854	75	**Net mark-up/interest income after provisions**		501,730	6,370
		NON MARK-UP/INTEREST INCOME			
658	753	Fee, commission and brokerage income		56,385	64,531
668	629	Dividend income		57,268	53,910
-	-	Income from dealing in foreign currencies		-	-
1,243	(758)	Gain / (loss) on sale of investments	24	106,567	(64,931)
-	(4,436)	Provision for impairment in the value of investments		-	(380,132)
61	332	Unrealised surplus on revaluation of investments classified as held-for-trading		5,261	28,471
804	1,084	Share of gain from associates before taxation		68,916	92,908
36	1	Other income	25	3,113	43
3,470	(2,395)	**Total non markup/interest income**		297,510	(205,200)
9,324	(2,320)			799,240	(198,830)
		NON MARK-UP/INTEREST EXPENSES			
3,814	3,779	Administrative expenses	26	326,855	323,886
-	-	Other provisions/write offs		-	-
198	266	Other charges	27	16,933	22,762
4,012	4,045	**Total non markup/interest expenses**		343,788	346,648
5,312	(6,365)			455,452	(545,478)
-	-	Extra ordinary/Unusual items		-	-
5,312	(6,365)	**PROFIT / (LOSS) BEFORE TAXATION**		455,452	(545,478)
		Taxation	28		
2,378	1,395	current		203,781	119,530
-	-	prior years		-	-
(947)	(1,939)	deferred		(81,128)	(166,207)
1,431	(544)			122,653	(46,677)
3,881	(5,821)	**PROFIT / (LOSS) AFTER TAXATION**		332,799	(498,801)
259	3	Loss attributable to non controlling interest		22,160	270
4,140	(5,818)	Profit / (Loss) attributable to shareholders of the holding company		354,959	(498,531)
(1,471)	(2,682)	Unappropriated (loss)brought forward		(126,035)	(229,835)
2,669	(8,500)	Profit / (loss) available for appropriation		228,924	(728,366)
US $				Rupees	
0.0067	(0.0095)	Earning / (loss) per share for the year attributable to the shareholders of the holding company - basic and diluted	29	0.58	(0.81)

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

Managing Director and Chief Executive Officer **Chairman**

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2010

2010	2009		Note	2010	2009
US $ in '000				Rupees in '000	
3,883	(5,821)	**PROFIT / (LOSS) AFTER TAXATION**		332,799	(498,801)
		Other comprehensive income not transferred to equity			
425	9,065	Surplus on revaluation of securities		36,415	776,875
(5)	(225)	Deferred tax (liability) on Government Securities		(402)	(19,304)
7	6	Actuarial gains on defined benefit plan	32.11	582	553
40	96	Share of other comprehensive income of associates		3,445	8,244
467	8,942			40,040	766,368
4,350	3,121	**Total comprehensive income for the year**		372,839	267,567

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

Managing Director and Chief Executive Officer

Chairman

Consolidated Cash Flow Statement

For the year ended December 31, 2010

2010	2009		Note	2010	2009
US $ in '000				Rupees in '000	
		CASH FLOWS FROM OPERATING ACTIVITIES			
5,312	(6,365)	Profit / (loss) before taxation		455,452	(545,478)
668	629	Less: Dividend income		57,268	53,910
4,644	(6,994)			398,184	(599,388)
		Adjustments for non-cash charges			
250	257	Depreciation	10.1	21,418	22,062
40	40	Amortization of intangible assets	10.2	3,413	3,420
(61)	(332)	Unrealised gain on revaluation of investments classified as 'held-for-trading'		(5,261)	(28,471)
(36)	9	(Gain) / Loss on sale of operating fixed assets	25	(3,111)	797
(804)	(1,084)	Share of (gain) from associates before taxation		(68,916)	(92,908)
2,119	6,908	Provision against non-performing loans and advances - net	9.6	181,614	592,044
1,005	1,106	Provision for diminution in the value of investments	8.3	86,125	94,745
-	4,436	Provision for impairment in the value of investment		-	380,132
29	28	Finance charges on leased assets	26	2,479	2,429
2,542	11,368			217,761	974,250
7,186	4,374			615,945	374,862
		(Increase)/Decrease in operating assets			
4,578	2,220	Lendings to financial institutions		392,326	190,244
39,165	(39,805)	Investment classified as 'held-for-trading'		3,356,441	(3,411,251)
(7,218)	(4,286)	Advances		(618,604)	(367,347)
(298)	3,998	Other assets		(25,633)	342,697
36,227	(37,873)			3,104,530	(3,245,657)
		Increase/(Decrease) in operating liabilities			
-	-	Bills payable		-	-
(32,086)	16,377	Borrowings from financial institutions		(2,749,747)	1,403,535
11,658	17,958	Deposits and other accounts		999,076	1,538,968
302	1,385	Other liabilities		25,814	118,801
(20,126)	35,720			(1,724,857)	3,061,304
23,287	2,221			1,995,618	190,509
(28)	(28)	Finance charges paid on leased assets		(2,396)	(2,436)
(2,248)	(1,839)	Income tax paid		(192,684)	(157,575)
21,011	354	*Net cash from operating activities*		1,800,538	30,498
		CASH FLOWS FROM INVESTING ACTIVITIES			
(22,938)	(743)	Net investments in 'available-for-sale' securities		(1,965,810)	(63,684)
56	84	Net investments in 'held-to-maturity' securities		4,833	7,204
1,403	(313)	Investments in associates		120,270	(26,860)
667	631	Dividend received		57,123	54,069
(131)	(52)	Investments in operating fixed assets		(11,258)	(4,448)
79	53	Sale proceeds of operating fixed assets disposed off	10.1.2	6,788	4,522
(20,864)	(340)	**Net cash used in investing activities**		(1,788,054)	(29,197)
		CASH FLOWS FROM FINANCING ACTIVITIES			
(117)	(152)	Payments of lease obligations		(9,985)	(13,050)
(117)	(152)	**Net cash used in financing activities**		(9,985)	(13,050)
30	(138)	**Increase / (decrease) in cash and cash equivalents**		2,499	(11,749)
8,692	8,830	Cash and cash equivalents at beginning of the year		744,947	756,696
8,722	8,692	Cash and cash equivalents at end of the year	30	747,446	744,947

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

Managing Director and Chief Executive Officer **Chairman**

Consolidated Statement of Changes in Equity

For the year ended December 31, 2010

	Issued, subscribed and paid up capital	Attributable to the shareholders of the holding company — Reserves: Statutory reserve	General reserve	Reserve for contingencies	Un-appropriated Profit / (Loss)	Sub total	Non controlling interest	Total
	Rupees in '000							
Balance as at January 1, 2009	6,150,000	348,483	575,755	93,013	(229,835)	6,937,416	96,739	7,034,155
Transfer to general reserve	-	-	5,162	-	(5,162)	-	-	-
Transfer from general reserve	-	-	(27,419)	-	-	(27,419)	-	(27,419)
Transfer to contingencies reserve relating to quarter ended December 2008	-	-	-	27,419	-	27,419	-	27,419
Loss for the year ended December 31, 2009	-	-	-	-	(498,801)	(498,801)	-	(498,801)
Share of loss attributable to non controlling interest	-	-	-	-	270	270	(270)	-
Transfer from contingencies reserve	-	-	-	(120,432)	120,432	-	-	-
Transfer from general reverse	-	-	(487,061)	-	487,061	-	-	-
Balance as at December 31, 2009	**6,150,000**	**348,483**	**66,437**	**-**	**(126,035)**	**6,438,885**	**96,469**	**6,535,354**
Profit for the year ended December 31, 2010	-	-	-	-	332,799	332,799	-	332,799
Transfer to statutory reserve	-	55,595	-	-	(55,595)	-	-	-
Transfer to contingencies reserve	-	-	-	22,053	(22,053)	-	-	-
Share of loss attributable to non controlling interest	-	-	-	-	22,160	22,160	(22,160)	-
Balance as at December 31, 2010	**6,150,000**	**404,078**	**66,437**	**22,053**	**151,276**	**6,793,844**	**74,309**	**6,868,153**

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

Managing Director and Chief Executive Officer **Chairman**

Notes to the Consolidated Financial Statements
For the year ended December 31, 2010

1 LEGAL STATUS AND NATURE OF BUSINESS

The Group comprises of Pak Oman Investment Company Limited - POICL (the holding company) and a subsidiary, Pak Oman Asset Management Company Limited (POAMCL). POAMCL is involved in investment advisory, portfolio management, equity research and corporate finance. POICL holds 51% of the share capital of POAMCL.

The Group's Associates are as follows:

Entity	Country of incorporation	**Nature of business**	Holding percentage %	
			2010	**2009**
Japan Power Generation Limited	Pakistan	Incorporated under the Companies Ordinance, 1984 and is engaged in generation of power and its supply to WAPDA.	19.59	19.59
Pak Oman Micro Finance Bank Limited	Pakistan	Incorporated under the Companies Ordinance, 1984 and is engaged in providing micro finance services to the poor and undeserved segment of the society.	33.40	33.40
Pak Oman Advantage Plus Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	27.36	27.36
IGI Aggressive Income Fund *(formerly:Pak Oman Bank of Punjab Advantage Plus Fund)*	Pakistan	Established as a closed-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	-	17.34
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.	42.69	58.60
Pak Oman Islamic Asset Allocation fund *(formerly : Pak Oman Advantage Islamic Fund)*	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	99.14	93.78
Pak Oman Advantage Asset Allocation Fund *(formerly: Pak Oman Advantage Stock Fund)*	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	86.81	72.26

The holding company was incorporated as a private limited company on July 23, 2001. Subsequently, on March 17, 2004 the Company was converted into a public limited company. It is a joint venture between the Government of Pakistan and the Government of the Sultanate of Oman. The objectives of the 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, Gawadar and Muscat. The holding company is designated as a development financial institution (DFI) under the BPD circular No. 35 dated October 28, 2003 issued by the State Bank of Pakistan.

POAMCL was incorporated in Pakistan under the Companies Ordinance, 1984 on July 28, 2006 as an unlisted public limited company having its registered office at 1st Floor, Tower A, Finance and Trade Center, Shahrah-e-Faisal, Karachi, Pakistan. The Company obtained certificate of commencement of business on October 31, 2006. The principal activities of the Company include investment advisory and corporate finance.

2 BASIS OF PRESENTATION AND CONSOLIDATION

2.1 Basis of consolidation

The associates have been accounted for in these consolidated financial statements under the equity method of accounting on the respective basis as follows:

Entity	Source of information
Japan Power Generation Limited	Audited financial statements for the year ended June 30, 2010 and condensed interim financial statements for the quarter ended September 30, 2010
Pak Oman Micro Finance Bank Limited	Undited financial statements for the year ended December 31, 2010.
Pak Oman Advantage Fund	Condensed interim financial statements as on and for the half year ended December 31, 2010.
Pak Oman Advantage Islamic Income Fund	Condensed interim financial statements as on and for the half year ended December 31, 2010.
Pak Oman Islamic Asset Allocation fund *(formerly : Pak Oman Advantage Islamic Fund)*	Condensed interim financial statements as on and for the half year ended December 31, 2010.
Pak Oman Advantage Asset Allocation Fund *(formerly: Pak Oman Advantage Stock Fund)*	Condensed interim financial statements as on and for the half year ended December 31, 2010.

The Group exercise significant influence on the financial and operational policies of JPGL due to representation of three directors out of thirteen directors. Accordingly, investment in JPGL is accounted for as an investment in associate in these consolidated financial statements. Effective holding of the Group has been considered as 19.59 percent for the purpose of determining share in net assets acquired and share in loss of the associate.

2.1.1 Subsidiary

The consolidated financial statements include the financial statements of the holding company and its subsidiary.

Subsidiaries are those enterprises in which the holding company 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. The financial statements of the subsidiary company have been consolidated on a line-by-line basis and the caring value of investment held by the Company is eliminated against the subsidiary shareholder's equity . The Group applies uniform accounting policies for like transactions and events in similar circumstances except where specified otherwise.

2.1.2 **Associates**

The Group's share of its associates' post-acquisition profits/losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in consolidated 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

All material inter-Group balances, transactions and resulting unrealised profits/losses have been eliminated.

2.2 **Basis of presentation**

2.2.1 These consolidated financial statements have been prepared from the information available in the audited financial statements of the holding company for the year ended December 31, 2010 and the condensed interim financial statements of subsidiary POAMCL as on and for the half year ended December 31, 2010 which have only been subjected to a review but are not audited. Certain disclosures relating to POAMCL as incorporated in these consolidated financial statements were not included in its reviewed financial statements as of December 31, 2010. The accounting policies used by POAMCL and associates in preparation of their respective financial statements are consistent with that of the holding company except for the accounting policy for investments.

2.2.2 **US Dollar equivalent**

The US dollar amounts shown in the balance sheet, profit and loss account and cash flow statement are stated as additional information solely for the convenience of the reader. For this purpose the amounts in Pakistan rupees have been converted at a rate of Rs. 85.7 = US dollar 1 for the years ended December 31, 2010 and December 31, 2009.

2.3 **Basis of measurement**

2.3.1 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.

These consolidated financial statements have been prepared following the accrual basis of accounting except cash flow information.

The financial stetements are prepared in Pakistani rupees which is the Company's functional currency.

2.3.2 **Critical accounting estimates and judgments**

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 areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

(a) Critical judgments in classification of investments in accordance with the Group's policy (notes 4.3 and 8).

(b) Assumption and estimation in recognition of taxation and deferred taxation (notes 4.9 and 28).

(c) Actuarial assumptions and estimations in recognition of defined benefit obligation and calculation of charge for defined benefit plan (note 4.11 and 32).

(d) Useful life of operating fixed assets (note 4.7 and 10).

(e) Provision against investments.

(f) Impairment is determined when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant and prolonged requires judgment (note 4.15).

(g) In estimating depreciation / amortization management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Company.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3 STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984 (the Ordinance) and the directives issued under the Companies Ordinance, 1984 and the State Bank of Pakistan (SBP). The approved accounting standards comprise such International Financial Reporting Standards as are notified under the provisions of the Companies Ordinance, 1984. However, wherever the requirements of the Ordinance or directives issued under Companies Ordinance, 1984 and the SBP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of such directives shall prevail.

3.2 The SBP through its BSD circular letter No. 10 dated August 26, 2002 has deferred implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Bank Financial Institutions (NBFIs) in Pakistan. Further, the Securities and Exchange Commission of Pakistan (SECP) has also deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411 (1) / 2008 dated April 28, 2008. Accordingly, the requirements of those IASs and IFRSs have not been considered in preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 **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.

4.2 **Revenue recognition**

(i) Gain on sale of securities and income from bank deposits and government securities are recognised on an accrual basis.

Income from loans and term finance certificates are recognised on an accrual basis.

Profit required to be suspended in compliance with the prudential regulations issued by the SBP is recorded on receipt basis.

(ii) Fees and commission are recognised on receipt basis.

(iii) The Group follows finance method in recognising income on lease financing. Under this method the unearned income i.e. the excess of aggregate lease rentals over the cost of the asset under lease facility is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.

(iv) Dividend income is recognised when the Group's right to receive is established.

(v) Advisory fee and commission income are recognised as and when services are provided. Performance fee related to advisory services are recorded on confirmation.

4.3 **Investments**

4.3.1 **Holding company classifies its investments as follows:**

Held-for-trading
These are investments acquired principally for the purpose of generating profit from short-term fluctuation in prices or dealers' margins, or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-to-maturity
These are securities acquired by the Company with the intention and ability to hold them upto maturity.

Available- for-sale
These are investments that do not fall under the 'held-for-trading' or 'held-to-maturity' categories.

Associates
Those Companies where there are common directors but the Company does not have significant influence are classified as investment in associates.

Holding company values its investments as follows:
Quoted securities, excluding investments categorised as 'held-to-maturity' securities and investments in an associates, are stated at revalued amounts.

Investment in quoted associate is stated at cost.

Investments in unquoted associate and subsidiary are stated at cost less provision for impairment, if any. Unquoted equity securities other than investments in an associate and a subsidiary are stated at lower of cost or break-up value.

Investments in securities categorised as 'held-to-maturity' are carried at amortised cost.

4.3.2 **Subsidiary classifies its financial instruments in the following categories:**

Investments 'at fair value through profit or loss':

Financial instruments 'held-for-trading'

These include financial instruments acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Financial instruments designated 'at fair value through profit or loss upon initial recognition'.

These include investments that are designated as investments at fair value through 'profit and loss'.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Company as fair value through profit or loss or available-for-sale.

Held-to-maturity
These are securities acquired by the Company with the intention and ability to hold them upto maturity.

Available-for-sale
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Subsidiary company values its investments as follows:
Financial instruments are measured initially at fair value (transaction price) plus, in case of a 'financial asset or financial liability not at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on 'financial assets and financial liabilities at fair value through profit or loss' are expensed immediately.

Subsequent to initial recognition, instruments classified as 'financial assets at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the income statement. Changes in the fair value of instruments classified as 'available for sale' are recognised in equity until derecognised or impaired when the accumulated fair value adjustments recognised in equity are included in the income statement.

Financial assets classified as 'loans and receivables' and 'held to maturity' are carried at amortised cost using the effective interest method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest method.

4.3.3 Any surplus/deficit arising as a result of revaluation of quoted and government securities categorised as 'available-for-sale' is presented below shareholders' equity in balance sheet while any surplus/deficit arising as a result of revaluation of 'held-for-trading' securities is credited/charged to the profit and loss account. POAMCL accounts for investments in accordance with the requirements of IAS 39 whereby marketable investments are valued on a basis consistent with that of the Group except that surplus/(deficit) arising on revaluation of 'available-for-sale' investments is recognised in equity through statement of changes in equity. Any surplus/(deficit) arising on revaluation of 'held-for-trading' securities is credited/charged to the profit and loss account.

4.3.4 The cost of acquisition of 'dealing securities' (i.e. quoted securities purchased and sold on the same day) is not considered for calculating the 'moving average cost' of other quoted securities (i.e. quoted securities sold after the date of purchase).

4.3.5 Premium paid/discount on acquisition of securities are amortised on effective rate basis over the term of respective securities.

4.3.6 Unquoted debt securities where active market does not exist are stated at cost.

4.3.7 The Group follows trade date accounting for investments.

4.3.8 Gains and losses arising on sale of investments are recognised in profit and loss account.

4.3.9 Impairment is recognized whenever the caring amount of investments exceeds its recoverable amount. An impairment loss is charged to income currently.

4.4 **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 value. 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.

4.5 **Derecognition**

Subsidiary company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

4.6 **Advances and net investment in finance lease**

4.6.1 **Advances**

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

4.6.2 **Provision against non-performing advances**

Holding company determines provision against advances on a prudent basis in accordance with the prudential regulations issued by the SBP. The provision is charged to the profit and loss account.

4.6.3 **Net investment in finance lease**

Lease is classified as finance lease when substantially all the risks and rewards related to the ownership are transferred to the lessee. A receivable is recognized at an amount equal to the present value of the lease payment. The difference between the gross receivable and the present value of receivable is recognized as unearned finance inome.

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

4.7 **Operating fixed assets**

4.7.1 **Owned**

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation is charged at rates stated in note 10.1.

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

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

Depreciation on additions and deletions of operating fixed assets during a year is charged in proportion to the period of use.

Maintenance and normal repairs are charged to income as and when incurred.

Profit or loss on sale or retirement of operating fixed assets is recognised in the consolidated profit and loss account.

4.7.2 **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. Finance charges are allocated to accounting periods in a manner 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.

4.7.3 **Intangible assets**

Expenditure incurred to acquire software licences 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. Amortization is charged at the rate stated in note 10.2.

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

4.8 **Sale and repurchase agreement**

Securities sold subject to repurchase agreements (repo) are retained in the financial statements as investments and the counterparty liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to counter party is included in lendings to financial institution. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-income / expensed on a time proportion basis, as the case may be.

4.9 **Taxation**

4.9.1 **Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

4.9.2 **Deferred**

Deferred income tax is provided using the balance sheet liability method on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated 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 using the applicable tax rates. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.10 **Borrowings**

Borrowings are recognised initially at the value of consideration received. Difference between the consideration received and the redemption value is recognised in profit and loss account over the period of the borrowings.

4.11 **Staff retirement benefits**

4.11.1 **Defined benefit plan**

Holding company operates a funded-gratuity scheme for all its permanent employees. Contribution to the fund is made every year based on actuarial valuation. The scheme was established on November 1, 2002 and approved by the Commissioner of Income Tax with effect from January 31, 2003. The actuarial valuation was conducted as at December 31, 2010.

4.11.2 **Defined contribution plan**

Holding company also operates a provident fund scheme for 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 November 1, 2002 and approved by the Commissioner of Income Tax with effect from January 31, 2003.

4.12 **Compensated absences**

Holding company accounts for compensated absences (leave) of employees in the period in which these absences are earned.

4.13 **Foreign currencies**

Monetary assets and liabilities in foreign currencies are reported in Pakistan rupees at the rates of exchange prevailing on the balance sheet date. Foreign currency transactions during the year are recorded at the rates prevailing on the date of transaction. Exchange gains and losses are included in the consolidated profit and loss account.

4.14 **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and 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.

4.15 **Impairment**

The carrying amount of Company's assets other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

4.16 **Offsetting**

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

4.17 **Non controlling interest**

Non controlling interest is calculated on the basis of the minority's proportion of pre-acquisition carrying amounts of the identifiable assets and liabilities and share in post-acquisition profit/loss of the subsidiary.

4.18 **Dividend and reserves**

Dividend declared and appropriations, except for transfer to statutory reserve, made subsequent to the consolidated balance sheet date are recognised as liability and recorded as changes in reserves respectively in the period in which these are approved by the directors/shareholders as appropriate.

4.19 **Segment Information**

A segment is a distinguishable component of the Company that is engaged in 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. The Company's primary format of reporting is based on business segments.

Business segments

- Corporate / Commercial Banking

  Consists of lending for project finance, trade finance, corporate customers and investment banking, includes advices and placement to corporate mergers and acquisitions, underwriting, privatization and securitization.

- Treasury

  Involves the businesses of equity trading and fixed income securities.

4.20 **New / revised standards and interpretations to existing standards effective from current period or early adopted but not relevant to the Company**

The following standards (revised or amended) and interpretations became effective for the current financial period or early adopted, but are either not relevant or do not have any material effect on the financial statements of the Company

- IFRS 2 (Amendments) "Share-based Payments - Group cash-settled share-based payment transactions"
- IFRS 5 (Amendments) "Non-current Assets Held for Sale and Discontinued Operations"
- Amendments to IAS 1 "Presentation of Financial Statements"
- Amendments to IAS 7 "Statement of Cash Flows"
- IAS 27 (Amended) "Consolidated and Separate Financial Statements"
- IAS 27 (as revised in 2008) "Consolidated and Separate Financial Statements"
- IAS 28 (as revised in 2008) "Investments in Associates"
- IFRIC 15 "Agreement for Construction of Real Estate"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"

The application of improvements to IFRSs issued in 2009 has not had any material effect on amounts reported in these financial statements.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2011 or later:

- IFRS 9 ‘Financial instruments’ introduces new requirements for the classification and measurement of financial assets and financial liabilities and for their derecognition. While the International Accounting Standards Board has prescribed the effective date period beginning on or after January 1, 2013 with earlier application permitted, the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan have still not notified its effective date for adoption locally. As a result, there will be no impact on the bank's financial statement till IFRS 9 is notified.

- IAS 12 Deferred Tax: Tax Recovery of Underlying Assets (Amendments to IAS 12). The amendment to IAS 12 is effective for annual periods beginning on or after January 01, 2012. Earlier application is permitted. The limited scope amendments are relevant only when an entity elects to use the fair value model for measurement in IAS 40 Investment Property. the amendments introduce a reputable presumption that in such circumstances, an investment property is recovered entirely through sale.

- IAS 24 (Revised), ‘Related party disclosures’ (effective for annual periods beginning on or after January 01, 2011) - The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. This amendment will result in some changes in disclosures.

- IAS 32 (Amendment) ‘Financial Instruments: Presentation’ (effective for annual periods beginning on or after February 01, 2010) – ‘Classification of rights issues’ - The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

- IFRIC 13 (Amendment) 'Customer Loyalty Programmes' (effective from annual periods on or after January 01, 2011). The amendment clarifies that the fair value of award credits take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. This amendment will have no impact on the bank's financial statement.

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after July 01, 2010) – This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. This amendment will have no impact on the bank's financial statement.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on the bank's financial statements.

- "Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 01, 2011. The amendments include list of events or transactions that require disclosure in the financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements."

4.21 **General**

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

5 CASH AND BALANCE WITH TREASURY BANKS

	Note	2010	2009
		Rupees in '000	
Cash in hand			
local currency		141	97
foreign currency		-	119
cheques in hand		-	8,101
Balances with State Bank of Pakistan (SBP) in local currency			
current accounts		3,279	2,402
cash reserve	5.1	67,000	63,400
		70,420	74,119

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

	Note	2010	2009
		Rupees in '000	

6 BALANCE WITH OTHER BANKS

	Note	2010	2009
In Pakistan			
current account		2,330	8,348
deposit accounts	6.1	661,492	631,291
		663,822	639,639
Outside Pakistan			
current accounts		347	1,617
		664,169	641,256

6.1 These include term deposit receipts (TDRs) aggregating Rs. 250 million (2009: Rs. 500 million). The rate of return on these TDRs is 13.85 percent per annum (2009: 13 to 13.5 percent per annum).

7 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2010	2009
Placements		12,857	29,572
Reverse repurchase agreement lendings	7.1	2,189,741	2,832,220
Certificate of investments (COIs)	7.4	264,869	14,716
		2,467,467	2,876,508

7.1 These are short-term lendings to different financial institutions secured against government and other securities as disclosed in note 7.3 which are purchased under resale obligations.

7.2 **Particulars of lending**

	2010	2009
In local currency	2,467,467	2,876,508
In foreign currency	-	-
	2,467,467	2,876,508

7.3 Securities held as collateral against lendings to financial institutions

	Note	2010			2009		
		Held by the Group	**Further given as collateral**	**Total**	Held by the Group	Further given as collateral	Total
		Rupees in '000					
T-bills		-	-	-	619,376	595,502	1,214,878
PIBs		163,225	2,026,516	2,189,741	132,537	1,476,805	1,609,342
Others	7.3.1	-	-	-	8,000	-	8,000
		163,225	2,026,516	2,189,741	759,913	2,072,307	2,832,220

7.3.1 Others represent term finance certificates (TFCs)/shares/bonds held as collateral against finance provided in respect of reverse repo lendings.

7.4 COIs aggregating Rs. 256.462 million (2009: Rs. 7.604 million) are due for maturity within a year. The rate of return on these COIs range from 12 to 14 percent per annum (2009: 7.25 to 14 percent per annum).

8 INVESTMENTS

	Note	2010			2009		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
		Rupees in '000					
8.1 Investments by types							
Held-for-trading securities							
Pakistan investment bonds		113,479	25,556	139,035	39,253	61,508	100,761
Market treasury bills (T-Bills)		19,097	-	19,097	257,364	2,785,262	3,042,626
Listed shares	8.8.2.2	27,913	-	27,913	370,081	-	370,081
Mutual fund units		25,000	-	25,000	-	-	-
Sukuk Certificates		9,124	-	9,124	142,419	-	142,419
Term finance certificates (TFCs)		51,258	-	51,258	61,449	-	61,449
		245,871	25,556	271,427	870,566	2,846,770	3,717,336
Available-for-sale securities							
Pakistan investment bonds		48,658	472,516	521,174	142,200	646,442	788,642
Market treasury bills		668,776	1,249,421	1,918,197	-	-	-
Listed shares	8.8.1.2	273,718	12,206	285,924	334,997	266,911	601,908
Unlisted shares	8.6	208,333	226,000	434,333	208,333	-	208,333
Mutual funds Units / Certificates	8.8.1.1	184,211	-	184,211	257,083	-	257,083
Commercial paper		-	-	-	93,112	-	93,112
Sukuk certificates	8.6 & 8.13	1,311,891	-	1,311,891	1,361,536	-	1,361,536
Term finance certificates (TFCs)		3,271,840	189,887	3,461,727	3,178,185	30,130	3,208,315
		5,967,427	2,150,030	8,117,457	5,575,446	943,483	6,518,929
Held-to-maturity securities							
Pakistan investment bonds		263,219	-	263,219	268,052	-	268,052
Associates	8.12						
Japan Power Generation Limited	8.12.2	-	-	-	-	-	-
IGI Aggressive Income Fund (formerly:Pak Oman Bank of Punjab Advantage Plus Fund)		-	-	-	139,875	-	139,875
Pak Oman Advantage Fund		286,702	-	286,702	289,871	-	289,871
Pak Oman Advantage Islamic Income Fund		103,327	-	103,327	98,557	-	98,557
Pak Oman Islamic Asset Allocation fund (formerly : Pak Oman Advantage Islamic Fund)		129,786	-	129,786	102,148	-	102,148
Pak Oman Advantage Asset Allocation Fund (formerly: Pak Oman Advantage Stock Fund)		167,434	-	167,434	110,869	-	110,869
Pak Oman Micro Finance Bank Limited		228,611	-	228,611	225,894	-	225,894
		915,860	-	915,860	967,214	-	967,214
Investment at cost		7,392,377	2,175,586	9,567,963	7,681,278	3,790,253	11,471,531
Less: Provision for diminution in the value of investment	8.3	306,096	-	306,096	219,971	-	219,971
Less: Provision for impairment in the value of investment		12,850	-	12,850	268,024	112,108	380,132
Investment - net of provisions		7,073,431	2,175,586	9,249,017	7,193,283	3,678,145	10,871,428
(Deficit)/Surplus on revaluation of held-for-trading securities	8.7	(1,656)	(170)	(1,826)	(97,641)	1,086	(96,555)
(Deficit) on revaluation of available-for-sale securities	20	(86,231)	(31,507)	(117,738)	(112,917)	(41,236)	(154,153)
Total investments at market value		6,985,544	2,143,909	9,129,453	6,982,725	3,637,995	10,620,720

	Note	2010	2009
		Rupees in '000	
8.2 Investments by segments			
Federal government securities			
Pakistan investment bonds (PIBs)	8.4	923,428	1,157,455
Market treasury bills	8.5	1,937,294	3,042,626
		2,860,722	4,200,081
Fully paid up ordinary shares/certificate/units			
Listed	8.8	523,048	1,229,072
Unlisted	8.9	434,333	208,333
		957,381	1,437,405
Term finance certificates (TFCs)			
Listed	8.10	2,682,030	2,796,819
Unlisted	8.11	830,955	472,945
		3,512,985	3,269,764
Commercial papers		-	93,112
Sukuk certificates - Unlisted	8.13	1,321,015	1,503,955
Associates		915,860	967,214
Total investments at cost		9,567,963	11,471,531
Less: Provision for diminution in the value of investments	8.3	306,096	219,971
Less: Provision for diminution in the value of impairment		12,850	380,132
Investments (net of provisions)		9,249,017	10,871,428
(Deficit) on revaluation of 'held-for-trading' securities		(1,826)	(96,555)
(Deficit) on revaluation of 'available- for-sale' securities		(117,738)	(154,153)
Total investments at market-value		9,129,453	10,620,720

8.3 Particulars of provision for diminution in the value of investments

	Note	2010	2009
Opening balance		219,971	125,226
Gross charge for the year		88,162	96,295
Reversal for the year		(2,037)	(1,550)
Closing balance	8.3.1	306,096	219,971

8.3.1 Particulars of provision in respect of types and segments

Available-for-sale securities

	2010	2009
Fully paid-up Ordinary shares, TFCs & Sukuk Certificates	306,096	219,971

8.4 The rate of return on these PIBs maturing between April 2011 to August 2018 (2009: December 2010 to October 2026), range from 8 to 14 (2009: 9 to 14) percent per annum. The market value of these PIBs as at December 31, 2010 aggregates Rs. 858.914 million (2009: Rs. 1,086.045 million).

8.5 The rates of return on these market treasury bills maturing between March 2011 to July 2011 (2009: May 2010 to September 2010), range from 12.28% to 13.48% (2009: 12.25 to 12.30) percent per annum. The market value of these T -bills as at December 31, 2010 aggregated Rs. 1,934.375 million (2009: Rs. 3,043.719 million).

Investee	2010 Market Value	2010 Rating	2009 Market Value	2009 Rating
	Rupees in '000	Securities	Rupees in '000	Securities
8.6 Quality of available-for-sale-securities/entities				
Pakistan investment bonds (PIBs)				
20 Year PIBs	-	-	21,145	Unrated
10 Year PIBs	408,888	Unrated	636,196	Unrated
7 Year PIBs	81,679	Unrated	96,632	Unrated
	490,567		753,973	
Market treasury bills				
12-months T-bills	1,727,712	Unrated	-	-
06-months T-bills	187,572	Unrated	-	-
	1,915,284	-	-	-
Mutual funds units/certificates		Entity		Entity
Open-end mutual funds				
National Investment (Unit) Trust	-	-	137,038	AM2
IGI Aggressive Income Fund (Formerly POBOP Advantage Plus Fund)	131,292	A-(f)	-	-
Closed-end mutual funds				
NAMCO Balance Fund	10,050	AM3-	11,487	AM3-
		Entity Long term/ short term		Entity Long term/ short term
Quoted shares				
Cement				
Lucky Cement Limited	-	-	18,164	Unrated
Dewan Cement Limited	33,965	D	-	-
Fertilizer				
Fatima Fertilizer Company Limited	47,894	A/A1	-	-
Automobile assembled				
Al-Ghazi Tractor Limited	-	-	27,770	A/A2
Chemical				
Lotte Pakistan PTA Limited (formerly Pakistan PTA Limited)	42,470	Unrated	-	-
Ghani Gases Limited	-	-	8,158	Unrated

Investee	2010 Market Value	2010 Rating	2009 Market Value	2009 Rating
	Rupees in '000	Entity long term / short term	Rupees in '000	Entity long term / short term
Commercial Banks				
National Bank of Pakistan	47,682	AAA/A-1+	107,384	AAA/A-1+
Silkbank Limited	12,686	A-/A-2	94,348	A-/A-3
NIB Bank Limited	-	-	10,383	AA-/A1+
Allied Bank Limited	58,548	AA/A1+	11,911	AA/A1+
Insurance				
Adamjee Insurance Company Limited	29,987	AA	-	-
Refinery				
National Refinery Limited	27,724	AAA/A1+	43,498	AAA/A1+
	442,298		470,141	
Unlisted shares stated at cost				
Al-Hamra Avenue (Private) Limited	50,000	Unrated	50,000	Unrated
Systems Limited	10,000	Unrated	10,000	Unrated
Vision Network Television Limited	77,000	Unrated	77,000	Unrated
Pakistan Textile City Limited	50,000	Unrated	50,000	Unrated
Techlogix International Limited	21,333	Unrated	21,333	Unrated
Orient Power Company (Private) Limited	226,000	Unrated	-	-
	434,333	-	208,333	-
Listed Term Finance Certificates (TFCs)				
Modarbas				
Al Zamin Leasing Modarba II	-	-	14,695	A
Investment bank/companies/securities				
Jahangir Siddiqui and Company Limited IV	97,274	AA	99,210	AA+
Escort Investment Bank Limited	9,989	A	16,637	A+
Commercial banks				
Allied Bank Limited II	67,129	A+	62,480	A+
Allied Bank Limited I	122,973	AA-	121,329	AA-
Askari Bank Limited II	4,888	AA-	4,794	AA-
Askari Bank Limited III	244,192	AA-	239,187	AA-
Bank Al-Falah Limited III	4,901	AA-	4,812	AA-
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited II)	21,709	AAA	59,553	AAA
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited III)	111,251	AAA	116,114	AAA

Investee	2010 Market Value	2010 Rating	2009 Market Value	2009 Rating
	Rupees in '000	Entity long term / short term	Rupees in '000	Entity long term / short term
Commercial banks				
Faysal Bank Limited	85,630	AA-	84,429	AA-
Faysal Bank Limited-(unlisted stated at cost)	150,000	AA-	-	-
NIB Bank Limited	273,093	A+	176,415	A1+
Bank Al Habib Limited	51,558	AA	49,933	AA
Bank Al Habib Limited-(unlisted stated at cost)	49,940	AA	49,980	AA
Bank Al-Falah Limited -(unlisted stated at cost)	150,086	AA-	100,000	AA-
United Bank Limited-IV	164,429	AA	110,152	AA
Technology and communication				
Telecard Limited	100,776	BBB	115,975	BBB
Pakistan Mobile Communication Limited	108,141	A+	130,191	AA-
Pakistan Mobile Communication Limited (unlisted stated at cost)	-	-	97,223	AA-
World Call Telecom Limited	452,053	A	511,851	AA-
Chemical				
Engro Fertilizers Limited	177,091	AA	200,611	AA
Engro Fertilizers Limited(unlisted stated at cost)	204,837	AA	16,315	AA
Azgard Nine Limited	54,357	CCC(RW)	56,020	AA-
Azgard Nine Limited-III (unlisted stated at cost)	9,992	CCC(RW)	9,992	A1+
Azgard Nine Limited-IV (unlisted stated at cost)	25,000	CCC(RW)	-	-
Textile composite				
Kunjah Textile Mills Limited (unlisted stated at cost)	15,000	BBB	15,000	BBB
Nishat Chunain Limited (unlisted stated at cost)	50,000	A+	-	-
Fertilizer				
Agri Tech Limited (Formerly Pak American Fertilizer Limited) (unlisted stated at cost)	99,920	CCC	99,920	A+/A1
Pak Arab Fertilizer Limited	45,590	AA	46,921	AA
Leasing companies				
Saudi Pak Leasing Company Limited	75,867	D	111,180	BB+
Security Leasing Corporation Limited (unlisted stated at cost)	18,281	Unrated	22,500	BBB-/A-3

Investee	2010 Market Value	2010 Rating	2009 Market Value	2009 Rating
	Rupees in '000	Entity long term / short term	Rupees in '000	Entity long term / short term
Cement				
Gharibwal Cement Limited (unlisted stated at cost)	12,013	D	12,016	D
Miscellaneous				
Pace Pakistan Limited	292,079	A+(-)	292,114	A+/A1
Avari Hotels Limited (unlisted stated at cost)	42,457	A-	50,000	A-
	3,392,496		3,097,549	
Sukuk certificates- unlisted stated at cost				
Amtex Limited	80,666	Unrated	105,292	A-/A-2
Karachi Shipyard & Engineering Works Limited-II	200	Unrated	200	Unrated
Security Leasing Corporation Limited	25,391	Unrated	31,250	BBB-/A-3
Security Leasing Corporation Limited II	30,469	Unrated	37,711	BBB-/A-3
Orix Leasing Pakistan Limited	37,500	AA/A1+	62,500	AA(p)
Sitara Energy Limited	78,748	Unrated	119,074	Unrated
Sui Southern Gas Company Limited	300,836	AA	502,922	AA-/A1+
Al-Razi HealthCare (Private) Limited	150,000	Unrated	100,000	Unrated
Century Papers & Board Mills Limited	38,448	A+	44,592	A+
House Building Finance Corporation Limited	184,633	A/A-2	149,814	A-/A1
Liberty Power Tech (Private) Limited	300,000	AA-	123,181	Unrated
New Allied Electronic Industries (Private) Limited	85,000	D	85,000	D
	1,311,891		1,361,536	
Commercial Papers - unlisted stated at cost				
Pak Elektron Limited	-	-	93,112	A+
	-		93,112	
	7,986,869		5,984,644	

	Note	2010	2009
		Rupees in '000	
8.7 Unrealised surplus / (loss) on revaluation of investments classified as 'held-for-trading' securities			
Pakistan investment bonds		25	(583)
Market treasury bills		(6)	1,093
Term Finance Certificates (TFCs) & Others		4,678	(268)
Quoted shares/units		(6,523)	(96,797)
		(1,826)	(96,555)

8.8 The Group holds investments in shares/certificates/units of Rs 10 each, unless stated otherwise, of listed companies/funds:

8.8.1 Available For Sale

Investee	2010 Number of Units	2009 Number of Units	2010 Cost Rupees in '000	2009 Cost Rupees in '000
8.8.1.1 Mutual Funds Units / Certificates				
Open-end mutual funds				
National Investment (Unit) Trust	-	4,530,184	-	232,746
IGI Aggressive Income Fund *(Formerly POBOP Advantage Fund)*	3,014,544	-	159,874	-
Close-end mutual funds				
KASB Balanced Fun d				
NAMCO Balance Fund	2,433,667	2,433,667	24,337	24,337
			184,211	257,083
8.8.1.2 Shares	Number of Shares			
Commercial banks				
NIB Bank Limited	-	2,163,100	-	18,226
National Bank of Pakistan	620,696	1,443,920	43,762	168,819
Silkbank Limited	4,842,083	19,904,576	13,167	248,795
Allied Bank Limited	834,618	202,809	50,230	10,747
Insurance				
Adamjee Insurance Company Limited	342,706	-	29,352	-
Cement				
Lucky Cement Limited	-	274,212	-	20,614
Dewan Cement Limited	15,162,780	-	23,502	-
Refinery				
National Refinery Limited	101,260	246,000	27,508	93,759
Fertilizer				
Fatima Fertilizer Company Limited	4,245,916	-	55,869	-
Automobile assembler				
Al-Ghazi Tractors Limited	-	116,660	-	32,790
Chemical				
Lotte Pakistan PTA Limited (formerly Pakistan PTA Limited)	3,100,000	-	42,534	-
Ghani Gases Limited	-	582,738	-	8,158
			285,924	601,908
Total investment classified as available for sale			470,135	858,991

8.8.2 Held for trading

8.8.2.1 Mutual Funds Units

Investee	2010	2009	2010	2009
Open-end mutual funds				
PICIC Cash Fund	248,802	-	25,000	-

Investee	Number of Shares 2010	Number of Shares 2009	Cost Rupees in '000 2010	Cost Rupees in '000 2009
8.8.2.2 **Shares**				
Investment bank/companies/securities				
Jahangir Siddique Company Limited	-	128,916	-	26,523
Commercial banks				
Arif Habib Bank Limited	-	12,500	-	1,954
National Bank of Pakistan	16,000	300,000	1,236	59,369
Silkbank Limited	801,268	801,268	16,174	16,174
Allied Bank Limited	-	557,863	-	33,432
Askari Bank Limited	40,548	852,015	2,837	22,320
Habib Bank Limited	-	61,432	-	7,748
Bank Islami Pakistan Limited	-	9,218	-	167
Textile composite				
Nishat Mills Limited	6,459	-	412	-
Cement				
Lucky Cement Limited	-	520,645	-	48,407
Refinery				
Attock Refinery Limited	-	91,200	-	21,160
Oil and gas marketing/Exploration companies				
Pakistan Oilfield Limited	-	145,673	-	32,963
Mari Gas Company limited	-	45,600	-	8,143
Pakistan Petroleum Limited	-	175,000	-	33,281
Oil & Gas Development Company Limited	-	306,450	-	34,265
Pakistan State Oil Company Limited	-	25,000	-	7,390
Fertilizer				
Engro Chemical (Pakistan) Limited	-	50,000	-	9,530
Chemical				
Lotte Pakistan PTA Limited (formerly Pakistan PTA Limited)	1,000,000	1,000,000	5,775	5,775
Glass and Ceramics				
Tariq Glass Industries Limited	53,000	53,000	1,479	1,480
Total investment classified as held for trading			52,913	370,081
Total investments in listed shares			523,048	1,229,072

8.8.3 The market value of these shares/certificates/units aggregated Rs. 501.538 million (2009: Rs. 768.774 million).

8.9 Particulars of investments held in shares of unlisted companies

Investee	Note	Number of Shares held 2010	Number of Shares held 2009	Cost Rupees in '000 2010	Cost Rupees in '000 2009	Percentage of holding %	Break-up value per share Rupees	Latest available financial statements	Name of the chief executive
Ordinary shares									
AL Hamra Avenue (Private) Limited		5,000,000	5,000,000	50,000	50,000	3.12	9.54	June 30, 2009*	Mr. Habib Ahmed
Systems Limited		622,702	622,702	10,000	10,000	2.40	16.63	December 31, 2009**	Mr. Ashraf Kapadia
Vision Network Television Limited		4,400,000	4,400,000	77,000	77,000	4.80	0.98	June 30, 2009**	Mr. Zafar Siddiqui
Pakistan Textile City Limited	8.9.1	5,000,000	5,000,000	50,000	50,000	4.00	8.37	June 30, 2010**	Mr. Zaheer A. Hussain
Techlogix International Limited		1,872,197	1,872,197	21,333	21,333	1.84	2.81	December 31, 2009***	Mr. Kewan Qadre Khawaja
Orient Power Company (Private) Ltd.		22,600,000	-	226,000	-	6.07	10.84	June 30, 2010**	Mr. Nadeem Baber
				434,333	208,333				

*Unaudited financial statements
**Audited financial statement
***Audited consolidated financial statements

8.9.1 These investments form part of strategic investment of company and cannot be sold for a period of five (5) years from the last date of purchase of such securities.

8.9.2 These shares are in the custody of SECP and cannot be sold without the prior approval of the SECP in accordance with circular No. 9 of 2006 dated June 15, 2006 in addition to mandatory holding period of five years from the last date purchase of these shares.

8.9.3 These shares cannot be sold or transferred without the prior permission in writing from the SBP.

Investee	Number of Certificates / Shares 2010	Number of Certificates / Shares 2009	Cost Rupees in '000 2010	Cost Rupees in '000 2009
8.10 **Particulars of investments held in listed TFCs**				
Modarabas				
Al-Zamin Leasing Modaraba II	-	8,902	-	14,923
Investment banks/companies/securities				
Escort Investment Bank Limited	4,031	4,031	10,069	16,782
Jahangir Siddiqui and Company Limited	19,397	19,397	96,830	96,868

Investee	Number of Certificates / Shares 2010	Number of Certificates / Shares 2009	Cost Rupees in '000 2010	Cost Rupees in '000 2009
Commercial banks				
Askari Bank Limited I	-	800	-	3,891
Askari Bank Limited II	1,000	1,000	4,647	4,587
Askari Bank Limited III	48,136	49,136	244,036	245,680
NIB Bank Limited	66,167	50,967	322,846	241,272
Faysal Bank Limited	17,681	17,681	88,148	88,229
Bank Al-Habib Limited	10,900	10,900	53,153	52,445
Allied Bank Limited II	13,962	13,962	69,782	69,809
Allied Bank Limited I	25,078	25,078	126,352	126,589
Bank Al-Falah Limited III	1,000	1,000	4,996	4,999
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited II)	17,392	17,392	21,740	59,967
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited III)	23,240	23,240	110,781	117,032
United Bank Limited	34,600	25,000	164,272	113,061
Leasing companies				
Saudi Pak Leasing Company Limited	28,469	28,469	104,238	124,502
Technology and communication				
Telecard Limited	56,716	56,716	104,216	129,227
Pakistan Mobile Communication Limited -I	26,000	26,000	108,160	129,818
World Call Telecom	108,623	108,623	465,247	542,896
Chemicals				
Engro Chemical (Pakistan) Limited	36,177	43,177	178,436	207,103
Azgard Nine Limited	15,000	15,000	56,173	56,199
Fertilizer				
Pak Arab Fertilizer Limited	10,000	10,000	47,000	49,970
Miscellaneous				
Pace Pakistan Limited	60,230	60,230	300,908	300,970
			2,682,030	2,796,819

8.10.1 The face value of each certificate held in listed TFCs is Rs. 5,000 (2009: Rs. 5,000) per certificate as at December 31, 2010.

8.10.2 The market value of these TFCs aggregated Rs. 2,613.589 million (2009: Rs. 2,685.785 million).

8.10.3 The rate of return on these TFCs maturing between January 2011 to November 2021 (2009: May 2010 to November 2019) ranges from 6 to 17.16 (2009: 9.5 to 16.16) percent per annum.

8.11 **Particulars of investments held in unlisted TFCs**

Investee	Number of Certificates 2010	Number of Certificates 2009	Cost Rupees in '000 2010	Cost Rupees in '000 2009	Name of the chief executive
Avari Hotels Limited	10,000	10,000	42,458	50,000	Mr. Byram D. Avari
Security Leasing Corporation Limited	12,000	12,000	18,282	22,500	Mr. Muhammad Khalid Ali
Agri Tech Limited Formerly Pak American Fertilizer Limited	20,000	20,000	99,920	99,920	Mr. Ahmed Jaudet Bilal
Kunjah Textile Mills Limited	3,000	3,000	15,000	15,000	Mr. Manzur Ahmad Mir
Azgard Nine Limited-III	2,000	2,000	9,992	9,992	Mr. Ahmed H. Shaikh
Azgard Nine Limited-IV	5,000	-	25,000	-	Mr. Ahmed H. Shaikh
Bank Al-Habib Limited	10,000	10,000	49,940	49,980	Mr. Abbas D.Habib
Engro Chemical Pakistan Limited-I	3,700	3,700	17,285	16,315	Mr. Asad Umar
Engro Chemical Pakistan Limited-II	40,800	-	190,979	-	Mr. Asad Umar
Gharibwal Cement Limited	2,406	2,406	12,013	12,016	Mr. Muhammad Tousif Paracha
Bank Al-Falah Limited	30,000	20,000	150,086	100,000	Mr. Sirajuddin Aziz
Pakistan Mobile Communication Limited	-	20,000	-	97,222	Mr. Rashid Khan
Faysal Bank Limited	30,000	-	150,000	-	Mr. Naved A.Khan
Nishat Chunain Limited	10,000	-	50,000	-	Mr. Shahzad Saleem
			830,955	472,945	

8.11.1 The rate of return on these TFCs maturing between March 2014 to March 2018 (2009: October 2010 to March 2018) ranges from 6 to 16.48 (2009: 13.91 to 16.10) percent per annum.

8.12 **Associates**

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

Name of the Investee company	Number of shares / units 2010	Number of shares / units 2009	Cost Rupees in '000 2010	Cost Rupees in '000 2009	Percentage of holding %	Break-up value per share (Rupees)	Latest available financial statements	Name of the chief executive
Quoted								
Japan Power Generation Limited (JPGL)	30,560,189	30,560,189	-	-	19.59	(9.23)	September 30, 2010*	Mr. Khan Ahmed Saleem
Pak Oman Advantage Fund	27,359,000	27,359,000	286,702	289,871	27.36	10.49	December 31, 2010**	Ms. Hina Ghazanfar
IGI Aggressive Income Fund (formerly:Pak Oman Bank of Punjab Advantage Plus Fund)	-	3,014,544	-	139,875	-	46.40	December 31, 2009*	Ms. Hina Ghazanfar
Pak Oman Advantage Islamic Income Fund	2,003,976	2,000,000	103,327	98,557	42.69	51.56	December 31, 2010**	Ms. Hina Ghazanfar
Pak Oman Islamic Asset Allocation Fund (formerly : Pak Oman Advantage Islamic Fund)	2,180,148	2,000,000	129,786	102,148	99.14	59.70	December 31, 2010**	Ms. Hina Ghazanfar
Pak Oman Advantage Asset Allocation Fund (formerly: Pak Oman Advantage Stock Fund)	2,915,330	2,000,000	167,434	110,869	86.81	58.14	December 31, 2010**	Ms. Hina Ghazanfar
Unquoted								
Pak Oman Micro Finance Bank Limited	25,110,788	25,110,788	228,611	225,894	33.40	9.10	December 31, 2010*	Mr. Munawar Suleman
			915,860	967,214				

* Audited financial statements

**Unaudited financial statements.

8.12.1 The above associates are incorporated in Pakistan.

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

8.13 The rate of return on these sukuk certificates maturing between May 2012 to March 2021 (2009: May 2012 to March 2021) range from 6 to 17.22 (2009: 12.40 to 16.85) percent per annum.

9 ADVANCES

		Note	2010	2009
			Rupees in '000	
	In Pakistan			
	Loans		5,036,551	4,547,230
	Net investment in finance leases	9.3	1,185,762	1,294,275
	Advance against leases		3,360	-
	LTF EOP scheme under State Bank of Pakistan for export oriented projects	13.3	268,216	357,144
	Long term finance facility (LTFF) under State Bank of Pakistan's scheme for export oriented projects	13.3	465,810	117,971
	Staff loans	9.4	92,971	117,446
			7,052,670	6,434,066
	Less: Provision for non-performing loans and advances	9.6	1,107,629	926,015
			5,945,041	5,508,051
9.1	**Particulars of advances**			
9.1.1	In local currency	9.1.3	5,945,041	5,508,051
9.1.2	Short term (upto one year)		2,009,304	1,730,444
	Long term (over one year)		3,935,737	3,777,607
			5,945,041	5,508,051

9.1.3 Included in advances are amounts aggregating Rs. 1,699 million (2009: Rs. 1,322 million) against which provision of Rs. 808 million (2009: Rs 468 million) has been made which are outstanding for a period exceeding three years.

		2010	2009
9.1.4	Considered good	5,831,664	5,291,559
	Considered doubtful	1,221,006	1,142,507
		7,052,670	6,434,066
	Less: Provision for non-performing loans and advances	1,107,629	926,015
		5,945,041	5,508,051

9.2 **Amendments in Prudential Regulations in respect of provisioning against non-performing advances**

SBP vide its BSD Circular No.2 dated January 27, 2009, BSD Circular No.10 dated October 20, 2009 and BSD Circular 2 dated June 3, 2010 has amended Prudential Regulations in respect of provisioning against non-performing advances. These regulations have introduced the benefit of Forced Sale Value (FSV) for three years (for pledged stocks, mortgaged residential / commercial / industrial properties) and four years (for open plot or land where building is constructed, separate valuation is available).

Due to the aforesaid changes in the computation of provisioning, total benefit of FSV availed by the Company resulted in increase in after tax profit of Rs. 38.985 million (2009: decrease in after tax loss of Rs. 53.026 million). Said amount shall not be available for the payment of cash or stock dividend.

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

	2010				2009			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	630,811	587,195	-	1,218,006	582,471	768,754	-	1,351,225
Residual value	75,257	96,450	-	171,707	80,748	125,264	-	206,012
Minimum lease payments	706,068	683,645	-	1,389,713	663,219	894,018	-	1,557,237
Financial charges for future periods	(113,505)	(90,446)	-	(203,951)	(132,045)	(130,917)	-	(262,962)
Present value of minimum lease payments	592,563	593,199	-	1,185,762	531,174	763,101	-	1,294,275

9.3.1 The above lease receivables are under hypothecation to the extent as stated in note 13.5.

9.3.2 In respect of the aforementioned finance leases the group holds an aggregate sum of Rs. 163.639 million (2009: Rs. 197.944 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (note 16).

9.3.3 The Group has entered into lease agreements of various vehicles and plant and machinery. The amount recoverable under these arrangements are receivable by the year 2015 and are subject to finance income at rates ranging between 10 to 19.64 (2009: 8.79 to 20.90) percent per annum.

9.3.4 These lease agreements are subject to the provision of clean placement of funds to the lessor of the amount equivalent to cash price of leased vehicles.

9.4 Staff loans include personal loans and house loans advanced to employees in accordance with their terms of appointment. House loans carry mark-up at a rate of 5 (2009: 5) percent per annum, while no mark-up is charged on personal loans.

9.4.1 Staff loans include an amount of Rs.9.832 million (2009: Rs.11.714 million) advanced to the holding company's chief executive.

9.5 Particulars of classification

Advances include Rs. 1,221.006 million which have been placed under the non-performing status as detailed below:

	2010								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	20,988	-	20,988	8,125	-	8,125	8,125	-	8,125
Doubtful	23,617	-	23,617	6,949	-	6,949	6,949	-	6,949
Loss	1,176,401	-	1,176,401	1,092,555	-	1,092,555	1,092,555	-	1,092,555
	1,221,006	-	1,221,006	1,107,629	-	1,107,629	1,107,629	-	1,107,629

Advances include Rs. 1,142.507 million which have been placed under the non-performing status as detailed below:

	2009								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	74,000	-	74,000	18,500	-	18,500	18,500	-	18,500
Doubtful	-	-	-	-	-	-	-	-	-
Loss	1,068,507	-	1,068,507	907,515	-	907,515	907,515	-	907,515
	1,142,507	-	1,142,507	926,015	-	926,015	926,015	-	926,015

9.6 Particulars of provision against non-performing advances

	Note	2010			2009		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		926,015	-	926,015	333,971	-	333,971
Gross charge for the year		205,531	-	205,531	602,284	-	602,284
Reversal		(23,917)	-	(23,917)	(10,240)	-	(10,240)
Net charge		181,614	-	181,614	592,044	-	592,044
Less: Amounts written off	9.7	-	-	-	-	-	-
Closing balance		1,107,629	-	1,107,629	926,015	-	926,015
In local currency		1,107,629	-	1,107,629	926,015	-	926,015
In foreign currencies		-	-	-	-	-	-
		1,107,629	-	1,107,629	926,015	-	926,015

9.6.1 Particulars of provisions against non-performing advances

In local currency	1,107,629	-	1,107,629	926,015	-	926,015
In foreign currencies	-	-	-	-	-	-
	1,107,629	-	1,107,629	926,015	-	926,015

	Note	2010	2009
		Rupees in '000	

9.7 **Particulars of write offs**

Against provisions		-	-
Directly charged to profit and loss account		-	-
		-	-
9.7.1 Write offs of Rs. 500,000 and above		-	-
Write offs of below Rs 500,000		-	-
		-	-

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

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

	2010	2009
Balance at beginning of the year	117,446	106,993
Loans granted during the year	22,106	46,062
Repayments	(46,581)	(35,609)
Balance at end of the year	92,971	117,446

Debts due by companies or firms in which the directors of the holding company are interested as directors, partners or in the case of private companies as members.

	2010	2009
Balance at beginning of the year	-	-
Loans granted during the year	-	-
Repayments	-	-
Balance at end of the year	-	-

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

	2010	2009
Balance at beginning of the year	74,263	82,426
Loans granted during the year	-	-
Repayments	(3,175)	(8,163)
Balance at end of the year	71,088	74,263
	164,059	191,709

9.9 Maximum total amount of advances including temporary advances granted during the year amounts to Rs. 185.524 (2009: Rs. 192.391) million. The maximum amount has been calculated by reference to month end balance.

10 OPERATING FIXED ASSET

	Note	2010	2009
Property and equipment	10.1	70,869	78,800
Intangible	10.2	4,032	2,402
		74,901	81,202

10.1 Property and equipment

Tangible fixed assets	Cost: As at January 1, 2010	Cost: Addition (deletion) during the year	Cost: As at December 31, 2010	Depreciation: As at January 1, 2010	Depreciation: During the year/ (on disposals)	Depreciation: As at December 31, 2010	Net Book Value: As at December 31, 2010	Rate %
	Rupees in '000							
Owned								
Office premises on leasehold land *	42,126		42,126	11,233	2,106	13,339	28,787	5
Improvement	16,980	26 (160)	16,846	9,919	2,932 (147)	12,704	4,142	
Office equipment	11,988	355 (286)	12,057	6,743	2,129 (270)	8,602	3,455	20
Computer equipment	18,474	5,021 (1,062)	22,433	15,002	3,184 (1,007)	17,179	5,254	33.33
Furniture and fixtures	14,469	445 (480)	14,434	8,622	2,233 (335)	10,520	3,914	20
Vehicles	11,180	368 (2,866)	8,682	5,762	1,911 (1,471)	6,202	2,480	20
Asset subject to finance lease								
Vehicles	35,104	10,949 (7,482)	38,571	14,240	6,923 (5,429)	15,734	22,837	20
2010	150,321	17,164 (12,336)	155,149	71,521	21,418 (8,659)	84,280	70,869	
2009	149,122	16,041 (14,842)	150,321	58,982	22,062 (9,523)	71,521	78,800	

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

10.1.1 Reconciliation of net book values

	Office premises on lease hold land	Improv-ement	Office equipment	Computer equipment	Furniture & fixtures	Vehicles	Asset subject to finance lease	Total
	Rupees in '000							
As at January 1, 2009								
Cost	42,126	16,849	10,342	17,190	15,654	11,180	35,781	149,122
Depreciation	(9,127)	(6,878)	(4,714)	(11,808)	(7,678)	(3,527)	(15,250)	(58,982)
Net book value	32,999	9,971	5,628	5,382	7,976	7,653	20,531	90,140
Year ended December 31, 2009								
Additions	-	131	1,690	1,554	935	-	11,731	16,041
Net book value of disposals	-	-	(32)	(51)	(714)	-	(4,522)	(5,319)
Depreciation charge	(2,106)	(3,041)	(2,041)	(3,413)	(2,350)	(2,235)	(6,876)	(22,062)
Net book value	30,893	7,061	5,245	3,472	5,847	5,418	20,864	78,800
Year ended December 31, 2010								
Additions	-	26	355	5,021	445	368	10,949	17,164
Net book value of disposals	-	(13)	(16)	(55)	(145)	(1,395)	(2,053)	(3,677)
Depreciation charge	(2,106)	(2,932)	(2,129)	(3,184)	(2,233)	(1,911)	(6,923)	(21,418)
Net book value as at **December 31, 2010**	28,787	4,142	3,455	5,254	3,914	2,480	22,837	70,869

10.1.2 Details of disposals of fixed assets to executives and other major disposals are as follows:

Description	Cost	Accumulated Depreciation	Net book Value	Sale proceeds	Gain / (Loss)	Mode of disposal	Particulars of purchaser
	Rupees in '000						
Furniture and fixtures	100	97	3	3	-	Company Policy	Mr. Anas Ahmed (Former Executive)
Furniture and fixtures	250	158	92	92	-	Company Policy	Mr. Shahbaz Jameel (Former Executive)
Furniture and fixtures	100	60	40	40	-	Company Policy	Mr. Naveed Shahzad (Former Executive)
	450	315	135	135	-		
Vehicles on finance lease							
Toyota Corolla	800	800	-	300	300	Company Policy	Mr. Anas Ahmed (Former Executive)
Honda Accord	1,359	1,133	226	749	523	Company Policy	Mr. Anas Ahmed (Former Executive)
Toyota Corolla	969	581	388	681	293	Company Policy	Mr. Zalmai R. Khan (Executive)
Honda Civic	700	245	455	705	250	Negotiations	M/s Auto One (Khalid bin Waleed Road, Karachi)
Suzuki Liana	700	455	245	380	135	Company Policy	Mr. Shiraz S. Nandwani (Former Executive)
Honda Civic	1,200	860	340	619	279	Company Policy	Mr. Shahbaz Jameel (Former Executive)
Honda Civic	954	849	105	300	195	Company Policy	Mr. Khurram Faizyab (Executive)
Honda City	800	506	294	572	278	Company Policy	Mr. Naveed Shahzad (Former Executive)
Suzuki Alto	500	250	250	398	148	Company	Mr. Awais Masood (Former Executive)
Toyota Corolla	850	397	453	778	325	Company	Ms. Sadia Mateen (Former Executive)
Toyota Corolla	1,014	507	507	692	185	Company	Mr. Shoaib Ali Khan (Former Executive)
Suzuki Alto	502	317	185	280	95	Company	Mr. Faisal Islam (Executive)
	10,348	6,900	3,448	6,454	3,006		
Others	202	150	52	52	-	Company	Various buyers Mr. Anas Ahmed (Former Executive)
Others	1,336	1,294	42	147	105	Negotiations	Various buyers
Various buyers	12,336	8,659	3,677	6,788	3,111		

10.2 **Intangible assets**

	Cost			Amortization			Net Book Value	
	As at January 1, 2010	Addition during the year	As at December 31, 2010	As at January 1, 2010	Addition during the year	As at December 31, 2010	As at December 31, 2010	Rate %
	Rupees in '000							
Computer software - 2010	12,564	5,043	17,607	10,162	3,413	13,575	4,032	33.33
Computer software - 2009	12,426	138	12,564	6,742	3,420	10,162	2,402	33.33

10.2.1 **Reconciliation of net book value**

	Year ended December 31, 2010				Year ended December 31, 2009			
	Net book value as at January 1, 2010	Addition	Amortization charge for the year	Net book value as at December 31, 2010	Net book value as at January 1, 2009	Addition	Amortization charge for the year	Net book value as at December 31, 2009
	Rupees in '000							
Computer software	2,402	5,043	3,413	4,032	5,684	138	3,420	2,402

11 DEFERRED TAX ASSETS

	Note	2010	2009
		Rupees in '000	
Deferred (credit)/debit arising from:			
Accelerated tax depreciation allowances		(860)	(1,225)
Assets subject to finance leases		2,452	2,056
Net investment in finance leases		(163,839)	(160,292)
Amortization of premium		53,581	59,632
Deficit on revaluation of available-for-sale government securities (net)	20	11,732	12,134
Provision for diminution in the value of investments		107,134	76,990
Provision against non-performing loans and advances		387,670	324,105
Unassessed tax losses		6,581	10,481
Others		(22)	(178)
		404,429	323,703

	Note	2010	2009
		Rupees in '000	

12 OTHER ASSETS

Mark-up/Return/Interest receivable in local currency			
PLS accounts		1,708	2,763
PIBs		14,034	22,466
Listed TFCs		74,797	95,936
Unlisted TFCs		31,232	9,583
Sukuk certificates		32,101	27,316
Commercial paper		-	3,750
COIs		794	1,321
Placements		85	825
Lendings to financial institutions - reverse repo		20,569	58,270
Advances		132,903	118,967
Net investment in finance leases		10,625	11,889
Dividend income		145	-
Mark-up/Profit receivable on purchase of securities		32,374	15,525
Security deposits		3,660	6,259
Prepayments		10,499	7,841
Receivable against sale of investments		59,405	12,417
Receivable from funds		11,024	15,620
Employee gratuity fund		769	553
Non-banking assets acquired in satisfaction of claims		-	-
Others		520	165
		437,244	411,466

12.1 The above balances include an aggregate amount of Rs. 433.584 million (2009: Rs. 405.207 million) due within a year.

13 BORROWINGS FROM FINANCIAL INSTITUTIONS

In Pakistan		6,145,349	8,895,096
Outside Pakistan		-	-
		6,145,349	8,895,096

13.1 **Particulars of borrowings with respect to currencies**

In local currency		6,145,349	8,895,096
In foreign currency		-	-
		6,145,349	8,895,096

13.2 **Particulars of borrowings from financial institutions**

Secured			
Borrowings from the State Bank of Pakistan under LTF-EOP	13.3	250,523	353,810
Borrowings from the State Bank of Pakistan under LTFF	13.3	465,035	117,970
Repurchase agreement borrowings	13.4	3,742,523	5,528,353
Long term borrowings	13.5	433,333	866,667
Short term borrowings	13.6	500,000	800,000
Short term running finance		172,415	3,296
Unsecured			
Placements	13.7	581,520	1,225,000
		6,145,349	8,895,096

13.3 The holding company has entered into agreements for financing with the SBP for long term finance for export oriented projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the date of maturity of the finances by directly debiting the current account maintained by the Company with the SBP. The rate of return ranges from 5 to 8.8 (2009: 5 to 9) percent per annum.

13.4 The rate of return on these repurchase agreement borrowings, maturing between January 2011 to March 2011 (2009: January 2010 to February 2010), ranges between 12.83 to 13.30 (2009: 11.9 to 12.30) percent per annum. Securities having cost of Rs 3,771.218 million (2009: Rs 5.566 million) have been pledged against these borrowings.

13.5 The rate of return on borrowings maturing between September 2011 to December 2011 (2009: September 2011 to December 2011) range from 13.88 to 15.04 (2009: 12.82 to 14.32) percent per annum. These loans are secured by way of hypothecation on specific leased assets together with related lease rentals, loans receivable and TFCs amounting to Rs. 1,851 million (2009 : Rs. 2,488 million).

13.6 The rate of return on short term borrowings maturing January 2011 (2009: January 2010 to November 2010). The rate of return is 12.80 (2009:12 to 13.48) percent per annum.

13.7 The rates of return on these placements maturing January 2011 (2009: January 2010 to February 2010). The rate of return range from 12.50 to 13.75 (2009: 12.25 to 12.85) to percent per annum.

14 DEPOSITS AND OTHER ACCOUNTS

	2010	2009
	Rupees in '000	
Certificates of investment - Remunerative (in local currency)		
Financial institutions	763,119	964,361
Others	4,798,046	3,597,728
	5,561,165	4,562,089

14.1 The rate of return on deposits maturing January 2011 to January 2013 (2009: January 2010 to May 2012). The rate of return is 12 to 18 (2009:11.25 to 18) percent per annum.

15 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2010			2009		
	Minimum lease Payments	**Financial charges for future periods**	**Principal outstanding**	Minimum lease Payments	Financial charges for future periods	Principal outstanding
	Rupees in '000					
Not later than one year	10,067	1,654	8,413	10,089	1,695	8,394
Later than one year but not later than five years	8,486	921	7,565	7,316	696	6,620
	18,553	2,575	15,978	17,405	2,391	15,014

15.1 The mark-up rate on these liabilities against assets subject to finance leases range from 10.58 to 16 (2009: 8.35 to 16) percent per annum.

16 OTHER LIABILITIES

	Note	2010	2009
		Rupees in '000	
Mark-up/Return/Interest payable in local currency on			
repurchase agreement borrowings - secured		13,922	23,089
long-term borrowing - secured		13,473	3,920
clean borrowings - unsecured		17,229	7,776
COIs - unsecured		198,852	164,085
short-term borrowings - secured		1,528	16,916
Accrued expenses		64,270	48,252
Security deposits against investment in finance leases	9.3.2	163,639	197,944
Payable against purchase of investments		44,338	54,576
Taxation - net		121,602	110,505
Others		69,632	44,428
		708,485	671,491

17 SHARE CAPITAL

Authorised, issued, subscribed and paid-up capital

	Ordinary shares			
	Number		Amount Rupees in '000	
	2010	2009	2010	2009
Authorised capital				
Ordinary shares of Rs. 10 each	1,000,000,000	1,000,000,000	10,000,000	10,000,000
Issued, subscribed and paid-up capital				
As at January 1, ordinary share of Rs. 10 each	615,000,000	615,000,000	6,150,000	6,150,000
Right issue during the year	-	-	-	-
Bonus issue during the year	-	-	-	-
As at December 31, - fully paid in cash	615,000,000	615,000,000	6,150,000	6,150,000

17.1 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 (2009: 307,495,900) ordinary shares of the holding company. While 4,100 (2009: 4,100) ordinary shares each are held by the Secretary - Economic Affairs Division, Government of Pakistan and Ministry of Commerce and Industry, Sultanate of Oman.

17.2 **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 holding company;

- to safeguard Group companies' 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 holding 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 December 31, 2009 and in future periods till further notification issued by SBP, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset as per the CAMELS Rating assigned to the institution or above the minimum prescribed level of 10%.

The holding company's regulatory capital is divided into two tiers:

Tier 1 or core capital: share capital, share premium, reserves for bonus shares, general reserves created out of the profits for the year and unappropriated profit.; and

Tier 2 supplementary capital: general provisions or general reserves for loans losses, revaluation reserves exchange translation reserves, undisclosed reserves and subordinated debt.

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 table refer to in note 38, summarizes the composition of regulatory capital and the ratios of the holding company for the year ended December 31, 2010.

18 RESERVES

	Note	2010	2009
		Rupees in '000	
Statutory reserve	18.1		
As at January 1		348,483	348,483
Add: Appropriation of profit		55,595	-
		404,078	348,483
General reserve			
As at January 1		66,437	575,755
Add: (Transfer to unappropriated profit)		-	(509,318)
		66,437	66,437
Contingencies reserve	18.2		
As at January 1		-	93,013
Add: Appropriation of profit / (Transfer to unappropriated profit)		22,053	(93,013)
		22,053	-
		492,568	414,920

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

18.2 The holding company has set up a separate 'contingencies reserve' in which an amount equal to 0.5% of the outstanding balance as at the year end of advances, excluding staff loans and financing in respect of CFS is appropriated from the profit.

	Note	2010	2009
		Rupees in '000	

19 NON CONTROLLING INTEREST

Opening balance		96,469	96,739
Share of net assets acquired by non controlling shareholders		-	-
Charge for the year		(22,160)	(270)
Closing balance		74,309	96,469

20 DEFICIT ON REVALUATION OF SECURITIES (NET)

Government securities - (deficit)		(33,520)	(34,669)
Less: Deferred tax asset	11	11,732	12,134
		(21,788)	(22,535)
Listed TFCs - (deficit)		(69,231)	(110,766)
Shares/Units - (deficit)		(14,987)	(8,718)
		(106,006)	(142,019)

21 CONTINGENCIES AND COMMITMENTS

Transaction related contingent liability:			
- guarantees		11,301	24,301
- import letters of credit		13,730	168,590
Pledge of shares on behalf of JPGL	21.1	70,726	70,726
Pledge of shares on behalf of Orient Power Company (Pvt.) Ltd	21.2	226,000	-
Commitments for:			
- sale of government securities		-	477,710
- purchase of TFCs		-	30,627
- sale of TFCs		-	102,089
- repurchase agreement borrowing		-	67,000
Commitments for loans and advances and			
- net investment in finance leases		303,930	193,910

21.1 Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 (2009: Rs.70.726) million are pledged as security on behalf of that associate company against a syndicate finance facility obtained by it (the associate company).

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

	2010	2009
	Rupees in '000	

22 MARK-UP / RETURN / INTEREST EARNED

	2010	2009
On loans and advances to		
customers	810,635	752,922
financial institutions	8,975	18,848
On investments in		
available-for-sale-securities	913,608	681,763
held-to-maturity	20,167	17,796
held for trading	206,771	378,268
Securities purchased under resale agreements	224,173	413,191
Deposit accounts	39,827	52,526
Placements	5,197	11,392
Certificate of investments	2,118	1,807
Financing in respect of CFS	-	1,461
	2,231,471	2,329,974

23 MARK-UP / RETURN / INTEREST EXPENSED

	2010	2009
On secured borrowings		
Repurchase agreement borrowings	477,609	666,613
Long-term borrowings	126,085	206,104
Short-term borrowings	66,799	74,268
On un-secured borrowings		
Placements	120,013	155,979
Certificate of investments	671,496	533,851
	1,462,002	1,636,815

24 GAIN / (LOSS) ON SALE OF INVESTMENTS

	2010	2009
PIBs	(1,643)	41,647
T-bills	(18,777)	(5,766)
Quoted shares / units / certificates	77,063	(119,179)
TFCs	49,924	18,367
	106,567	(64,931)

25 OTHER INCOME

	2010	2009
Gain on sale of operating fixed assets	3,111	-
Exchange gain on revaluation	2	43
	3,113	43

26 ADMINISTRATIVE EXPENSES

	Note	2010	2009
		Rupees in '000	
Salaries, allowances and employees' benefits		149,949	132,240
Contribution to defined contribution plan		7,933	7,390
Charge for defined benefit plan	32.10	6,485	7,552
Non-executive directors' remuneration	34	189	212
Non-executive directors' remuneration of subsidiary company		3,460	2,871
Chief executive's remuneration	34	13,996	34,700
Board meeting expenses		13,673	12,413
Traveling and accommodation		16,591	15,574
Rent, rates and taxes		16,025	15,063
Utilities		2,844	2,445
Communication		6,702	5,748
Professional training		1,317	1,107
Advertisement and business promotion		1,673	1,459
Membership and subscriptions		5,947	5,291
Printing, stationery and periodicals		5,393	3,641
Depreciation	10.1	21,418	22,062
Amortization of intangible assets	10.2	3,413	3,420
Auditors' remuneration	26.1	1,375	1,288
Legal and professional charges		11,491	10,876
Repairs and maintenance		5,553	5,369
Transportation		8,143	9,880
Insurance		4,909	4,367
Finance charges on leased assets		2,479	2,429
Entertainment and canteen expenses		2,236	2,887
Donation	26.2	5,651	936
Transaction cost		204	39
Commission		2,898	5,343
Shahriah advisor fee		2,480	5,213
Others		2,428	2,071
		326,855	323,886

26.1 **Auditors' remuneration**

	2010	2009
Audit fee	351	319
Half yearly review	175	160
Special certifications and others	413	286
Out of pocket expenses	133	171
	1,072	936
Subsidiary company		
Audit fee	175	165
Special certifications and others	128	187
	303	352
	1,375	1,288

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.

Donations made in excess of Rs.0.100 million to a single donee are as follows:

	2010	2009
	Rupees in '000	
Prime Minister's Flood Relief Fund	1,500	-
Army Flood Relief Fund	2,500	-
Pak Oman AMC Flood Relief Fund	1,000	-
Al-Mehrab Tibbi Imdad	140	-
The Kidney Centre Post Graduation Training Institute	200	-
Burns Centre	140	105
Prime Minister fund for IDPs	-	600
	5,480	705

27 OTHER CHARGES

Fees and commission	16,933	21,965
Loss on sale of fixed assets	-	797
	16,933	22,762

28 TAXATION

Current for the year		
Group	203,535	119,278
Subsidiary and associates	246	252
	203,781	119,530
Prior years		
Group	-	-
Subsidiary and associates	-	-
	-	-
Deferred		
Group	(85,028)	(165,604)
Subsidiary and associates	3,900	(603)
	(81,128)	(166,207)
	122,653	(46,677)

28.1 **Relationship between tax expense and accounting profit**

Profit / (Loss) before taxation	455,452	(545,478)
Tax at the applicable rate of 35 %	159,408	(190,917)
Tax effect of income taxed at different rate	(18,357)	(19,355)
Tax effect of exempt capital gain	(17,250)	59,131
Tax effect of exempt provision for impairment in the value of investments	-	133,046
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge	(1,148)	(28,582)
Tax charge for the year	122,653	(46,677)
Tax charge for the current year	203,781	119,530
Prior	-	-
Deferred tax	(81,128)	(166,207)
Total tax charge	122,653	(46,677)

	Note	2010	2009
		Rupees in '000	

29 EARNINGS PER SHARE

	Note	2010	2009
Profit / (Loss) attributable to shareholders of the holding company		354,959	(498,531)
Weighted average number of ordinary shares in issue (numbers in thousands)	29.1	615,000	615,000
Basic earnings / (loss) per share (Rupees)		0.58	(0.81)
Diluted earnings / (loss) per share (Rupees)		0.58	(0.81)

29.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2010 and 2009.

30 CASH AND CASH EQUIVALENTS

	Note	2010	2009
Cash and balances with treasury banks	5	70,420	74,119
Balances with other banks	6	664,169	641,256
Placements	7	12,857	29,572
		747,446	744,947

31 STAFF STRENGTH

	2010	2009
	Number	
Permanent	100	93
Temporary/on contractual basis	27	29
Group's own staff strength at end of the year	127	122
Outsourced	22	14
Total staff strength	149	136

32 DEFINED BENEFIT PLAN

32.1 The holding company operates a funded staff retirement gratuity scheme for all its permanent employees.

Principal actuarial assumptions

The projected unit credit method, as allowed under IAS 19 'Employee Benefits', was used for actuarial valuation based on following significant assumptions:

	2010	2009
	Percent per annum	
Discount rate	14	14
Expected rate of increase in salary levels	14	14
Expected rate of return on plan assets	14	14

Actuarial gains and losses are recognised in accordance with actuarial recommendation.

The disclosures made in notes 32.1 to 32.14 are based on the information included in the actuarial valuation as of December 31, 2010.

32.2 **Mortality rate**

The rates assumed were based on the EFU 61-66 mortality table.

32.3 **Expected return on plan assets**

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.

	Note	2010	2009
		Rupees in '000	
32.4 Reconciliation of amount payable to defined benefit plan			
Present value of defined benefit obligation	32.5	30,787	25,514
Fair value of plan assets	32.7	(31,556)	(25,262)
		(769)	252
Net unrecognised actuarial (losses)/ gains	32.12	-	-
Non vested past service cost		-	(805)
Unrecognised transitional liability		-	-
Recognised liability/(asset)		(769)	(553)
32.5 The movement in the defined benefit obligation over the year is as follows:			
Present value of obligation as at January 1		25,514	26,408
Current service cost		5,858	5,759
Interest cost		3,941	3,962
Benefits paid		(4,030)	(9,391)
Actuarial (gain) on obligation		(496)	(1,224)
Present value of obligation as at December 31		30,787	25,514
32.6 Movement in payable to defined benefit plan			
Opening liability		(553)	8,658
Expense for the year	32.10	6,485	7,552
Contributions to the fund		(6,701)	(16,763)
Closing liability		(769)	(553)
32.7 The movement in the fair value of plan assets is as follows:			
Fair value of plan assets as at January 1		25,262	16,139
Expected return on plan assets		3,537	2,421
Contributions		6,701	16,763
Benefits paid		(4,030)	(9,391)
Actuarial loss on plan assets		86	(670)
Fair value of plan assets as at December 31	32.9	31,556	25,262

32.8 Actual return on plan assets during the year was Rs. 3.623 million (2009: Rs. 1.751 million).

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

Particulars	2010 Rupees in '000	2010 %	2009 Rupees in '000	2009 %
Equity instruments	-	-	-	-
Debt instruments	29,776	98.07	24,564	97.24
Bank balances	586	1.93	698	2.76
	30,362	100	25,262	100

32.10 **The amount recognised in the income statement is as follows:**

	Note	2010 Rupees in '000	2009 Rupees in '000
Current service cost		5,858	5,759
Interest cost		3,941	3,962
Expected return on plan assets		(3,537)	(2,421)
Vested past service cost		805	806
Actuarial (gain) recognised	32.11	(582)	(553)
		6,485	7,553

32.11 **Actuarial gain to be recognised**

	Note	2010	2009
Actuarial gain to be recognised	32.12	582	553

32.12 **Net unrecognised actuarial (losses)/gains**

	2010	2009
Net unrecognised actuarial losses as at January 1	-	-
Actuarial loss on obligation	496	1,224
Actuarial gain / (loss) on plan assets	86	(670)
	582	553
Actuarial (gain) recognised for the year	(582)	(553)
Net unrecognised actuarial (losses)/gains as at December 31	-	-

32.13 **The history of the plan for the current and prior four years are as follows:**

	Note	2010	2009	2008	2007	2006
		Rupees in '000				
Present value of defined benefit obligation	32.5	30,787	25,514	26,408	14,220	9,641
Fair value of plan assets	32.7	(31,556)	(25,262)	(16,139)	(9,835)	(6,476)
Deficit/(Surplus)		(769)	252	10,269	4,385	3,165
Experience adjustments on defined benefit obligation	32.5	(496)	(1,224)	5,415	1,955	3,223
Experience adjustments on assets	32.7	(86)	670	(572)	(496)	375

32.14 **Expected gratuity expense for the next year**

The expected gratuity expense for the next year ending December 31, 2011 works out to Rs. 6.556 million.

33 DEFINED CONTRIBUTION PLAN

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

33.2 Contribution to the fund made during the year

	2010	2009
	Rupees in '000	
Contribution from the Group	8,853	8,290
Contribution from the employees	8,853	8,290
	17,706	16,580

34 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	Chief Executive		Directors		Executives	
		2010	2009	2010	2009	2010	2009
		Rupees in '000					
Fees		-	-	189	212	-	-
Managerial remuneration		11,960	33,127	-	-	103,750	104,011
Charge for defined benefit plan		833	965	-	-	6,794	8,273
Contribution to defined contribution plan		920	900	-	-	5,489	4,811
Medical		439	226	-	-	-	-
Utilities		622	392	-	-	-	-
Membership fee		55	55	-	-	-	-
Others		-	-	-	-	-	-
	34.1	14,829	35,665	189	212	116,033	117,095
Number of persons		1	2	5	5	56	50

34.1 The managing director and 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

35.1 On-balance sheet financial instruments

	2010		2009	
	Book value	**Fair value**	Book value	Fair value
	Rupees in '000			
Assets				
Cash and balances with treasury banks	70,420	70,420	74,119	74,119
Balances with other banks	664,169	664,169	641,256	641,256
Lendings to financial institutions	2,467,467	2,467,467	2,876,508	2,876,508
Investments	9,129,453	9,186,913	10,620,720	10,631,550
Advances	5,945,041	5,945,041	5,508,051	5,508,051
Other assets	426,745	426,745	403,625	403,625
	18,703,295	18,760,755	20,124,279	20,135,109
Liabilities				
Borrowings from financial institutions	6,145,349	6,145,349	8,895,096	8,895,096
Deposits and other accounts	5,561,165	5,561,165	4,562,089	4,562,089
Liabilities against assets subject to finance lease	15,978	15,978	15,014	15,014
Other liabilities	586,883	586,883	560,986	560,986
	12,309,375	12,309,375	14,033,185	14,033,185
	6,393,920	6,451,380	6,091,094	6,101,924

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

35.3 Off-balance sheet financial instruments

Forward purchase of foreign exchange	-	-	-	-
Forward agreements for borrowing	-	-	67,000	67,000
Forward sale of foreign exchange	-	-	-	-
Forward agreements for lending	-	-	-	-

36 SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Others
2010	Rupees in '000								
Total income	12,432	1,633,291	-	828,243	-	-	55,015	-	-
Total expenses	39,280	1,182,133	-	757,083	-	-	95,033	-	-
Net income / (loss)	(26,848)	451,158	-	71,160	-	-	(40,018)	-	-
Segment assets (Gross)	-	13,013,722	-	7,445,711	-	-	147,416	-	-
Segment non-performing loans	-	-	-	1,221,006	-	-	-	-	-
Investments provided for	-	488,724	-	-	-	-	-	-	-
Segment provision required *	-	306,096	-	1,107,629	-	-	-	-	-
Segment liabilities	-	7,820,340	-	4,617,163	-	-	(6,526)	-	-
Segment return on net assets (%)	-	9.23%	-	4.14%	-	-	-26.00%	-	-
Segment return on assets (ROA) (%)	-	3.55%	-	1.12%	-	-	-27.15%	-	-
Segment cost of funds (%)	-	8.02%	-	7.83%	-	-	-	-	-
2009									
Total income	12,551	1,618,850	-	773,306	-	-	100,199	-	-
Total expenses	37,720	1,747,125	-	1,165,519	-	-	100,020	-	-
Net income	(25,169)	(128,275)	-	(392,213)	-	-	179	-	-
Segment assets (Gross)	-	14,726,592	-	6,751,782	-	-	204,637	-	-
Segment non-performing loans	-	-	-	1,142,507	-	-	-	-	-
Investments provided for	-	320,348	-	-	-	-	-	-	-
Segment provision required*	-	219,971	-	926,015	-	-	-	-	-
Segment liabilities	-	9,727,605	-	4,413,351	-	-	2,734	-	-
Segment return on net assets (%)	-	-2.68%	-	-27.77%	-	-	0.09%	-	-
Segment return on assets (ROA) (%)	-	-0.88%	-	-6.73%	-	-	0.09%	-	-
Segment cost of funds (%)	-	8.89%	-	8.58%	-	-	-	-	-

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

37 RELATED PARTY TRANSACTIONS

37.1 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include a subsidiary company, associated companies with or without common directors, retirement benefit funds, directors, and key management personnel.

37.2 A number of transactions are entered into with related parties in the normal course of business. These include advances, deposits and other transactions. These transactions were carried out on commercial terms and at market rates.

37.3 **Associates**

Pak Oman Micro Finance Bank Limited
Japan Power Generation Limited
Pak Oman Advantage Fund
Pak Oman Advantage Islamic Income Fund
Pak Oman Islamic Asset Allocation Fund (Formerly Pak Oman Advantage Islamic Fund)
Pak Oman Advantage Asset Allocation Fund (Formerly Pak Oman Advantage Stock Fund)

37.4 **Key management personnel**
All heads of departments
Directors

37.5 **Retirement benefit fund**
Defined benefit plan
Defined contribution plan

37.6 **Other related party**
Orient Power Company (Private) Limited

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

	Total		Associates		Key management personnel		Other related parties	
	2010	2009	2010	2009	2010	2009	2010	2009
	Rupees in '000							
Advances / Investments								
At January 01,	1,505,760	1,419,517	1,133,816	1,087,349	53,630	57,694	318,314	274,474
Disbursed during the year	878,696	145,573	-	84,108	16,199	17,625	862,497	43,840
Received/transfered during the year	(571,382)	(59,330)	(159,874)	(37,641)	(23,445)	(21,689)	(388,063)	-
At December 31,	1,813,074	1,505,760	973,942	1,133,816	46,384	53,630	792,748	318,314
Deposits / Borrowings								
At January 01,	211,861	213,011	211,861	213,011	-	-	-	-
Deposits/borrowings during the year	451,639	446,515	451,639	446,515	-	-	-	-
Repaid during the year	(211,861)	(447,665)	(211,861)	(447,665)	-	-	-	-
At December 31,	451,639	211,861	451,639	211,861	-	-	-	-
Balances								
Other receivables	138	132	-	132	-	-	138	-
Transactions, income and expenses								
Markup income	106,864	53,333	-	696	2,356	2,171	104,508	50,466
Mark up expense	55,507	30,910	55,507	30,910	-	-	-	-
Dividend income	37,458	26,278	37,458	26,278	-	-	-	-
Capital gain	-	7,147	-	7,147	-	-	-	-
Outright sale of Treasury Bills	-	-	1,943	-	-	-	-	-
Salaries and short term benefits paid	55,279	73,925	-	-	55,279	73,925	-	-
Staff retirement benefits	6,372	6,335	-	-	6,372	6,335	-	-
Fee income	6,370	450	-	-	-	-	6,370	450

38 CAPITAL ADEQUACY

The Group's CAR as at December 31, 2010 was 37.65% of its risk weighted exposure.

The calculation of capital adequacy enables the Group to assess the long term soundness. Pak Oman 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 health portfolio of assets and liabilities focusing on quality. CAR of 37.65% of 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 risk weighted assets to capital ratio, calculated (as per standardized approach of Basel II) in accordance with SBP's guidelines on capital adequacy is as follows:

	2010	2009
	Rupees in '000	
Regulatory Capital Base		
Tier I Capital		
Share Capital	6,150,000	6,150,000
Reserves	492,568	414,920
Unappropriated Profit	151,276	(126,035)
Minority interest	74,309	96,469
	6,868,153	6,535,354
Deductions:		
Book value of intangibles	4,032	2,402
Shortfall in provisions required against classifies assets irrespective of any relaxation allowed by SBP	81,499	-
Deficit on account of revaluation of available for sale investment (net of tax)	117,738	154,153
Investments in TFCs of other banks exceeding the prescribed limit	884,566	639,422
Other deductions (50% of the amount calculated on CAP 2)	257,657	257,883
	1,345,492	1,053,860
Total Eligible Tier I Capital	5,522,662	5,481,495
Supplementary Capital		
Tier II Capital		
Subordinated debt (up to 50% of total Tier 1 Capital)	-	-
General provision or general reserves for loan losses up to maximum of 1.25% of risk weighted assets.	-	-
Revaluation reserve (up to 45%)	-	-
Other deductions (50% of the amount calculated on CAP 2)	(257,657)	(257,883)
Total Eligible Tier II Capital	(257,657)	(257,883)
Eligible Tier III Capital	-	-

	Note	2010	2009
		Rupees in '000	
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier I Capital)			
Total Eligible Capital		5,265,005	5,223,612
Risk Weighted Amounts			
Total Credit Risk Weighted Amount		7,763,144	7,312,043
Total Market Risk Weighted Amount		4,666,426	5,442,340
Total Operational Risk Weighted Amount		1,554,016	1,618,419
Total Risk Weighted Amount		13,983,586	14,372,802
Capital Adequacy Ratios			
Credit Risk Capital Adequacy Ratio		67.82%	71.44%
Tier 1 Capital to Total Risk Weighted Amount		39.49%	38.14%
Total Capital Adequacy Ratio		37.65%	36.34%

39 RISK MANAGEMENT

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

Risk management organisation

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

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

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

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 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.

Out of the total financial assets of Rs. 18,708.066 million (2009: Rs. 20,124.279 million), the financial assets which were subject to credit risk amounted to Rs. 15,797.413 million (2009: Rs. 15,861.923 million). The major credit risk in respect of advances is concentrated in sectors such as textile, transportation and communication and financial institutions. The Group manages its exposure to credit risk through portfolio diversification and adequate collateral, wherever, applicable. The emphasis is to provide short to medium term financing to a target customer base. The Group has developed systems to monitor problem accounts so that instant instructions based on early warning signals are passed on to the departments to deal with potential problem accounts.

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

Exposures	JCR-VIS	PACRA	OTHER (Specify)
Corporate	Yes	Yes	x
Banks	Yes	Yes	x
Sovereigns	x	x	x
SME's	x	x	x
Securitizations	x	x	x
Others	x	x	x

Credit Exposures subject to Standardised approach

		2010			**2009**		
Exposures	Rating Category	**Amount Outstanding**	**Deduction CRM***	**Net amount**	Amount Outstanding	Deduction CRM*	Net amount
		Rupees in '000					
Corporate	0	-	-	-	-	-	-
	1	848,061	787,122	1,635,183	484,750	1,322,849	1,807,599
	2	494,597	(250,047)	244,550	769,620	(549,787)	219,833
	3-4	362,500	-	362,500	494,922	(86,000)	408,922
	5-6	89,469	-	89,469	90,000	-	90,000
	Unrated	4,996,057	(537,075)	4,458,982	5,142,042	(687,062)	4,454,980
		6,790,684	-	6,790,684	6,981,334	-	6,981,334
Banks	0	-	-	-	-	-	-
	1	1,277,027	802,619	2,079,646	686,987	648,305	1,335,292
	2-3	-	-	-	200,000	-	200,000
	Unrated	802,619	(802,619)	-	648,305	(648,305)	-
		2,079,646	-	2,079,646	1,535,292	-	1,535,292

Sovereigns etc

Unrated

*CRM= Credit Risk Mitigation

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

39.2 Segmental information

39.2.1 Segment by class of business

	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Financial institution	14,119	0.20	763,119	13.72	-	-
Textile	1,367,859	19.39	-	-	234,500	37.48
Transportation and communication	384,440	5.45	310,000	5.57	-	-
Power (electricity), gas, water	1,546,146	21.92	150,000	2.70	318,257	50.87
Electronics	272,380	3.86	-	-	-	-
Food and beverage	371,933	5.27	-	-	49,380	7.89
Services	412,789	5.85	150,000	2.70	-	-
Engineering and allied products	169,374	2.40	-	-	-	-
Chemical and pharmaceuticals	569,252	8.07	85,000	1.53	720	0.12
Automobiles	271,879	3.85	-	-	-	
Fuel and energy	161,518	2.29	-	-	4,360	0.70
Construction	343,670	4.87	-	-	-	-
Cement	78,333	1.11	-	-	-	-
Sugar	660,793	9.37	-	-	-	-
Paper and board / packaging	36,598	0.52	-	-	16,500	2.64
Healthcare	166,285	2.36	-	-	-	-
Individual	92,971	1.32	465,518	8.37	-	-
Others	132,331	1.88	3,637,528	65.41	1,970	0.32
	7,052,670	100	5,561,165	100	625,687	100

39.2.2 **Segment by sector**

	2010					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public/Government	94,840	1.34	2,600,000	46.75	-	-
Private	6,957,830	98.66	2,961,165	53.25	625,687	100.00
	7,052,670	100	5,561,165	100	625,687	100

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

	2010		2009	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Automobile	271,879	271,879	315,833	262,087
Cement	70,000	70,000	70,000	70,000
Textile	308,308	284,470	153,129	126,056
Chemical and pharmaceuticals	129,075	124,870	129,075	124,871
Construction	75,250	53,675	78,911	55,646
Engineering and allied products	93,023	93,023	90,664	64,789
Electronics	41,775	41,775	48,775	48,775
Fuel and energy	89,600	49,621	121,723	60,144
Food and beverages	19,197	18,697	19,197	18,697
Financial institution	11,613	5,000	20,000	5,000
Power	68,200	68,200	68,200	68,200
Sugar	19,469	19,469	20,000	20,000
Transportation & Communication	23,617	6,950	7,000	1,750
	1,221,006	1,107,629	1,142,507	926,015

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

	2010		2009	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Public/Government	-	-	-	-
Private	1,221,006	1,107,629	1,142,507	926,015
	1,221,006	1,107,629	1,142,507	926,015

39.2.5 **Geographical segment analysis**

	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	455,452	19,190,858	6,762,147	625,687
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	2,266	-	-
Africa	-	-	-	-
	455,452	19,193,124	6,762,147	625,687

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 Group comprises of business unit actually undertaking the risk, the Risk Management Department, Asset and Liability Committee and the Investment Committee.

39.3.1 **Interest rate risk**

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The lending, funding and investment activities of the 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.

39.3.2 **Foreign currency risk**

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

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupees	19,192,723	12,430,977	-	6,761,746
United States Dollar	140	-	-	140
Omani Riyal	261	-	-	261
	19,193,124	12,430,977	-	6,762,147

39.3.3 **Equity position risk**

Equity position risk refers to the risk arising from taking long or short positions, in the trading book, in equities and all instruments that exhibit market behavior similar to equities. The 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.

39.3.4 Mismatch of interest rate sensitive assets and liabilities for the year ended December 31, 2010

	Effective yield/ interest rate	Total	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
		Exposed to yield / interest risk										
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		70,420	-	-	-	-	-	-	-	-	-	70,420
Balances with other banks	11.00%	664,169	408,073	253,419	-	-	-	-	-	-	-	2,677
Lending to financial institutions	12.67%	2,467,467	1,318,964	1,136,872	1,248	1,976	5,209	3,198	-	-	-	-
Investments	12.35%	9,129,453	43,266	686,539	1,490,127	993,751	876,952	1,072,837	859,807	1,380,519	7,500	1,718,155
Advances	14.73%	5,945,041	75,956	501,410	600,251	826,106	1,158,353	872,943	864,868	1,023,096	14,290	7,768
Other assets		426,745	-	-	-	-	-	-	-	-	-	426,745
		18,703,295	1,846,259	2,578,240	2,091,626	1,821,833	2,040,514	1,948,978	1,724,675	2,403,615	21,790	2,225,765
Liabilities												
Borrowings from financial institutions	11.63%	6,145,349	3,939,925	1,197,773	145,924	293,343	145,242	141,275	198,021	83,846	-	-
Deposits and other accounts	12.66%	5,561,165	1,283,814	1,925,030	842,532	1,493,289	1,500	15,000	-	-	-	-
Liabilities against assets subject to finance leases	15.98%	15,978	1,200	1,507	2,014	3,692	4,787	1,945	833	-	-	-
Other liabilities		586,883	-	-	-	-	-	-	-	-	-	586,883
		12,309,375	5,224,939	3,124,310	990,470	1,790,324	151,529	158,220	198,854	83,846	-	586,883
On-balance sheet gap		6,393,920	(3,378,680)	(546,070)	1,101,156	31,509	1,888,985	1,790,758	1,525,821	2,319,769	21,790	1,638,882
Non-financial assets		489,829										
Non-financial liability		121,602										
Total net asset		6,762,147										
Total yield/profit risk sensitivity gap			(3,378,680)	(546,070)	1,101,156	31,509	1,888,985	1,790,758	1,525,821	2,319,769	21,790	
Cumulative yield/profit risk sensitivity gap			(3,378,680)	(3,924,750)	(2,823,594)	(2,792,085)	(903,100)	887,658	2,413,479	4,733,248	4,755,038	

Mismatch of interest rate sensitive assets and liabilities as at December 31, 2009

	Effective yield/ interest rate	Total	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
		Exposed to yield / interest risk										
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		73,968	-	-	-	-	-	-	-	-	-	73,968
Balances with other banks	12.99%	641,407	580,397	51,045	-	-	-	-	-	-	-	9,965
Lending to financial institutions	13.02%	2,876,508	1,778,908	1,086,926	1,332	2,230	4,211	2,901	-	-	-	-
Investments	10.79%	10,620,720	40,788	187,273	1,966,781	1,731,855	1,092,316	1,359,826	904,628	1,492,772	33,464	1,811,017
Advances	15.26%	5,508,051	105,788	190,602	590,884	839,372	1,038,683	894,026	907,917	913,555	22,606	4,618
Other assets		403,625	-	-	-	-	-	-	-	-	-	403,625
		20,124,279	2,505,881	1,515,846	2,558,997	2,573,457	2,135,210	2,256,753	1,812,545	2,406,327	56,070	2,303,193
Liabilities												
Borrowings from financial institutions	12.36%	8,895,096	6,423,458	850,665	311,823	530,861	547,282	88,048	115,667	27,292	-	-
Deposits and other accounts	13.71%	4,562,089	473,028	1,710,402	1,777,048	600,111	1,500	-	-	-	-	-
Liabilities against assets subject to finance leases	14.24%	15,014	873	2,174	1,961	3,993	5,129	884	-	-	-	-
Other liabilities		560,986	-	-	-	-	-	-	-	-	-	560,986
		14,033,185	6,897,359	2,563,241	2,090,832	1,134,965	553,911	88,932	115,667	27,292	-	560,986
On-balance sheet gap		6,091,094	(4,391,478)	(1,047,395)	468,165	1,438,492	1,581,299	2,167,821	1,696,878	2,379,035	56,070	1,742,207
Non-financial assets		412,746										
Non-financial liability		110,505										
Total net asset		6,393,335										
Total yield/profit risk sensitivity gap			(4,391,478)	(1,047,395)	468,165	1,438,492	1,581,299	2,167,821	1,696,878	2,379,035	56,070	
Cumulative yield/profit risk sensitivity gap			(4,391,478)	(5,438,873)	(4,970,708)	(3,532,216)	(1,950,917)	216,904	1,913,782	4,292,817	4,348,887	

39.3.5 **Liquidity risk**

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

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

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

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

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

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

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

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

39.4 **Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Operational risk is inherent in the 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 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.

39.4.1 Maturities of assets and liabilities

Maturities of assets and liabilities as at December 31, 2010

	Total	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	70,420	3,373	67,047	-	-	-	-	-	-	-
Balances with other banks	664,169	410,750	253,419	-	-	-	-	-	-	-
Lending to financial institutions	2,467,467	1,318,964	1,136,872	1,248	1,976	5,209	3,198	-	-	-
Investments	9,129,453	43,266	788,461	1,515,142	1,293,733	876,952	1,072,837	2,151,043	1,380,519	7,500
Advances	5,945,041	76,479	502,425	601,673	828,727	1,160,540	872,943	864,868	1,023,096	14,290
Other assets	437,244	-	433,584	-	-	-	-	3,660	-	-
Operating fixed assets	74,901	1,971	13,760	5,912	11,146	11,052	8,593	4,212	10,532	7,723
Deferred tax assets	404,429	-	-	-	-	-	-	404,429	-	-
	19,193,124	1,854,803	3,195,568	2,123,975	2,135,582	2,053,753	1,957,571	3,428,212	2,414,147	29,513
Liabilities										
Borrowings from financial institutions	6,145,349	3,939,925	1,197,773	145,924	293,343	145,242	141,275	198,021	83,846	-
Deposits and other accounts	5,561,165	1,283,814	1,925,030	842,532	1,493,289	1,500	15,000	-	-	-
Liabilities against assets subject to finance leases	15,978	1,200	1,507	2,014	3,692	4,787	1,945	833	-	-
Others liabilities	708,485	-	418,889	10,323	183,166	41,233	29,076	25,798	-	-
Deferred liabilities	-	-	-	-	-	-	-	-	-	-
	12,430,977	5,224,939	3,543,199	1,000,793	1,973,490	192,762	187,296	224,652	83,846	-
Net assets	6,762,147	(3,370,136)	(347,631)	1,123,182	162,092	1,860,991	1,770,275	3,203,560	2,330,301	29,513
Share capital	6,150,000									
Reserves	492,568									
Un appropriated profit	151,276									
	6,793,844									
Deficit on revaluation of investment - net of tax	(106,006)									
Non controlling interest	74,309									
	6,762,147									

Maturities of assets and liabilities as at December 31, 2009

	Total	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	73,968	10,568	63,400	-	-	-	-	-	-	-
Balances with other banks	641,407	590,362	51,045	-	-	-	-	-	-	-
Lending to financial institutions	2,876,508	1,778,908	1,086,926	1,332	2,230	4,211	2,901	-	-	-
Investments	10,620,720	40,788	463,182	1,966,781	2,940,692	1,092,316	1,359,826	1,230,899	1,492,772	33,464
Advances	5,508,051	106,197	191,390	591,966	840,891	1,039,503	894,026	907,917	913,555	22,606
Other assets	411,466	-	405,207	-	-	-	-	6,259	-	-
Operating fixed assets	81,202	1,674	22,011	4,517	7,373	13,051	8,003	4,212	10,532	9,829
Deferred tax assets	323,703	-	-	-	-	-	-	323,703	-	-
	20,537,025	2,528,497	2,283,161	2,564,596	3,791,186	2,149,081	2,264,756	2,472,990	2,416,859	65,899
Liabilities										
Borrowings from financial institutions	8,895,096	6,423,458	850,665	311,823	530,861	547,282	88,048	115,667	27,292	-
Deposits and other accounts	4,562,089	473,028	1,710,402	1,777,048	600,111	1,500	-	-	-	-
Liabilities against assets subject to finance leases	15,014	873	2,174	1,961	3,993	5,129	884	-	-	-
Others liabilities	671,491	333	370,224	5,512	176,393	26,460	62,270	30,299	-	-
Deferred liabilities	-	-	-	-	-	-	-	-	-	-
	14,143,690	6,897,692	2,933,465	2,096,344	1,311,358	580,371	151,202	145,966	27,292	-
Net assets	6,393,335	(4,369,195)	(650,304)	468,252	2,479,828	1,568,710	2,113,554	2,327,024	2,389,567	65,899
Share capital	6,150,000									
Reserves	414,920									
Accumulated loss	(126,035)									
	6,438,885									
Deficit on revaluation of investment - net of tax	(142,019)									
Non controlling interest	96,469									
	6,393,335									

40 ASSOCIATES - KEY INFORMATION

Particulars	Pak Oman Advantage Fund	Pak Oman Advantage Islamic Income Fund	Pak Oman Islamic Asset Allocation Fund	Pak Oman Advantage Asset Allocation Fund	Japan Power Generation Limited	Pak Oman Micro Finance Bank Limited	Total
Assets	1,057,880	246,808	142,595	198,669	7,782,178	727,681	10,155,811
Liabilities	8,722	4,785	11,310	3,417	8,768,292	45,939	8,842,465
Profit / (loss) before taxation	80,055	25,932	21,388	12,291	(925,434)	8,029	(777,739)
Profit / (loss) after taxation	80,055	25,932	21,388	12,291	(926,779)	8,029	(779,084)

41 POST BALANCE SHEET EVENTS

The Board of Directors of the holding company in their meeting held on March 06, 2011 have:

- approved a transfer from contingency reserve of Rs. 22.053 million;
- proposed 4% cash dividend amounting to Rs 246 million subject to the approval of the members at the annual general meeting; and
- approved transfer from general reserve Rs 54.807 million for the year ended December 31, 2010 for the aforementioned distribution.

These financial statements do not recognise the aforementioned appropriation as these have been proposed and approved subsequent to the balance sheet date.

42 GENERAL

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

43 DATE OF AUTHORISATION

These consolidated financial statements were authorised on March 06, 2011 by the board of directors of the holding company.

Managing Director & Chief Executive Officer **Chairman**

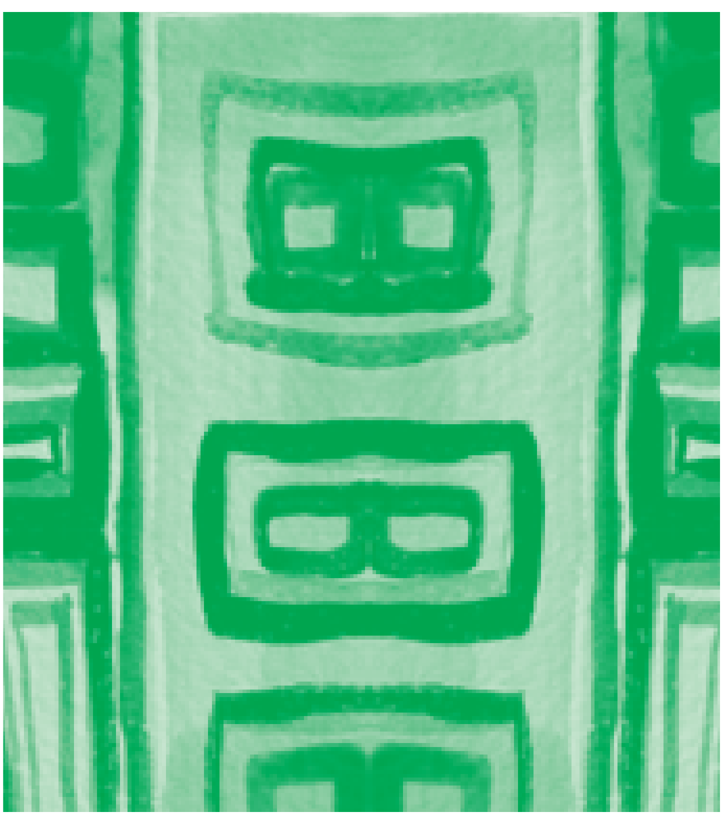
Company Information

Auditors
Anjum Asim Shahid Rahman
Chartered Accountants
Member firm of Grant Thornton

Legal Advisors
Mandviwalla & Zafar
Mohsin Tayebaly & Co.
Ijaz Ahmed & Associates

Tax Consultants
A.F. Ferguson & Co
Chartered Accountants
Member firm of PriceWaterhouse Coopers
For more information please visit our

For more information please visit our website
www.pakoman.com



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