

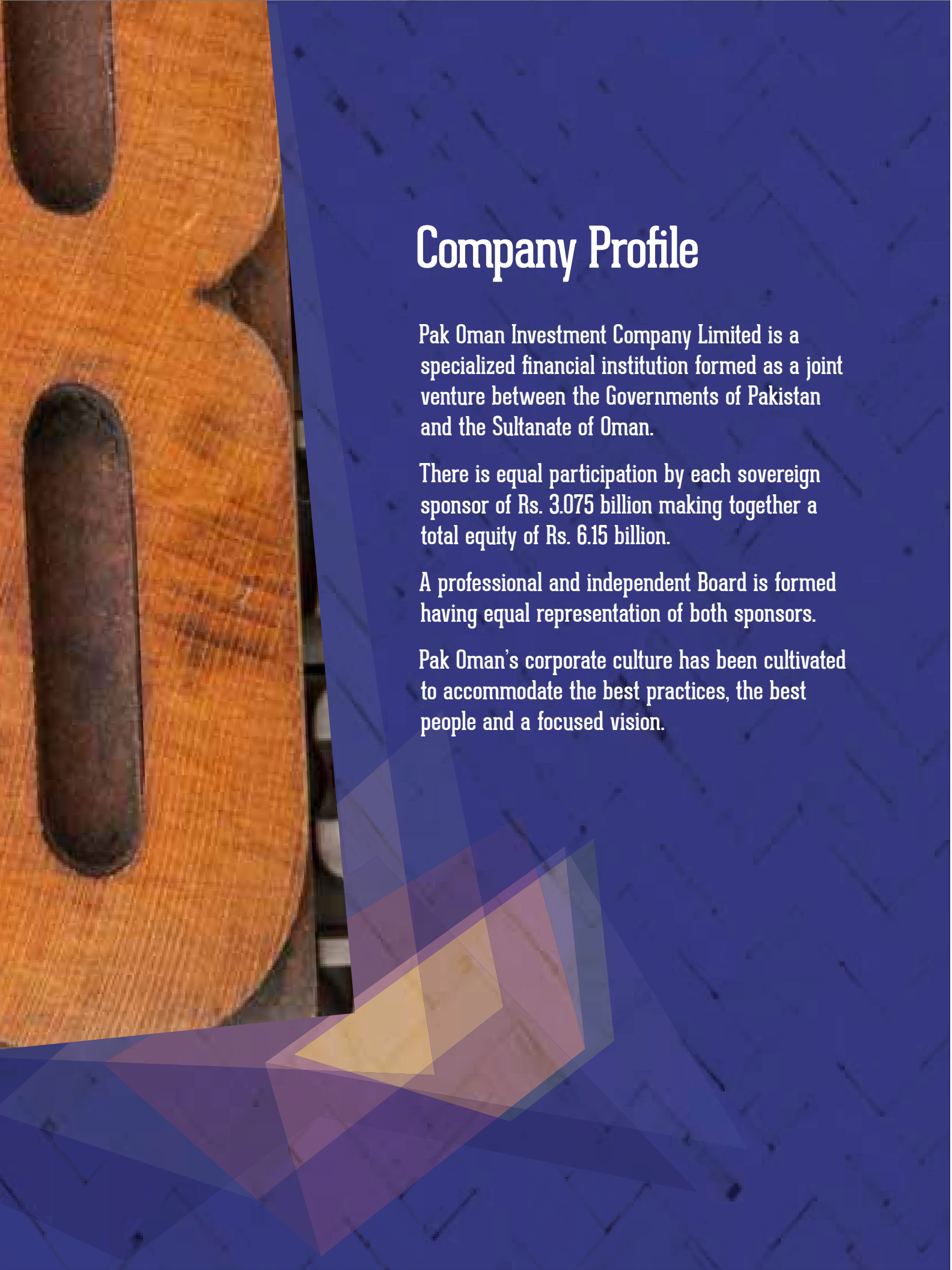
The background of the entire page is a dense, artistic collage of various wooden numbers (0-9) and some letters. The numbers are cut out of different types of wood, showing natural grain patterns and textures. They are arranged in a somewhat chaotic but rhythmic pattern, with some numbers appearing larger than others. The colors range from light tan to dark brown, with some numbers having a reddish or pinkish tint. The overall effect is a textured, organic, and visually rich background.

Annual Report 2013

PAK OMAN

PAK OMAN INVESTMENT
COMPANY LIMITED





Company Profile

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

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

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

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





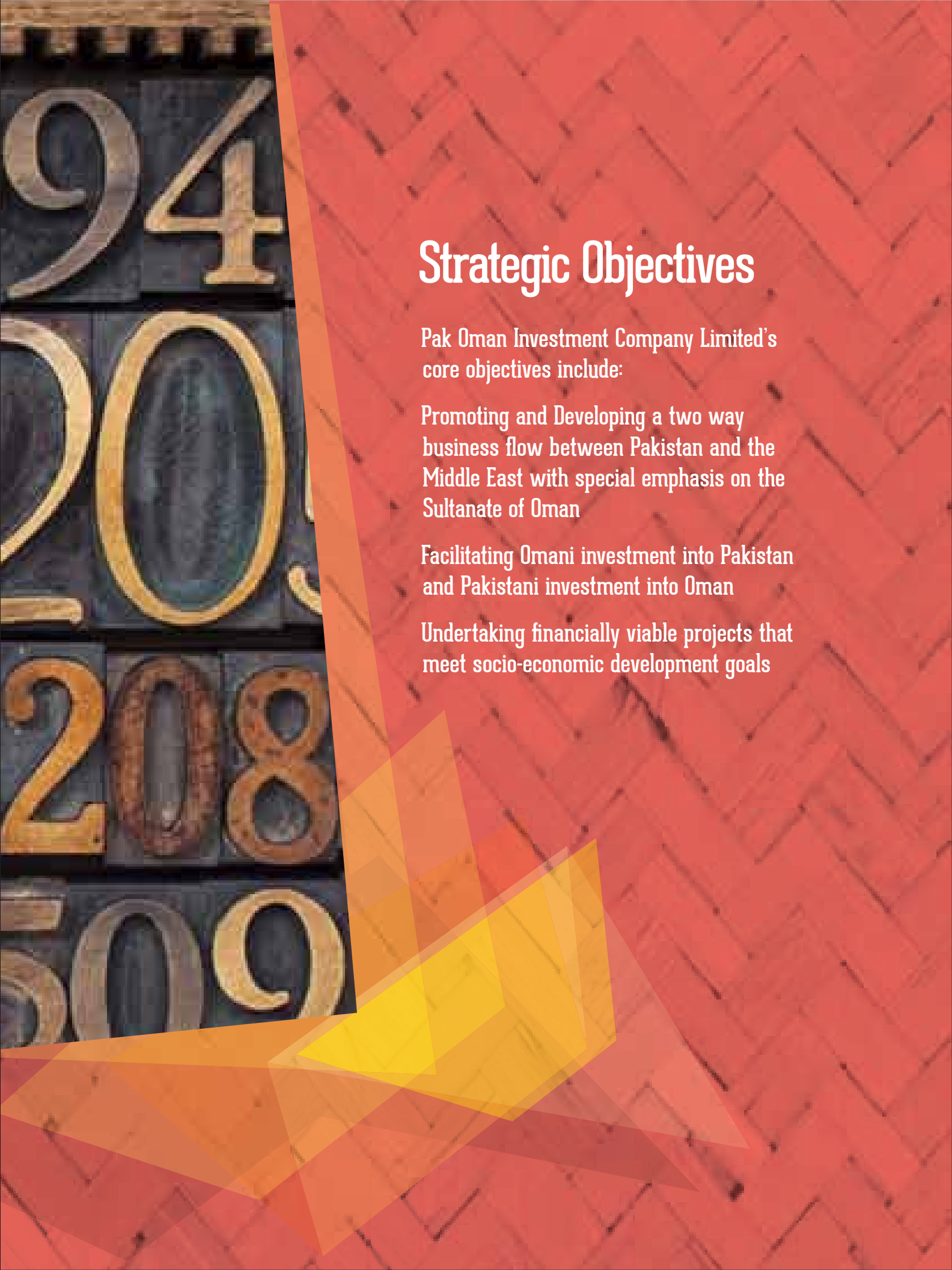
Vision

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

Mission

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





Strategic Objectives

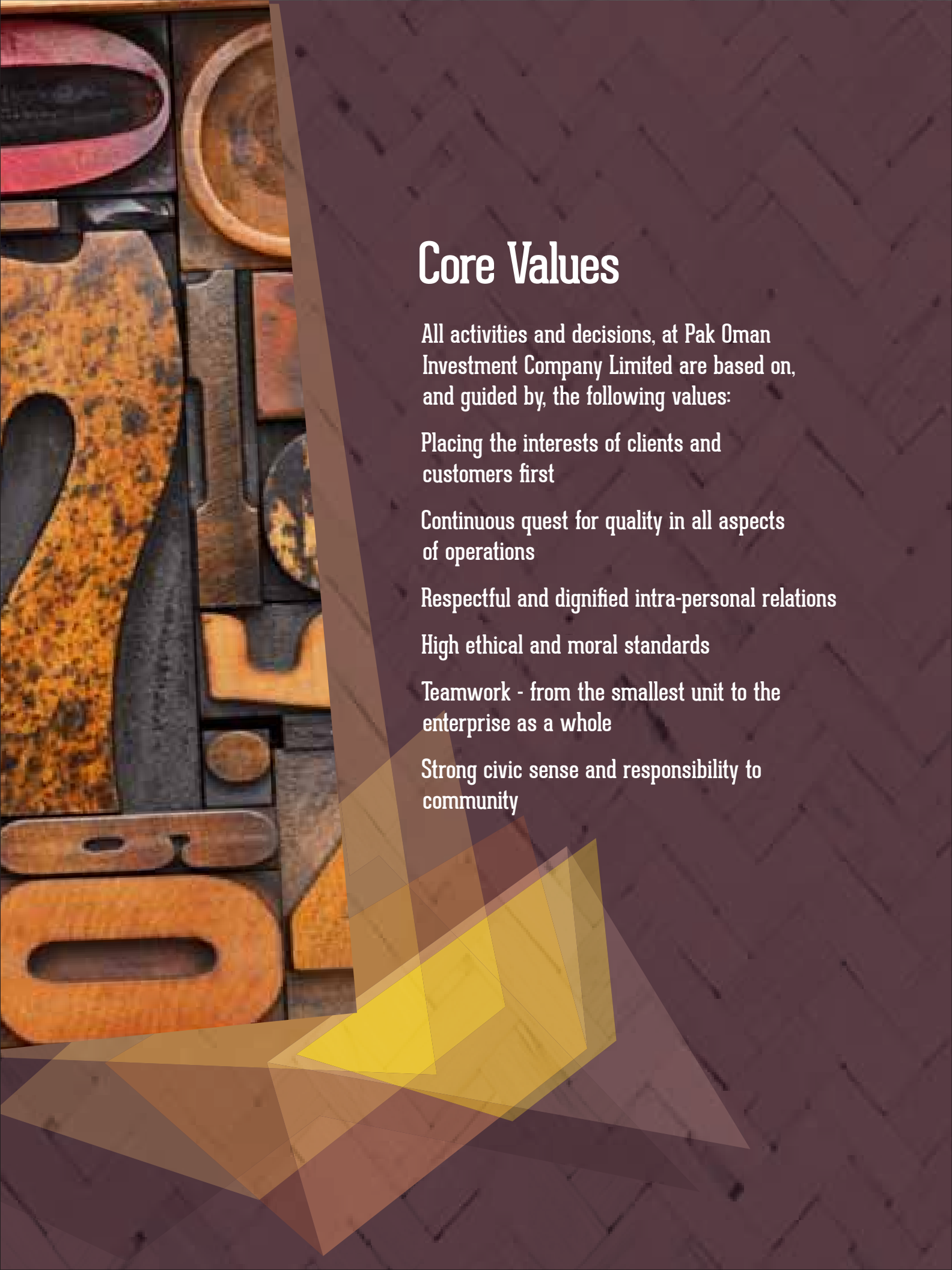
Pak Oman Investment Company Limited's core objectives include:

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

Facilitating Omani investment into Pakistan and Pakistani investment into Oman

Undertaking financially viable projects that meet socio-economic development goals





Core Values

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

Placing the interests of clients and customers first

Continuous quest for quality in all aspects of operations

Respectful and dignified intra-personal relations

High ethical and moral standards

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

Strong civic sense and responsibility to community



Code of Ethics / Business Practices

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

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

The background of the entire page is a dense, artistic collage of wooden blocks. These blocks are of various sizes and are carved with different characters, including letters (A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U, V, W, X, Y, Z), numbers (0-9), and symbols (&, \$, %, !, @, #, ©). The wood has a natural, warm brown tone with visible grain patterns. The blocks are arranged in a somewhat chaotic but rhythmic pattern, creating a textured, three-dimensional effect.

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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. Yusuf Khan
Director

Mr. M. Zubair Motiwala
Director

Audit Committee

Mr. Hamed Sloom Mubarak
Al Athobi
Chairman

Mr. Yusuf Khan
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. Agha Ahmed Shah
Member

Mr. Yusuf Khan
Member

Mr. M. Zubair Motiwala
Member

Mr. Mustafa Bin Ali Sulaiman
Member

Remuneration & Compensation Committee

Mr. M. Zubair Motiwala
Chairman

Mr. Agha Ahmed Shah
Member

Mr. Mustafa Bin Ali Sulaiman
Member

Mr. Hamed Sloom Mubarak
Al Athobi
Member

Management Team

Mr. Agha Ahmed Shah
Managing Director & Chief Executive Officer

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

Mr. Mohammad Jamal Nasir
Chief Financial Officer

Mr. Khurram Faizyab
Head of Corporate Banking

Mr. Zalmai R. Khan
Head of Risk Management

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

Mr. Mohammad Shoaib
Head of Treasury

Syed Abdullah Jamal Ahmed
Head of Internal Audit

Mr. Saeed A. Bhayat
Head of Compliance

Mr. Mohammad Naeem Saeed
Head of Information Technology

Syed Khaled Raza
Head of Credit Administration

Ms. Hina Mir
Company Secretary

Ms. Nazia Nauman
Vice President - Capital Markets

Mr. Kashif M. Khan
Regional Head, North

Mr. Nafees Ahmad
Regional Head, Central

Mr. Noaman Abdul Majid
Country Manager, Oman



Board of Directors

From Left to Right

Mr. Yusuf Khan
Director

Mr. Mustafa Bin Ali Sulaiman
Director

Mr. Agha Ahmed Shah
Managing Director & Chief Executive Officer



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

Mr. M. Zubair Motiwala
Director

Mr. Hamed Sloom Mubarak Al Athobi
Director



Management Team

From Left to Right

Syed Khaled Raza
Head of Credit Administration

Mr. Zalmai R. Khan
Head of Risk Management

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

Mr. Mohammad Jamal Nasir
Chief Financial Officer

Mr. Khurram Faizyab
Head of Corporate Banking

Ms. Nazia Nauman
Vice President - Capital Markets

Mr. Agha Ahmed Shah
Managing Director & Chief Executive Officer

Ms. Hina Mir
Company Secretary



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

Mr. Mohammad Shoaib
Head of Treasury

Mr. Saeed A. Bhayat
Head of Compliance

Mr. Mohammad Naeem Saeed
Head of Information Technology

Syed Abdullah Jamal Ahmed
Head of Internal Audit



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

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

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

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

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

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

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

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



Mr. Mustafa Bin Ali Sulaiman

Director General - Ministry of Finance, Sultanate of Oman

Director - Pak Oman Investment Company Limited

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

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



Mr. Hamed Sloom Mubarak Al Athobi

Sultanate of Oman

Director - Pak Oman Investment Company Limited

Mr. Hamed Sloom Mubarak Al Athobi has 17 years of proficient experience in the oil and gas associated industry.

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

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

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

In addition to Pak Oman, he is also a Board member in 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

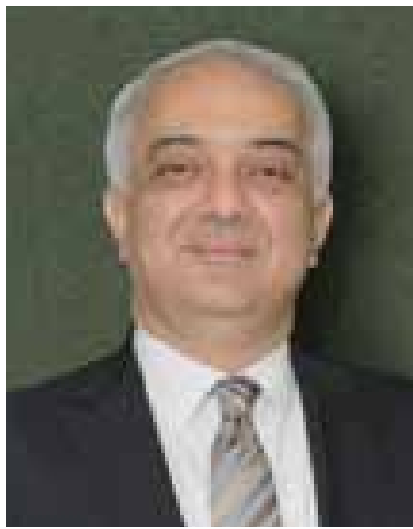
Mr. Agha Ahmed Shah is a career banker with over 25 years of banking experience in the field of Corporate & Investment Banking and Risk Management. He started his career with American Express Bank Limited where he also attended a one year intensive program at the bank's head office in New York.

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

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

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

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



Mr. Yusuf Khan

Joint Secretary (External Finance)

Ministry of Finance, Government of Pakistan

Director Pak Oman Investment Company Limited

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

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



Mr. M. Zubair Motiwala

Director - Pak Oman Investment Company Limited

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

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

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

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

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

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

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

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



CHAIRMAN'S REVIEW

I am pleased to report that 2013 was another year of good performance for Pak Oman Investment Company Limited. This has been achieved due to a well planned strategy and a stable management team enabling the Company to deliver consistent value for our shareholders.

- o Alhamdulillah, your Company has recorded a profit after tax of Rs 376 million (US\$ 3.6 million) in a challenging environment due to domestic and external factors. As at December 31, 2013, Company's Total Assets stood at Rs 18 billion (US\$ 168 million).
- o It continued booking new business / accounts.
- o The Company maintained its Credit Rating of AA+ and Corporate Governance Rating of CGR 9 by JCR-VIS Credit Rating Company.

Overview of Operations

Corporate Banking

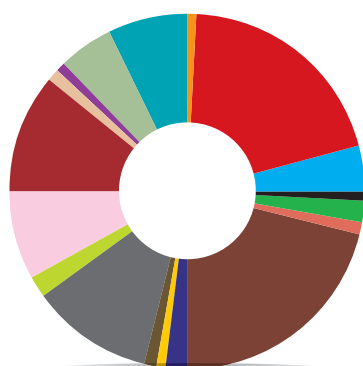
In 2013 Corporate Banking adopted a careful approach by booking selected quality customers in key growth areas. This was successfully achieved, with disbursements of Rs 4.8 billion made during 2013 against an annual target of Rs 3.5 billion, a new benchmark in business generation in Pak Oman.

Textile continued to remain the dominant sector of the portfolio, comprising 21% of the total loan portfolio. This sector benefited from stable yarn and cotton prices. The other significant sectors in our portfolio are being Agriculture (20%), Power (11%) and Food, Beverages & Tobacco (11%). In the Power sector, no new exposure was taken thereby reducing its share to approximately 11% of the portfolio.

In view of prevailing market conditions, focus was maintained on extending shorter term facilities. Accordingly, the portfolio mix of Corporate Banking shows an increase in share of short term facilities. State Bank of Pakistan's concessionary schemes continued to be used for targeting top quality customers commanding fine rates as well as existing customers with a proven repayment record.

A renewed focus on recoveries continues to pay dividends as the Company was able to reverse about Rs 90 million of provisioning during the year. In the process, five flagged (watch list) accounts were also fully settled as the Company continued to closely monitor such accounts.

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



Transportation	1%	Finance	1%
Agriculture	20%	Food, Beverages & Allied	11%
Auto & Allied	4%	Healthcare	2%
Chemicals / Fertilizers	1%	Oil & Gas	8%
Communications / Media	2%	IPPs/Power	11%
Construction / Housing	1%	Paper, Board & Packaging	1%
Textile	21%	Pharmaceutical	1%
Electronics	2%	Sugar	5%
Engineering	1%	Others	7%

Investment Banking

2013 was a mixed year for Investment Banking Activities. During the year, Pak Oman underwrote 4.15 million shares of Century Paper & Board Mills Ltd. in addition to subscribing to 657,010 shares of the company. Investment Banking Department also managed to successfully settle the Term Finance Certificates it held of Gharibwal Cement and Saudi Pak Leasing Company Ltd.

The Company is currently acting as one of the Lead Restructuring Advisors to Al Razi Healthcare (Pvt.) Limited for restructuring its outstanding Sukuk amount of Rs 520 million. In addition, Pak Oman is also acting as Trustee to various TFC and sukuk issues.

Treasury

The State Bank of Pakistan continued its monetary easing stance in the first half of 2013 and discount rate touched a low of 9% in June 2013, which was the lowest in seven years. Pak Oman took advantage of the declining trend in discount rate and booked capital gains by offloading part of its Government securities portfolio.

The second half of 2013 proved challenging for Pakistan's economy due to a Current Account Deficit which increased from US\$ 525 million at the beginning of the year to US\$ 1.2 billion by the end of September 2013. In addition, Foreign Exchange Reserves which were at US\$ 15.4 billion at the beginning of the year dropped to US\$ 10.26 billion by August 31, 2013. With State Bank's foreign exchange reserves falling below the adequacy level; the rupee depreciated by almost 7.5% in the first eight months of 2013.

These challenges forced Pakistan to re enter the IMF program with a major focus of donors on increasing the Tax-GDP ratio and forgoing of energy and food related subsidies.

In the last quarter of 2013, SBP brought a major shift in its monetary easing stance and increased the discount rate to 9.50% in September 2013 and 10% in November 2013.

Pak Oman Investment Company took a proactive approach and not only reduced its Government Securities portfolio but also reduced the tenor of its portfolio. The company booked capital gains of Rs 36 million on government and corporate debt instruments during the year.

State Bank of Pakistan renewed Primary Dealership of Pak Oman Investment Company for the year 2013-14; depicting its confidence in the company to develop Government Securities market.

Risk Management

The Company has stringent and robust risk management policies and procedures. It constantly endeavours to be better prepared to meet any future challenges. It is compliant with State Bank of Pakistan requirements for implementation of Basel Accords and its Capital Adequacy Ratio is well above the stipulated requirement, hence giving it ample cushion to cover any unforeseen events.

Support Operations

Finance, Information Technology, Human Resources and Administration played their role in supporting core operations of the Company. Information Technology Department placed special emphasis on the re-development of existing application systems in order to bring necessary improvements and reap the benefits of latest technologies. Necessary improvements were also made in IT infrastructure by upgrading hardware and software to improve system availability and performance. Human Resources on the other hand worked on managing turnover rate and facilitated training and development of all employees.

Management Committees

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

- (i) Credit Committee
- (ii) Assets & Liabilities Committee (ALCO)
- (iii) Risk Management Committee

- (iv) Coordination Committee
- (v) Purchase & Works Committee
- (vi) Friends of Life Committee
- (vii) Information Technology Committee
- (viii) Capital Market Review Committee (CMRC)
- (ix) Performance Evaluation Committee

Contribution to Social Responsibility

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

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

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

Education for Underprivileged

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

Healthcare

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

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

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

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

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

In addition to above Pak Oman has financially supported The Kidney Centre, Patients' Aid Foundation of Jinnah Postgraduate Medical Centre and Marie Adelaide Leprosy Centre in 2013.



Community Building

Amongst other economic contributions, we also take pride in our immediate response to any situation. While it may be impossible to prevent disaster and misfortune from happening, it is possible to provide relief. Pak Oman had contributed generously in Prime Minister's Relief Fund on various occasions.

Pak Oman Investment Company Limited will continue to play its role in contributing towards the nation's economic progress and prosperity.

2014 and Beyond

We remain cautious on the economic outlook, however, the fundamentals of the economy going forward in the backdrop of the recent policy and reform measures appear stable. We believe we are well positioned to capitalize on growth opportunities in the coming year to the benefit of our shareholders, employees and customers.

Last year your Board decided to look into a merger option of Pak Oman Asset Management Company Limited (POAMCL) with another Asset Management Company. However, that transaction did not go through due to some regulatory non compliances on part of the transaction partner. Your Board is now considering other options including sale of POAMCL.

Further, your Board has also decided to increase its equity investment in Pak Oman Microfinance Bank to the extent of Rs 83.5 million in order to meet the minimum equity requirement prescribed by the State Bank of Pakistan for Microfinance Banks.

Acknowledgement

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

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

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

Chairman

Karachi: March 06,2014



DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the Twelfth Annual Report and Audited Financial Statements of your Company, along with Consolidated Audited Financial Statements for the year ended December 31, 2013, together with Auditors' Report thereon.

Economy

Despite the various challenges faced by Pakistan's economy, prospects of an economic revival inspired by a successful political transition are encouraging. Going forward its fundamentals in the background of the recent policy and reform measures appear stable. The Large Scale Manufacturing Sector has shown a growth of 8.4 percent in the first quarter of 2013-14. Textiles, electricity, gas, water and commerce and trade are the main sectors where credit uptake has increased. The recently approved GSP plus status accorded to Pakistani exports by the European Common Market would also benefit in reducing the fiscal deficit of the country, besides help to grow exports by about 6 percent in 2014.

On the other hand, the revision of power tariffs, continued pressure on the rupee and deteriorating law and order situation have contributed to a rising inflation and it is expected that CPI is likely to remain between 10 to 11 percent in 2014.

As a result, broadening of the tax base, resolving the energy issue, controlling inflation, improving law & order, increasing Foreign Direct Investment, reducing the size of fiscal deficit and the global economic

conditions will remain major challenges for 2014.

Operational Review

In the second half 2013 State Bank of Pakistan (SBP) increased its discount rate from 9% to 10% which resulted in the increase in Company's core spread/earnings. However, its impact will be seen in the Company's 2014 income. As a result of this rate increase, there was a decline in capital gain on sale of Government securities due to increase in yield curve. Despite all these factors, Alhamdulillah your company has recorded a profit before tax of Rs 488 million (US\$ 4.6 million) as compared to a profit before tax of Rs 606 million (US\$ 5.7 million) in 2012. Although the net interest income margin remains resilient, the decline in profit is largely attributed to decrease in capital gain on Government securities and total provisions-net on non performing loans/investments of Rs 126 million which included an unexpected provision in Telecard Limited (Rs 78 million).

The underlying growth of the company's core business has been strong. On a cumulative basis, total revenue from operations amounted to Rs 1,847 million (US\$ 17.5 million). After accounting for mark-up and interest expense of Rs 893 million (US\$ 8.5 million) and total administrative and other expenses of Rs 340 million (US\$ 3.2million), your company achieved a profit before provisions of Rs 614 million (US\$ 5.8 million). However, during the year total provisions-net on loans / investments were Rs 126 million (US\$ 1.2 million). As a result, the Company achieved profit before

tax of Rs 488 million (US\$ 4.6 million) [2012: Rs 606 million (US\$ 5.7 million)] and profit after tax of Rs 376 million (US\$ 3.6 million) [2012: Rs 428 million (US\$ 4 million)] respectively.

During 2013, Pak Oman Investment Company Limited continued to build a well-diversified asset portfolio, comprising of loans and leases, corporate bonds and investment in government securities. As at December 31, 2013, Company's Total Assets stood at Rs 18 billion (US\$ 168 million).

Financial Results

For the year ended 2013

	Rs million	US\$ million
Total Assets	17,728	168.3
Advances	7,494	71.1
Investments	7,629	72.4
Profit after taxation	376	3.6

Appropriations

For the year ended 2013

	Rs million	US\$ million
To Statutory Reserve	75.1	0.71
Cash Dividend @ Rs 0.40 per share	246	2.34

Credit rating

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

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

Corporate Governance Rating

Your Company has also been assigned a corporate governance rating of CGR-9 by JCR-VIS Credit Rating Company Limited.

The assigned rating denotes a very high level of

corporate governance and is the result of adoption of best practices within the Company.

Primary Dealer of State Bank of Pakistan

Acknowledging Pak Oman's role in the development of the primary and secondary markets for Government Bonds, the State Bank of Pakistan has reappointed Pak Oman as a Primary Dealer for the financial year 2013-2014.

Pak Oman Microfinance Bank

Pak Oman Microfinance Bank Limited sustained its role for alleviating poverty in the country. However, repercussion of the 2010-2011 floods and poor law and order situation in some parts of the country is impacting the performance of the Bank, which is likely to dissipate with the passage of time.

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

Operational branches	16
Service centres	8
Borrowers	59,882
Deposit holders	18,741
Customers	78,623
Disbursements	Rs 1,152,210,000
Deposits	Rs 29,390,266
Number of loans	59,882
Average loan size	Rs 19,242

Going forward, Business plan of Pak Oman Microfinance Bank Limited comes with objective of increasing access to financial services to the microfinance client in Pakistan for the purpose of poverty alleviation and at the same time to be a financially sustainable and profitable financial institution.

In order to meet its minimum equity requirement, Pak Oman Microfinance Bank plans to issue right shares of Rs 250 million in the first half of 2014.

Pak Oman Asset Management Company

Pak Oman Asset Management Company Limited is managing four open-end funds and one closed-end fund. In order to meet its minimum equity requirement and to increase its fund size, the Company looked into the possibility of a merger with another Asset Management Company. This however could not materialise and we are actively pursuing other options including the sale of this Company due to continued losses.

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. Pak Oman's focus is to keep up with the changing risk requirements by being innovative and proactive in its operation and IT. The Company is fully compliant to SBP's guidelines on BASEL II / III implementation.

Internal Control

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

Corporate Governance & Financial Reporting

The Directors declare that:

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

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

Name	Board of Directors	Board's Executive Committee	Board's Audit Committee	Board's Remuneration & Compensation Committee
	Meetings Held 6	Meetings Held 5	Meetings Held 4	Meetings Held 3
H.E. Yahya Bin Said Bin Abdullah Al-Jabri	6	5	*	*
Mr. M. Zubair Motiwala	6	5	2	3
Mr. Mustafa Bin Ali Sulaiman	6	5	4	3
Mr. Hamed Sloom Mubarak Al Athobi	6	*	4	3
Mr. Yusuf Khan	6	5	4	*
Mr. Agha Ahmed Shah	6	5	*	3

* Not member.

Statement of Investments of Provident & Gratuity funds

Investments of Provident & Gratuity funds as at December 31, 2013 according to their un-audited financial statements were Rs 102.9 million and Rs 65.3 million respectively.

Auditors

The present Auditors, M. Yousuf Adil Saleem & Company, (a member firm of Deloitte Touche Tohmatsu) Chartered Accountants has completed its tenure in accordance to the decision of the Audit Committee and stands retired. The Board of Directors, on the recommendation of the Audit Committee, recommended the appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants, as auditors of the Company for the year ending December 31, 2014 for consideration and approval at the Annual General Meeting.

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

Sponsors

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

Regulators

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

Management

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

Agha Ahmed Shah

Managing Director
& Chief Executive Officer

Karachi: March 06, 2014

Six Years Financial Summary

	2013	2012	2011	2010	2009	2008
December 31						
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Cash and balances with treasury and other banks	284,645	260,159	275,705	731,123	664,330	557,108
Lendings to financial institutions	1,206,521	833,119	1,321,745	2,454,610	2,846,936	3,137,180
Investments - net	7,629,301	10,229,027	10,589,968	9,143,686	10,775,046	6,996,478
Advances - net	7,493,690	6,347,059	5,767,026	5,947,929	5,514,114	5,740,174
Operating fixed assets	51,086	58,725	63,811	65,082	62,538	67,109
Other assets	1,062,467	849,852	798,082	832,559	701,775	894,565
Total assets	17,727,710	18,577,941	18,816,337	19,174,989	20,564,739	17,392,614
LIABILITIES						
Borrowings	5,721,831	6,546,367	6,648,716	6,145,349	8,895,096	7,491,561
Deposits and other accounts	4,433,848	4,351,000	4,695,693	5,561,165	4,562,089	3,023,121
Other liabilities	371,186	519,504	626,355	731,585	684,653	605,109
Total Liabilities	10,526,865	11,416,871	11,970,764	12,438,099	14,141,838	11,119,791
NET ASSETS	7,200,845	7,161,070	6,845,573	6,736,890	6,422,901	6,272,823
REPRESENTED BY						
Share capital	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000
Reserves & Unappropriated profit	1,134,203	1,008,022	794,918	692,896	414,920	1,022,413
	7,284,203	7,158,022	6,944,918	6,842,896	6,564,920	7,172,413
(Deficit) / surplus on revaluation of assets - net of deferred tax	(83,358)	3,048	(99,345)	(106,006)	(142,019)	(899,590)
	7,200,845	7,161,070	6,845,573	6,736,890	6,422,901	6,272,823
PROFITABILITY						
Mark-up/Return/Interest earned	1,564,799	2,048,783	2,264,147	2,224,130	2,319,194	2,038,155
Mark-up/Return/Interest expensed	(892,690)	(1,304,300)	(1,513,542)	(1,462,002)	(1,636,815)	(1,318,404)
Net mark-up/interest income	672,109	744,483	750,605	762,128	682,379	719,751
Fee, commission and brokerage income	9,900	13,969	11,185	22,013	15,693	51,432
Capital gain & dividend income	270,560	331,868	119,437	181,968	4,500	(115,157)
Other income	1,039	1,978	2,355	2,332	43	1,675
Total non mark-up/interest income	281,499	347,815	132,977	206,313	20,236	(62,050)
Gross Income	953,608	1,092,298	883,582	968,441	702,615	657,701
Administrative expenses and other charges	(339,705)	(311,967)	(269,204)	(248,755)	(246,628)	(277,645)
Profit before provisions	613,903	780,331	614,378	719,686	455,987	380,056
Provisions	(126,139)	(174,808)	(35,085)	(337,929)	(1,109,806)	(253,496)
Profit / (loss) before taxation	487,764	605,523	579,293	381,757	(653,819)	126,560
Taxation	(112,224)	(177,169)	(231,271)	(103,781)	46,326	(120,107)
Profit / (loss) after taxation	375,540	428,354	348,022	277,976	(607,493)	6,453
CASH FLOW STATEMENT - SUMMARY						
Cash flow from operating activities	(1,839,497)	2,533,492	(2,451,484)	1,810,305	52,313	363,978
Cash flow from investing activities	2,390,954	(2,324,966)	2,251,437	(1,733,597)	(33,351)	(1,000,219)
Cash flow from financing activities	(250,971)	(224,072)	(255,371)	(9,915)	(11,740)	(320,670)
Cash and cash equivalents at the beginning of the year	260,159	275,705	731,123	664,330	657,108	1,614,019
* Cash and cash equivalents at the end of the year	560,645	260,159	275,705	731,123	664,330	657,108
Financial Ratios						
Return on Equity	5.2%	6.1%	5.0%	4.1%	-8.8%	0.1%
Return on Assets	2.1%	2.3%	1.8%	1.4%	-3.2%	-
Profit / (loss) before tax ratio	51.1%	55.4%	65.6%	39.4%	-93.1%	19.2%
Gross spread ratio	43.0%	36.3%	33.2%	34.3%	29.4%	35.3%
Total Assets to shareholders' fund	2.46	2.59	2.75	2.85	3.20	2.77
Weighted average cost of debt	8.48%	11.73%	13.13%	11.62%	13.66%	10.78%
Capital adequacy ratio (CAR)	36.60%	41.45%	41.72%	37.48%	35.72%	40.81%
Share Information						
Cash dividend per share	4%	4%	3.5%	4%	-	-
Basic and diluted (loss) / earnings per share	0.61	0.70	0.57	0.45	(0.99)	0.01
Breakup value per shares - Without surplus on revaluation of assets	11.84	11.64	11.29	11.13	10.67	11.66
Breakup value per shares - With surplus on revaluation of assets	11.71	11.64	11.13	10.95	10.44	10.20

* 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.

Review Report to the Members

on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Pak-Oman Investment Company Limited (the Company) for the year ended December 31, 2013 to comply with the requirements of Regulations G-1 of Prudential Regulations for Corporate / Commercial Banking issued by State Bank of Pakistan.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2013.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Karachi: March 06, 2014

Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2013

This statement is being presented to comply with the Code of Corporate Governance (CCG) framed by the Securities and Exchange Commission of Pakistan which was made applicable to the Company through Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan.

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

- At present the Board of Directors comprises of one executive and five non-executive directors. All directors are nominees of the Government of the Islamic Republic of Pakistan and the Sultanate of Oman under articles of the Joint Venture agreement signed between the two Governments.

Category	Names
Executive Director	Mr. Agha Ahmed Shah, MD & CEO
Non-Executive Directors	H.E. Yahya Bin Said Bin Abdullah Al-Jabri Mr. M. Zubair Motiwala Mr. Mustafa Bin Ali Sulaiman Mr. Hamed Sloom Mubarak Al Athobi Mr. Yusuf Khan

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
- All the resident directors of the Company are registered as taxpayers 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.
- No casual vacancy occurred on the Board during the year ended December 31, 2013.
- The Company has prepared a 'Code of Conduct', and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- 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.
- 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, other executive and non-executive directors, have been taken by the Board.
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and 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.
- One of the directors of the Company has completed the "Director's Training Certification". One Director is exempted from said certification. Other directors have attended "Directors' Orientation Workshop".



10. The Board has approved the appointment of CFO, the Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report for the year has been prepared in compliance with the requirements of the CCG 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 CCG.
15. The Board has formed an audit committee, which comprises of four non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR committee for remuneration & compensation. It comprises of four members, of which three are non-executive directors including the chairman.
18. The Board has set up an effective internal audit function.
19. 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 the Institute of Chartered Accountants of Pakistan.
20. 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.
21. We confirm that all other material principles enshrined in the CCG have been complied with.

Yahya Bin Said Bin Abdullah Al-Jabri
Chairman

Agha Ahmed Shah
Managing Director & Chief Executive Officer

Karachi: March 06, 2014



Statement of Internal Controls

For the year ended December 31, 2013

Reporting on Internal Control System

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

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

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

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

Evaluation of Existing Internal Control Systems

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

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

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

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

Mohammad Jamal Nasir
Chief Financial Officer

Syed Abdullah Jamal Ahmed
Chief Internal Auditor

Karachi: March 06, 2014

Independent Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of Pak-Oman Investment Company Limited (the Company) as at December 31, 2013 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (herein-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 above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b. in our opinion:
 - i. the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes in accounting policies as disclosed in notes 5.20 to the financial statements with which we concur;
 - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c. in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and give a true and fair view of the state of the Company's affairs as at December 31, 2013 and of the profit, 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.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Karachi: March 06, 2014

Unconsolidated Statement of Financial Position

AS AT DECEMBER 31, 2013

2013	2012		Note	2013	2012
US \$ in '000				Rupees in '000	
ASSETS					
741	967	Cash and balances with treasury banks	6	77,998	101,865
1,962	1,503	Balances with other banks	7	206,647	158,294
11,455	7,910	Lendings to financial institutions	8	1,206,521	833,119
72,436	97,119	Investments - net	9	7,629,301	10,229,027
71,149	60,262	Advances - net	10	7,493,690	6,347,059
485	558	Operating fixed assets	11	51,086	58,725
5,160	4,514	Deferred tax assets - net	12	543,492	475,398
4,927	3,554	Other assets	13	518,975	374,454
168,315	176,387			17,727,710	18,577,941
LIABILITIES					
-	-	Bills payable		-	-
54,326	62,154	Borrowings	14	5,721,831	6,546,367
42,097	41,310	Deposits and other accounts	15	4,433,848	4,351,000
-	-	Sub-ordinated loans		-	-
53	100	Liabilities against assets subject to finance lease	16	5,585	10,556
-	-	Deferred tax liabilities		-	-
3,471	4,833	Other liabilities	17	365,601	508,948
99,947	108,397			10,526,865	11,416,871
68,368	67,990	NET ASSETS		7,200,845	7,161,070
REPRESENTED BY					
58,391	58,391	Share capital	18	6,150,000	6,150,000
6,134	5,421	Reserves	19	646,091	570,983
4,634	4,149	Unappropriated profit		488,112	437,039
69,159	67,961			7,284,203	7,158,022
(791)	29	(Deficit) / surplus on revaluation of assets - net of deferred tax	20	(83,358)	3,048
68,368	67,990			7,200,845	7,161,070
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

Unconsolidated Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2013

2013	2012		Note	2013	2012
US \$ in '000				Rupees in '000	
14,857	19,452	Mark-up / return / interest earned	22	1,564,799	2,048,783
8,476	12,384	Mark-up / return / interest expensed	23	892,690	1,304,300
6,381	7,068	Net mark-up / interest income		672,109	744,483
48	(526)	Provision / (reversal) against non-performing advances	10.6	5,053	(55,410)
1,150	2,186	Provision for diminution in the value of investments	9.3	121,086	230,218
-	-	Bad debts written off directly		-	-
1,198	1,660			126,139	174,808
5,183	5,408	Net mark-up / interest income after provisions		545,970	569,675
NON MARK-UP / INTEREST INCOME					
94	133	Fee, commission and brokerage income		9,900	13,969
1,379	829	Dividend income		145,288	87,316
-	-	Income from dealing in foreign currencies		-	-
1,130	2,191	Gain on sale of securities	24	119,038	230,758
59	131	Unrealised gain on revaluation of investments classified as held-for-trading		6,234	13,794
10	19	Other income	25	1,039	1,978
2,672	3,303	Total non mark-up / interest income		281,499	347,815
7,855	8,711			827,469	917,490
NON MARK-UP / INTEREST EXPENSES					
3,111	2,881	Administrative expenses	26	327,675	303,445
35	-	Other provisions / write offs	13.2	3,698	-
78	82	Other charges	27	8,332	8,522
3,224	2,963	Total non mark-up / interest expenses		339,705	311,967
4,631	5,748			487,764	605,523
-	-	Extra ordinary / unusual items		-	-
4,631	5,748	PROFIT BEFORE TAXATION		487,764	605,523
1,291	2,475	Taxation	28	136,022	260,722
-	-	-current		-	-
(226)	(793)	-prior years		(23,798)	(83,553)
1,065	1,682	-deferred		112,224	177,169
3,566	4,066	PROFIT AFTER TAXATION		375,540	428,354
4,149	2,940	Unappropriated profit brought forward		437,039	309,606
7,715	7,006	Profit available for appropriation	10.2	812,579	737,960
US\$				Rupees	
0.0058	0.0066	Basic and diluted earnings per share	29	0.61	0.70

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

Managing Director and Chief Executive Officer

Chairman

Unconsolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2013

2013	2012		Note	2013	2012
US \$ in '000				Rupees in '000	
3,566	4,066	Profit after taxation		375,540	428,354
		Other comprehensive income for the year			
-	-	Items that may be reclassified subsequently to profit and loss account		-	-
		Items that will not be reclassified subsequently to profit and loss account:			
(48)	-	Remeasurement of defined benefit obligation	5.20.2 & 32.9	(5,090)	-
16	-	Related tax impact		1,731	-
(32)	-			(3,359)	-
<u>3,534</u>	<u>4,066</u>	Total comprehensive income for the year		<u>372,181</u>	<u>428,354</u>

Deficit / surplus on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

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

Managing Director and Chief Executive Officer

Chairman

Unconsolidated Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2013

2013	2012		Note	2013	2012
US \$ in '000				Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES					
4,631	5,748	Profit before taxation		487,764	605,523
(1,379)	(829)	Less: Dividend income		(145,288)	(87,316)
3,252	4,919			342,476	518,207
Adjustments:					
143	147	Depreciation	11.1	15,075	15,485
10	22	Amortization of intangible assets	11.2	1,031	2,316
(59)	(131)	Unrealised gain on revaluation of investments classified as held-for-trading		(6,234)	(13,794)
(7)	(12)	Gain on sale of property and equipment	25	(735)	(1,230)
48	(526)	Provision / (Reversal) against non-performing advances	10.6	5,053	(55,410)
1,150	2,186	Provision for diminution in the value of investments	9.3	121,086	230,218
8	17	Finance charges on leased assets	26	888	1,772
35	-	Provision held against other assets		3,698	-
1,328	1,703			139,862	179,357
4,580	6,622			482,338	697,564
(Increase) / decrease in operating assets					
(925)	4,639	Lendings to financial institutions		(97,402)	488,626
957	25,776	Net investments in held-for-trading securities		100,774	2,714,815
(10,935)	(5,123)	Advances - net		(1,151,684)	(539,623)
(893)	(193)	Other assets		(94,165)	(20,325)
(11,796)	25,099			(1,242,477)	2,643,493
Increase / (decrease) in operating liabilities					
(7,829)	(972)	Borrowings		(824,536)	(102,349)
787	(3,273)	Deposits and other accounts		82,848	(344,693)
(307)	(717)	Other liabilities (excluding taxation)		(32,477)	(75,604)
(7,349)	(4,962)			(774,165)	(522,646)
(14,565)	26,759			(1,534,304)	2,818,411
(9)	(18)	Finance charges paid on leased assets		(962)	(1,927)
(2,889)	(2,687)	Income tax paid		(304,231)	(282,992)
(17,463)	24,054			(1,839,497)	2,533,492
Net cash (used in) / from operating activities					
CASH FLOWS FROM INVESTING ACTIVITIES					
19,947	(22,985)	Net proceeds from / (investments in) available-for-sale securities		2,100,922	(2,420,844)
1,923	47	Net proceeds from held-to-maturity securities		202,576	4,917
(476)	-	Investments in associates		(50,100)	-
1,379	973	Dividend income received		145,288	102,446
(93)	(138)	Purchase of operating fixed assets		(9,773)	(14,545)
19	29	Sale proceeds on sale of property and equipment		2,041	3,060
22,699	(22,074)			2,390,954	(2,324,966)
Net cash from / (used in) investing activities					
CASH FLOWS FROM FINANCING ACTIVITIES					
(47)	(84)	Payments of finance lease obligations		(4,971)	(8,822)
(2,336)	(2,044)	Dividend paid		(246,000)	(215,250)
(2,383)	(2,128)			(250,971)	(224,072)
2,853	(148)	Net cash used in financing activities		300,486	(15,546)
2,470	2,618	Increase / (decrease) in cash and cash equivalents		260,159	275,705
5,323	2,470	Cash and cash equivalents at beginning of the year		560,645	260,159
		Cash and cash equivalents at end of the year	30		

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

Managing Director and Chief Executive Officer

Chairman

Unconsolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2013

	Issued, subscribed and paid-up capital	RESERVES		Unappropriated profit	Total
		Statutory reserve	General reserve		
Rupees in '000					
Balance as at January 1, 2012	6,150,000	473,682	11,630	309,606	6,944,918
Comprehensive income					
Profit for the year ended December 31, 2012	-	-	-	428,354	428,354
Other comprehensive income - net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	428,354	428,354
Transfers					
Transfer to statutory reserve - 20% of the profit for the year	-	85,671	-	(85,671)	-
Transaction with owners recognised directly in equity					
Dividend for the year ended December 31, 2011 (Re. 0.35 per share)	-	-	-	(215,250)	(215,250)
Balance as at December 31, 2012	6,150,000	559,353	11,630	437,039	7,158,022
Comprehensive income					
Profit for the year ended December 31, 2013	-	-	-	375,540	375,540
Other comprehensive income - net of tax	-	-	-	(3,359)	(3,359)
Total comprehensive income for the year	-	-	-	372,181	372,181
Transfers					
Transfer to statutory reserve - 20% of the profit for the year	-	75,108	-	(75,108)	-
Transaction with owners recognised directly in equity					
Dividend for the year ended December 31, 2012 (Re. 0.4 per share)	-	-	-	(246,000)	(246,000)
Balance as at December 31, 2013	6,150,000	634,461	11,630	488,112	7,284,203

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 Unconsolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2013

1 LEGAL STATUS AND NATURE OF BUSINESS

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

2 BASIS OF PRESENTATION

2.1 Separate financial statements

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

2.2 US Dollar equivalent

The US Dollar amounts shown in the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 105.3246 to 1 US Dollar has been used for 2013 and 2012 as it was the prevalent rate as on December 31, 2013.

2.3 Use of estimates and judgments

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

a) Provision against non-performing advances

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

b) Impairment of available-for-sale investments

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

c) Classification of investments

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

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

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

d) Income taxes

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

e) Fixed assets, depreciation and amortization

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

f) Employees' benefit plans

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

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

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

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

3.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2013

The following standards, amendments and interpretations are effective for the year ended December 31, 2013. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standard, amendments or Interpretation	Effective from accounting period beginning on or after
Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information	January 01, 2013
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.	
Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	January 01, 2013
The amendment provides enhanced disclosures for 'transferred financial assets that are derecognized in their entirety' and transferred assets that are not derecognized in their entirety.	
Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 01, 2013
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.	
Amendments to IAS 34 Interim Financial Reporting: Interim reporting of segment information for total assets and total liabilities	January 01, 2013
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.	
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.	
Amendment to IAS 1 - Presentation of Financial Statements – Presentation of items of Other Comprehensive Income	July 01, 2012
These changes have been discussed in Note 5.20.1	
IAS 19 - Employee Benefits (as revised in 2011)	January 01, 2013
These changes have been discussed in Note 5.20.2	

3.3 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements.

Standard, amendments or Interpretation	Effective from accounting period beginning on or after
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Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities

January 01, 2014

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets

January 01, 2014

The amendments:

- remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13; and
- introduce additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

IFRIC 21 - Levies

January 01, 2014

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

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

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

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

5.1 Cash and cash equivalents

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

5.2 Revenue recognition

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

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

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

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

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

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

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

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

5.3 Investments

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

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

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

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

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

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

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

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

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

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

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

5.4 Derivatives

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

5.5 Advances and net investment in finance lease

5.5.1 Advances

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

5.5.2 Provision against non-performing advances

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

5.5.3 Net investment in lease

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

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

5.6 Operating fixed assets

5.6.1 Property and equipment – owned

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

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

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

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

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

5.6.2 Property and equipment - leased

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

5.6.3 Capital work-in-progress

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

5.6.4 Intangible assets

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

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

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

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

5.7 Repurchase and resale agreements

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

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

5.8 Taxation

5.8.1 Current

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

5.8.2 Deferred

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

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

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

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

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

5.9 Borrowings

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

5.10 Staff retirement benefits

5.10.1 Defined benefit plan

The Company operates a funded-gratuity scheme for all its permanent employees. The scheme was established on November 1, 2002 and approved by the Commissioner of Income Tax with effect from January 31, 2003. Contribution to the fund is made every year based on actuarial valuation. The actuarial valuation is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. During the year, the Company has changed its accounting policy as discussed in note 5.20.2. According to the new policy, all actuarial gains and losses are recognized in Other Comprehensive Income (OCI) in the periods in which they occur. Previously, the Company was recognizing all actuarial gains / losses in the profit and loss account. The actuarial valuation was conducted as at December 31, 2013.

5.10.2 Defined contribution plan

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

5.11 Compensated absences

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



5.12 Foreign currencies translation

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

5.13 Provisions

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

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

5.14 Offsetting

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

5.15 Dividend and reserves

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

5.16 Impairment

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

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

5.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at December 31, 2013.

5.18 Financial instruments

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

5.19 Segment information

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

Business segments

- Corporate finance

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

- Trading & sales

Involves the businesses of equity trading and fixed income securities.

- Commercial banking

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

5.20 Change in accounting policies

5.20.1 Amendment to IAS 1 'Presentation of Financial statements' regarding 'other comprehensive income'

During the year, the Company has changed their accounting policy as required under IAS 1 "Presentation of Financial statements" regarding 'other comprehensive income'. As per new policy, the Company has grouped items presented in 'other comprehensive income' that may be or may not be reclassified subsequently to profit and loss account. Related income tax has also been grouped into the same basis.

The effect of such change is considered immaterial to these unconsolidated financial statements as whole.

5.20.2 Adoption of amendments in IAS 19, (Revised) 'Employee Benefits'

During the current year, the Company has changed its accounting policy in respect of post-retirement defined benefit plan as required under IAS 19, 'Employee Benefits'. According to the new policy, all actuarial gains and losses are recognized in Other Comprehensive Income (OCI) in the periods in which they occur. Amounts recorded in profit and loss account are limited to current and past service costs, gain or loss on settlement and net interest income or expense. All other changes in the net defined benefit obligation are recognized directly in OCI with no subsequent recycling through profit and loss account. Previously, the Company was recognizing all actuarial gains / losses in the profit and loss account.

The effect of such change is considered immaterial to this unconsolidated financial statements as whole.

6 CASH AND BALANCES WITH TREASURY BANKS

	Note	2013	2012
		Rupees in '000	
Cash in hand:			
local currency		38	53
foreign currency		150	139
Balances with State Bank of Pakistan in local currency			
- current account	6.1	77,810	101,673
		<u>77,998</u>	<u>101,865</u>

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

7 BALANCES WITH OTHER BANKS

	Note	2013	2012
		Rupees in '000	
In Pakistan:			
current account		999	4,407
deposit accounts	7.1	204,796	153,611
		205,795	158,018
Outside Pakistan - current accounts		852	276
		206,647	158,294

- 7.1** These include term deposit receipts (TDRs) due for maturity within 1 month aggregating Rs. 200 million (2012: Rs. 150 million). These carry mark-up rates ranging from 9.8 to 10.50 percent per annum (2012: 9.5 to 10.35 percent per annum).

8 LENDINGS TO FINANCIAL INSTITUTIONS

Placements	8.1	276,000	-
Reverse repurchase agreement lendings	8.2 & 8.5	919,277	820,091
Certificate of investments (COIs)	8.3	11,244	13,028
		1,206,521	833,119

- 8.1** The rates of return on these placements, maturing in January 2014 ranges between 10.20 to 10.5 percent per annum.
- 8.2** These are short-term lendings to different financial institutions secured against government securities as disclosed in note 8.5 which are purchased under resale obligations. These carry mark-up rates ranging from 9.55 to 11.25 percent per annum (2012: 8.5 to 10.4 percent per annum) and will mature within one month (2012: 35 days).
- 8.3** COIs are due for maturity beginning from 3 month to 10 months (2012: 1 months to 20 months). The rate of return on COIs are 12 percent per annum (2012: 12 percent per annum).

8.4 Particulars of lendings

In local currency	1,206,521	833,119
In foreign currency	-	-
	1,206,521	833,119

8.5 Securities held as collateral against lendings to financial institutions

	Note	2013			2012		
		Held by the holding company	Further given as collateral	Total	Held by the holding company	Further given as collateral	Total
		Rupees in '000					
Market Treasury Bills		-	496,195	496,195	-	231,188	231,188
Pakistan Investment Bonds		423,082	-	423,082	160,409	428,494	588,903
	8.5.1	423,082	496,195	919,277	160,409	659,682	820,091

- 8.5.1** Market value of the securities amounting to Rs. 925.789 million (2012: Rs. 826.880 million).

		2013			2012		
		Held by the Company	Given as collateral	Total	Held by the Company	Given as collateral	Total
Note		Rupees in '000					
9.1 Investments by types	9.6						
Held-for-trading securities							
Pakistan Investment Bonds (PIBs)	9.4 & 9.6.1	30,659	252,088	282,747	13,366	612,226	625,592
Market Treasury Bills (T-Bills)	9.4 & 9.6.1	726,187	197,369	923,556	50,812	648,145	698,957
Listed ordinary shares	9.6.2.1	17,472	-	17,472	-	-	-
		774,318	449,457	1,223,775	64,178	1,260,371	1,324,549
Available-for-sale securities							
Pakistan Investment Bonds (PIBs)	9.4 & 9.6.1	402,615	2,351,998	2,754,613	154,242	2,647,324	2,801,566
Market Treasury Bills (T-Bills)	9.4 & 9.6.1	-	-	-	485,026	653,294	1,138,320
Listed ordinary shares	9.6.2.2	207,890	-	207,890	213,693	-	213,693
Unlisted ordinary shares	9.6.3	131,333	226,000	357,333	131,333	226,000	357,333
Unlisted preference shares	9.6.8	-	-	-	231,744	-	231,744
Mutual funds units	9.6.7.1	14,337	-	14,337	14,337	-	14,337
	9.6.4.1 &						
Term finance certificates (TFCs)	9.6.5.1	2,351,722	-	2,351,722	2,772,238	177,691	2,949,929
Sukuk certificates	9.6.6.1	605,074	-	605,074	724,373	-	724,373
National Saving Bonds	9.6.7.2	-	-	-	9,999	-	9,999
		3,712,971	2,577,998	6,290,969	4,736,985	3,704,309	8,441,294
Held-to-maturity securities							
Pakistan Investment Bonds (PIBs)	9.5	-	-	-	202,576	-	202,576
Associates							
Japan Power Generation Limited		51,921	70,726	122,647	51,921	70,726	122,647
Pak Oman Advantage Fund		262,828	-	262,828	262,828	-	262,828
Pak Oman Advantage Islamic Income Fund		92,667	-	92,667	92,667	-	92,667
Pak Oman Islamic Asset Allocation Fund		92,414	-	92,414	92,414	-	92,414
Pak Oman Advantage Asset Allocation Fund		84,078	-	84,078	84,078	-	84,078
Pak Oman Microfinance Bank Limited		301,208	-	301,208	251,108	-	251,108
	9.6.9	885,116	70,726	955,842	835,016	70,726	905,742
Subsidiary							
Pak Oman Asset Management Company Limited	9.6.10	168,300	-	168,300	168,300	-	168,300
Investments at cost		5,540,705	3,098,181	8,638,886	6,007,055	5,035,406	11,042,461
Less: Provision for diminution in the value of investments	9.3	818,203	59,271	877,474	746,520	59,271	805,791
Investments - net of provisions		4,722,502	3,038,910	7,761,412	5,260,535	4,976,135	10,236,670
Surplus / (deficit) on revaluation of held-for-trading securities	9.7	193	3,713	3,906	(119)	(2,209)	(2,328)
(Deficit) / surplus on revaluation of available-for-sale securities	20	(54,758)	(81,259)	(136,017)	(40,896)	35,581	(5,315)
Total investments at carrying value		4,667,937	2,961,364	7,629,301	5,219,520	5,009,507	10,229,027

9.2 Investments by segments

	Note	2013	2012
		Rupees in '000	
Federal Government Securities			
Pakistan Investment Bonds (PIBs)	9.4, 9.5 & 9.6.1	3,037,360	3,629,734
Market Treasury Bills (MTBs)	9.4 & 9.6.1	923,556	1,837,277
		<u>3,960,916</u>	<u>5,467,011</u>
Fully paid up ordinary shares			
Listed companies	9.6.2	225,362	213,693
Unlisted companies	9.6.3	357,333	357,333
		<u>582,695</u>	<u>571,026</u>
Term finance certificates (TFCs)			
Listed	9.6.4	1,504,849	2,046,467
Unlisted	9.6.5	846,873	903,462
		<u>2,351,722</u>	<u>2,949,929</u>
Sukuk certificates-Unlisted	9.6.6	605,074	724,373
Other investments			
Investments in mutual funds	9.6.7.1	14,337	14,337
National Saving Bonds	9.6.7.2	-	9,999
Preference shares-unlisted	9.6.8	-	231,744
		<u>14,337</u>	<u>256,080</u>
Investments in associates	9.6.9	955,842	905,742
Investment in subsidiary	9.6.10	168,300	168,300
Total investments at cost		<u>8,638,886</u>	<u>11,042,461</u>
Less: Provision for diminution in the value of investments	9.3	877,474	805,791
Investments (net of provisions)		<u>7,761,412</u>	<u>10,236,670</u>
Surplus / (deficit) on revaluation of held-for-trading securities	9.7	3,906	(2,328)
Deficit on revaluation of available-for-sale securities	20	(136,017)	(5,315)
Total investments at carrying value		<u>7,629,301</u>	<u>10,229,027</u>

9.3 Particulars of provision for diminution in the value of investments

Opening balance		805,791	595,231
Charge for the year		179,000	237,056
Reversal for the year		(57,914)	(6,838)
		<u>121,086</u>	<u>230,218</u>
Transfer from mark-up		-	49,980
Transfer to advances	10.6	-	(15,000)
Transfer to capital gain due to disposal of relevant investments		-	(54,638)
Write off		(49,403)	-
Closing balance	9.3.1	<u>877,474</u>	<u>805,791</u>

9.3.1 Particulars of provision in respect of types and segments

	2013	2012
	Rupees in '000	
Available-for-sale securities		
Shares		
-Listed	49,171	42,149
-Unlisted	69,091	55,795
Term Finance Certificates		
-Listed	263,036	234,520
-Unlisted	125,441	114,530
Sukuk-unlisted	115,103	118,826
Investment in Mutual Funds	7,679	7,679
	629,521	573,499
Associates	102,783	102,783
Subsidiary	145,170	129,509
	877,474	805,791

9.4 The rates of return on PIBs maturing between July 2015 to January 2024 (2012: June 2013 to August 2021), range from 10.70 to 14.02 (2012: 5.2 to 14.02) percent per annum. The rates of return on market treasury bills maturing between January 2014 to February 2014 (2012: January 2013 to November 2013), range from 9.82 to 10.40 (2012: 9.19 to 9.5) percent per annum.

9.5 These PIBs have been matured during the year.

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

9.6.1 Government Securities

2013		2012	
Market Value	Rating	Market Value	Rating
Rupees in '000		Rupees in '000	
-	-	13,230	Unrated
13,495	Unrated	-	Unrated
264,544	Unrated	609,606	Unrated
8,956	Unrated	-	Unrated
286,995		622,836	
923,352	Unrated	-	-
-	-	472,200	Unrated
-	-	227,185	Unrated
923,352		699,385	

9.6.1.2 Available-for-sale

Pakistan Investment Bonds (PIBs)			
20 years	16,927	Unrated	-
15 years	237,997	Unrated	-
10 years	1,833,624	Unrated	1,225,096
7 years	-	-	-
5 years	581,425	Unrated	1,607,978
3 years	-	-	-
	2,669,973		2,833,074
Market Treasury Bills (MTBs)			
12 months	-	-	1,139,193
	3,880,320		5,294,488



2013		2012	
Amortised Cost	Rating	Amortised Cost	Rating
Rupees in '000		Rupees in '000	

9.6.1.3 Held-to-maturity

Pakistan Investment Bonds (PIBs)
10 years

- - 202,576 Unrated

9.6.2 Listed shares

Rating	2013	2012	2013	2012	2013	2012
	No. of shares held		Cost		Market value	
			Rupees in '000			

9.6.2.1 Held-for-trading

Chemical

Fauji Fertilizer Bin Qasim Limited

Unrated 298,000 - 13,126 - 13,055 -

Oil and gas

Pakistan Petroleum Limited

Unrated 20,000 - 4,346 - 4,279 -
17,472 - 17,334 -

9.6.2.2 Available-for-sale

Construction and materials (Cement)

Cherat Cement Limited

Unrated 199,500 - 11,243 - 12,625 -

Fertilizer

Fauji Fertilizer Company Limited

Unrated 525,000 300,000 61,787 36,298 58,779 35,142

Electricity

HUB Power Co. Limited

AA+/A1+ - 594,994 - 22,134 - 26,918

Lalpir Power Limited

AA/A1+ 2,071,858 - 45,601 - 41,229 -

Chemical

Agritech Limited (9.6.5.2)

D 1,629,911 1,629,911 57,046 57,046 20,651 19,021

Commercial Banks

National Bank of Pakistan

AAA/A-1+ - 234,500 - 11,740 - 11,582

Allied Bank Limited

AA+/A1+ - 386,499 - 19,172 - 28,404

NIB Bank Limited

AA-/A1+ 3,788,000 - 10,053 - 8,863 -

Soneri Bank Limited

AA-/A1+ - 552,225 - 3,910 - 3,915

General Industrials

Cherat Packaging Limited

Unrated 396,500 - 14,076 - 18,952 -

Financial Services

Next Capital Limited

Unrated 808,400 808,400 8,084 8,084 4,042 3,961

Refinery / Oil & Gas

Pakistan Oilfield Limited

Unrated - 60,500 - 20,949 - 26,471

Pakistan State Oil

AA+/A1+ - 145,806 - 34,360 - 33,857

207,890 213,693 165,141 189,271
225,362 213,693 182,475 189,271

9.6.3 Particulars of investments held in shares of unlisted companies

9.6.3.1 Available-for-sale

Available-for-sale	No. of shares held		Cost		Share holding %	Break-up / carrying value per share (Rupees)	Latest available financial statements	Name of the Chief Executive
	2013	2012	2013	2012				
	Rupees in '000							
Shareholding upto 10%								
Alhamra Avenue (Private) Limited	5,000,000	5,000,000	50,000	50,000	3.12	9.21	30-06-2012***	Mr. Muhammad Hammad Arshad
Systems Limited	934,053	934,053	10,000	10,000	2.21	22.26	31-Dec-2012*	Mr. Asif Peer
Visionnet Systems Inc.	36,037	36,037	-	-	2.13	127.96	31-Dec-2012*	Mr. Arshad Masood
Pakistan Textile City Limited (Note 9.6.13)	5,000,000	5,000,000	50,000	50,000	4.00	5.45	30-Jun-2013*	Mr. Mohammad Hanif
Techlogix International Limited	1,872,197	1,872,197	21,333	21,333	1.84	4.20	31-Dec-2011**	Mr. Kewan Qadre Khawaja
Orient Power Co. (Private) Limited (Note 21.2)	22,600,000	22,600,000	226,000	226,000	5.43	15.48	30-Jun-2013*	Mr. Nadeem Baber
			357,333	357,333				

*Audited financial statement

**Audited consolidated financial statements

*** Unaudited financial statements

9.6.4 Listed Term-finance Certificates

9.6.4.1	Available-for-sale	Rate of Interest	Profit Payment	Maturity	Long Term rating	No. of certificates held		Market value / Cost	
						2013	2012	2013	2012
						Rupees in '000			
Investment bank/companies/securities									
Escort Investment Bank Limited		8%	Half yearly	15-Mar-16	BB	4,031	4,031	1,485	2,970
Commercial banks									
Allied Bank Limited I		6 month Kibor + 1.9%	Half yearly	6-Dec-14	AA	25,078	25,078	62,833	127,341
Allied Bank Limited II		6 month Kibor + 0.85%	Half yearly	28-Aug-19	AA	13,962	13,962	66,803	67,984
Askari Bank Limited I		6 month Kibor + 1.5%	Half yearly	4-Feb-13	AA-	-	463	-	2,307
Askari Bank Limited II		6 month Kibor + 1.5%	Half yearly	31-Oct-13	AA-	-	3,000	-	15,095
Askari Bank Limited III		6 month Kibor + 2.5%	Half yearly	18-Nov-19	AA-	50,949	50,949	258,128	280,987
Bank Al-Falah Limited III		6 month Kibor + 1.5%	Half yearly	25-Nov-13	AA-	-	1,000	-	3,343
Bank Al-Falah Limited V		6 month Kibor + 1.25%	Half yearly	20-Feb-21	AA-	29,500	-	150,677	-
Standard Chartered Bank Limited III		6 month Kibor +2%	Half yearly	1-Feb-13	AAA	-	6,740	-	8,443
Faysal Bank Limited		6 month Kibor + 1.4%	Half yearly	12-Nov-14	AA-	17,681	17,681	44,312	89,596
NIB Bank Limited		6 month Kibor + 1.15%	Half yearly	5-Mar-15	A+	-	63,106	-	315,753
United Bank Limited-IV		6 month Kibor + 0.85%	Half yearly	14-Feb-18	AA	-	16,300	-	83,146
Soneri Bank Limited		6 month Kibor + 1.6%	Half yearly	5-May-13	A+	-	8,500	-	10,552
Summit Bank Limited		6 month Kibor + 3.25%	Half yearly	27-Oct-18	A-(SO)	10,000	10,000	47,193	47,717
Technology and communication									
Telecard Limited		3 month Kibor + 5.04%	Half yearly	27-May-15	Unrated	56,716	56,716	-	78,046
Pakistan Mobile Communication Limited		6 month Kibor + 2.85%	Half yearly	31-May-13	AA-	-	26,000	-	21,722
WorldCall Telecom Limited		6 month Kibor + 1.6%	Half yearly	7-Oct-15	D	108,623	108,623	162,836	162,836
Chemical									
Engro Fertilizers Limited II		6 month Kibor + 1.55%	Half yearly	30-Nov-15	A	30,177	30,177	150,508	146,868
Pak Arab Fertilizers Limited		6 month Kibor + 1.5%	Half yearly	28-Feb-13	AA	-	10,000	-	15,006
Personal goods									
Azgard Nine Limited		6 month Kibor + 2.4%	Half yearly	20-Sep-17	D	15,000	15,000	3,527	17,024
Leasing									
Saudi Pak Leasing Company Limited		6%	Monthly	13-Mar-17	Unrated	-	28,469	-	-
Orix Leasing Pakistan Limited II		3 month Kibor + 2.15%	Quarterly	30-Jun-14	AA+	500	500	10,023	29,786
Electricity									
KESC AZM Certificate		14.75%	Quarterly	3-Jul-15	AA	10,000	10,000	49,870	49,990
Miscellaneous									
Pace (Pakistan) Limited		6 month Kibor + 2%	Half yearly	15-Feb-17	Unrated	60,230	60,230	162,614	190,663
							1,170,809	1,767,175	

9.6.4.2 The face value of each certificate held in listed TFCs is Rs. 5,000 (2012: Rs. 5,000) per certificate as at issue date except for Orix Leasing Pakistan Limited having face value per TFC of Rs. 100,000 (2012: Rs. 100,000)

		Rate of Interest	Profit Payment	Maturity	Long Term rating	No. of certificates held		Market value / Cost	
						2013	2012	2013	2012
9.6.5	Unlisted Term Finance Certificate							Rupees in '000	
9.6.5.1	Available-for-sale								
	Commercial banks								
	Faysal Bank Limited - PPTFC	6 month Kibor + 2.25%	Half yearly	27-Dec-17	AA-	30,000	30,000	156,910	153,487
	Bank Al Habib Limited - PPTFC	15.50%	Quarterly	15-Jun-17	AA	10,000	10,000	52,311	55,883
	Bank Al-Falah Limited - IV	6 month Kibor + 2.5%	Half yearly	2-Dec-17	AA-	33,000	33,000	174,068	172,495
	Development Financial Institutions								
	Pak-Libya Holding Co. (Pvt) Limited - PPTFC	6 month Kibor + 1.6%	Half yearly	7-Feb-16	AA	8,000	8,000	33,236	40,287
	Chemical								
	Engro Fertilizers Limited - PPTFC	6 month Kibor + 1.70%	Half yearly	18-Mar-18	A	44,500	44,500	213,087	200,306
	Agri Tech Limited (Note 9.6.5.2)	6 month Kibor + 1.75%	Half yearly	29-Nov-19	D	20,000	20,000	49,437	63,987
	Agri Tech Limited (Note 9.6.5.2)	Zero coupon	Half yearly	1-Jan-15	D	4,309	4,309	-	-
	Personal goods								
	Nishat (Chunain) Limited - PPTFC	3 month Kibor + 2.25%	Quarterly	30-Sep-15	A	10,000	10,000	25,000	37,500
	Azgard Nine Limited - III	6 month Kibor + 2.25%	Half yearly	4-Dec-17	D	2,000	2,000	898	3,024
	Azgard Nine Limited - IV	3 month Kibor + 1%	Quarterly	18-Nov-15	D	5,000	5,000	4,287	11,155
	Azgard Nine Limited - V	Zero coupon	Half yearly	31-Mar-17	D	5,687	5,687	-	-
	Leasing								
	Security Leasing Corporation Limited	-	-	29-Jan-22	Unrated	12,000	12,000	-	-
	Miscellaneous								
	Avani Hotels Limited	12 month Kibor + 2.50%	Yearly	30-Oct-14	A-	10,000	10,000	18,599	40,981
								<u>727,833</u>	<u>779,105</u>
9.6.5.2	In respect of term finance certificates and shares of Agritech Limited, the State Bank of Pakistan (SBP) vide their letter number BPRD/BRD-(Policy)/2013-11339 dated July 25, 2013 has provided further relaxation and advised to record provision and impairment on existing credit exposure and mark-to-market loss on shares in a phased manner upto 30%, 40%, 50%, 60%, 75%, 85% and 100% by June 30, 2013, September 30, 2013, December 31, 2013, March 31, 2014, June 30, 2014, September 30, 2014 and December 31, 2014 respectively calculated under Prudential Regulations. The Company has maintained 53.56% (December 31, 2012: 50%) provision on credit exposure and 100% (December 31, 2012: 100%) impairment on mark-to-market loss on shares in these unconsolidated financial statements.								
9.6.6	Investment in unlisted Sukuk								
9.6.6.1	Available-for-sale								
	Personal Goods								
	Amtex Limited	3 month Kibor + 2%	Quarterly	12-Oct-12	Unrated	22,000	22,000	79,612	79,612
	Leasing								
	Security Leasing Corporation Limited	-	Monthly	19-Jan-22	Unrated	10,000	10,000	-	-
	Security Leasing Corporation Limited II	-	Monthly	19-Jan-22	Unrated	10,000	10,000	-	-
	Energy								
	Liberty Power Tech (Private) Limited	3 month Kibor + 3%	Quarterly	18-Mar-21	A+	60,000	60,000	253,609	275,645
	Miscellaneous								
	Al-Razi HealthCare (Private) Limited	6 month Kibor + 3.6%	Monthly	4-Nov-17	Unrated	30,000	30,000	128,000	148,000
	Century Papers & Board Mills Limited	6 month Kibor + 1.35%	Half yearly	25-Sep-14	Unrated	-	10,000	-	19,635
	House Building Finance Corporation Limited	6 month Kibor + 1%	Half yearly	8-May-14	Unrated	55,035	55,035	27,540	81,579
	New Allied Electronic Industries (Private) Limited	3 month Kibor + 2.6%	Quarterly	25-Jul-12	Unrated	272,000	272,000	-	-
								<u>488,761</u>	<u>604,471</u>
9.6.6.2	The face value of each certificate held in unlisted Sukuks is Rs. 5,000 (2012: Rs. 5,000) per certificate as at issue date except for New Allied Electronic Industries (Private) Limited having face value per Sukuk of Rs. 312.5 (2012: Rs. 312.5).								

9.6.7 Other Investments

Rating	No. of unit / shares held		Cost		Market value	
	2013	2012	2013	2012	2013	2012
Rupees in '000						

9.6.7.1 Investment in Mutual Funds

NAMCO Balance Fund	Unrated	1,756,352	1,580,875	14,337	14,337	14,672	7,509
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9.6.7.2 Bonds

National Savings Bonds- 3 Years	Unrated	-	1,000	-	9,999	-	9,400
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9.6.8 Preference shares unlisted

Rate of Interest	Rating	No. of shares held		Cost	
		2013	2012	2013	2012
				Rupees in '000	

9.6.8.1 Available for sale

Orient Power Company Limited	6 month Kibor+2.5%	Cumulative	Unrated	-	26,974,445	-	231,744
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9.6.9 Investment in associates

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

No. of unit / shares held		Cost		Holding	Break-up value per share / unit (Rupees)	Latest available financial statements	Name of the Chief Executive
2013	2012	2013	2012				
Rupees in '000							

9.6.9.2 Quoted

Japan Power Generation Limited (JPGL) (Note 9.6.9.3 and 21.1)	30,560,189	30,560,189	122,647	122,647	19.59%	(29.93)	30-June-13***	Mr. Mohammad Mohsin (Acting CEO)
Pak Oman Advantage Fund	27,109,000	27,109,000	262,828	262,828	27.11%	10.84	31-Dec-13**	Ms. Hina Ghazanfar
Pak Oman Islamic Asset Allocation Fund	2,000,000	2,000,000	92,414	92,414	88.61%	57.36	31-Dec-13**	Ms. Hina Ghazanfar
Pak Oman Advantage Asset Allocation Fund	2,000,000	2,000,000	84,078	84,078	84.36%	55.27	31-Dec-13**	Ms. Hina Ghazanfar
Pak Oman Advantage Islamic Income Fund	2,003,976	2,003,976	92,667	92,667	41.04%	52.41	31-Dec-13**	Ms. Hina Ghazanfar

Unquoted

Pak Oman Microfinance Bank Limited (Note 9.6.13)	30,120,788	25,110,788	301,208	251,108	33.40%	9.01	31-Dec-13*	Mr. Munawar Suleman
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955,842	905,742
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**Reviewed financial statements.

* Unaudited financial statements

***Audited financial statements.

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

9.6.9.4 The above associates are incorporated in Pakistan.

9.6.9.5 Associates - Key Information

	Pak Oman Advantage Fund	Pak Oman Advantage Islamic Income Fund	Pak Oman Islamic Asset Allocation Fund	Pak Oman Advantage Asset Allocation Fund	Japan Power Generation Limited	Pak Oman Microfinance Bank Limited
Particulars	Rupees in '000					
Assets	1,172,075	269,421	147,511	166,119	8,281,188	871,268
Liabilities	88,487	13,477	18,036	35,078	11,879,065	54,298
Profit / (loss) before taxation	66,578	11,711	21,395	25,145	(896,634)	(37,644)
Profit / (loss) after taxation	66,578	11,711	21,395	25,145	(897,885)	(37,671)

9.6.10 Subsidiary

	No. of shares held		Cost		Percentage of holding %	Break-up value per share (Rupees)	Latest available financial statements	Name of the Chief Executive
	2013	2012	2013	2012				
	Rupees in '000							
Pak Oman Asset Management Company Limited (Note 9.6.11 and 9.6.12)	16,830,000	16,830,000	168,300	168,300	51	1.374	31-Dec-13	Ms. Hina Ghazanfar

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

9.6.12 The management of the subsidiary company has decided not to continue with the plan of amalgamation with AKDIMCL and the Board is considering various options to address issues of subsidiary company.

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

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

	2013	2012
	Rupees in '000	
Federal Government Securities		
- Market Treasury Bills	(204)	428
- Pakistan Investment Bonds	4,248	(2,756)
	4,044	(2,328)
Shares-listed	(138)	-
	3,906	(2,328)

In Pakistan	Note	2013	2012
		Rupees in '000	
Loans, cash credit, running finance, etc. in Pakistan		7,105,050	6,215,491
Net investment in finance leases in Pakistan	10.3	1,158,149	928,382
Advance against leases		48,875	8,504
Staff loans	10.4	120,483	128,496
Advances - Gross	10.1	8,432,557	7,280,873
Less: Provision for non-performing loans and advances	10.6	938,867	933,814
Advances - net of provision		7,493,690	6,347,059

10.1 Particulars of advances (Gross)

10.1.1	In local currency	10.1.3	8,432,557	7,280,873
10.1.2	In foreign currency		-	-
10.1.3	Short term (for upto one year)		4,769,350	3,532,069
	Long term (for over one year)		3,663,207	3,748,804
			8,432,557	7,280,873

10.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the Company has further availed the benefit of FSV against the non-performing advances and term finance certificates. Had this benefit of FSV not been taken by the Company, the specific provision against non-performing advances and term finance certificates would have been higher by Rs. 26.339 million (net of tax Rs. 17.12 million) and profit before taxation for the year ended December 31, 2013 would have been reduced by the same amount. As of December 31, 2013, the Company has availed total accumulated FSV benefit amounting to Rs. 319.8 million (net of tax Rs. 207.873 million). Accordingly, accumulated profit of Rs. 207.873 million (net of transfer to statutory reserves Rs. 166.298 million) will not be available for the distribution as cash or stock dividend to the shareholders of the Company as required by the aforementioned SBP directives.

10.3 Net investment in finance lease

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

	2013			2012		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	Rupees in '000					
Lease rentals receivable	539,241	650,071	1,189,312	492,501	413,014	905,515
Residual value	67,092	88,866	155,958	71,320	86,001	157,321
Minimum lease payments	606,333	738,937	1,345,270	563,821	499,015	1,062,836
Financial charges for future periods	(81,681)	(105,440)	(187,121)	(64,257)	(70,197)	(134,454)
Present value of minimum lease payments	524,652	633,497	1,158,149	499,564	428,818	928,382

10.3.1.1 In respect of the aforementioned finance leases the Company holds an aggregate sum of Rs. 142.153 million (2012: Rs. 138.977 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (note 17).

10.3.1.2 The Company has entered into lease agreements of various vehicles and plant and machinery. The amount recoverable under these arrangements are receivable by the year 2017 and are subject to finance income at rates ranging between 10.83 to 16.11 (2012: 11.25 to 16.24) percent per annum.

10.4 Staff loans include personal loans and house loans given to employees in accordance with their terms of appointment. House loans carry mark-up at a rate of 5 (2012: 5) percent per annum, while no mark-up is charged on personal loans.

10.4.1 Staff loans include an amount of Rs. 13.845 million (2012: Rs. 21.124 million) advanced to the Company's Chief Executive.

10.5 Particulars of classification

10.5.1 Advances include Rs. 1,132.366 million (2012: Rs. 1,182.906 million) which have been placed under the non-performing status as detailed below:

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

	2012								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	94,878	-	94,878	-	-	-	-	-	-
Doubtful	128,266	-	128,266	63,061	-	63,061	63,061	-	63,061
Loss	959,762	-	959,762	870,753	-	870,753	870,753	-	870,753
	1,182,906	-	1,182,906	933,814	-	933,814	933,814	-	933,814

10.6 Particulars of provision against non-performing advances

	Note	2013			2012		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		933,814	-	933,814	974,224	-	974,224
Charge during the year		92,734	-	92,734	51,966	-	51,966
Reversal during the year		(87,681)	-	(87,681)	(107,376)	-	(107,376)
Net charge		5,053	-	5,053	(55,410)	-	(55,410)
Less: Amounts written off during the year	10.7	-	-	-	-	-	-
Transfer from investments	9.3	-	-	-	15,000	-	15,000
Closing balance		938,867	-	938,867	933,814	-	933,814

10.6.1 Particulars of provisions against non-performing advances

	2013			2012		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	938,867	-	938,867	933,814	-	933,814
In foreign currencies	-	-	-	-	-	-
	<u>938,867</u>	<u>-</u>	<u>938,867</u>	<u>933,814</u>	<u>-</u>	<u>933,814</u>

10.7 Particulars of write offs

	2013	2012
	Rupees in '000	
Against provisions	-	-
Directly charged to profit and loss account	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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

10.7.2 Statement showing written off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2013.

S. No.	Name and address of the borrower	Name of individuals partners/ directors with CNIC No.	Outstanding liabilities at beginning of year name					Principal written-off	Interest/mark-up written off	Other financial relief provided	Total (9+10+11)
			Father's/Husband's name	Principal	Interest/mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
				Rupees in '000							
N/A	N/A	N/A	N/A	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-

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

	Note	2013	2012
		Rupees in '000	
Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons.			
Balance at beginning of the year		128,496	110,448
Loans granted during the year		22,072	48,688
Repayments		(30,085)	(30,640)
Balance at end of the year		120,483	128,496
Debts due by subsidiary company, controlled firms and other related parties			
Balance at beginning of the year		324,913	345,388
Loans granted during the year		-	-
Repayments		(21,635)	(20,475)
Balance at end of the year		303,278	324,913
	10.8.1	423,761	453,409

- 10.8.1 This includes an amount of Rs. 68.2 million due from Japan Power Generation Limited (an associated company) classified as non performing loan under loss category. The Company has recorded provision for entire amount due as at December 31, 2013.

- 10.9** Maximum total amount of advances including temporary advances granted during the year amounts to Rs. 448 (2012: Rs. 457) million. The maximum amount has been calculated by reference to month end balance.

11 OPERATING FIXED ASSETS

	Note	2013	2012
Rupees in '000			
Property and equipment	11.1	50,451	54,223
Intangible	11.2	635	1,666
Advance for capital expenditure		-	2,836
		<u>51,086</u>	<u>58,725</u>

11.1 Property and equipment

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

Description	Cost			Depreciation			Net book value	Rate %
	As at January 1, 2012	Addition (deletion) during the year	As at December 31, 2012	As at January 1, 2012	During the year / (on disposals)	As at December 31, 2012	As at December 31, 2012	
	Rupees in ‘000							
Owned								
Office premises*	42,126	-	42,126	15,445	2,106	17,551	24,575	5
Improvement	8,422	-	8,422	7,194	613	7,807	615	20
Office equipment	8,599	173	8,772	7,078	633	7,711	1,061	20
Computer equipment	16,002	1,670 (874)	16,798	12,657	2,604 (795)	14,466	2,332	33.33
Furniture and fixtures	11,696	100 (250)	11,546	9,854	707 (146)	10,415	1,131	20
Vehicles	2,358	9,410	11,768	2,266	1,066	3,332	8,436	20
Assets subject to finance lease								
Vehicles	42,284	- (4,523)	37,761	16,808	7,756 (2,876)	21,688	16,073	20
2012	131,487	11,353 (5,647)	137,193	71,302	15,485 (3,817)	82,970	54,223	

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

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
Rupees in '000							
Vehicles							
Suzuki Cultus	917	595	322	560	238	Company policy	Syed Abdullah Jamal Ahmed (Executive)
Honda Civic	1,775	1,775	-	454	454	Company policy	Mr. Jehangir Shah (Deputy Managing Director)
Suzuki Cultus	970	48	922	930	8	Negotiations	Mandviwala Motors (Pvt) Ltd - Madviwala Chambers, Old Queens Road, Karachi
	3,662	2,418	1,244	1,944	700		
Others	1,333	1,271	62	97	35		
	4,995	3,689	1,306	2,041	735		

11.2 Intangible assets

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

Description	Cost			Amortisation			Net book value	Rate %
	As at January 1, 2012	Addition during the year	As at December 31, 2012	As at January 1, 2012	During the year	As at December 31, 2012	As at December 31, 2012	
	Rupees in ‘000							
Software licences	11,070	356	11,426	7,444	2,316	9,760	1,666	33.33

12 DEFERRED TAX ASSETS - Net

Deferred tax assets arising in respect of:

Note	2013	2012
Rupees in '000		
Provision for diminution in the value of investments	233,751	211,119
Provision against other assets	1,294	-
Amortisation of premium on Federal Government Securities	778	17,121
Revaluation on investments classified as available-for-sale	52,659	8,363
Accelerated tax depreciation allowances	601	814
Provision against non-performing advances	328,603	326,835
	617,686	564,252

Less: Deferred tax liabilities arising in respect of:

Assets subject to finance leases	(1,170)	(1,930)
Revaluation on investments classified as held-for-trading	(1,402)	815
Net investment in finance leases	(71,622)	(87,739)
	(74,194)	(88,854)
	543,492	475,398

12.1

12.1 Movement of deferred tax

	January 1, 2012	Recognized in		December 31, 2012	Recognized in		December 31, 2013
		Profit and loss account	Surplus / (deficit) on revaluation of securities		Profit and loss account	Surplus / (deficit) on revaluation of securities	
Rupees in '000							
Deferred tax assets arising in respect of:							
Provision for diminution in the value of investments	150,584	60,535	-	211,119	22,632	-	233,751
Provision against other assets	-	-	-	-	1,294	-	1,294
Amortisation of premium on Federal Government Securities	14,445	2,676	-	17,121	(16,343)	-	778
Revaluation on investments classified as available-for-sale	45,341	-	(36,978)	8,363	-	44,296	52,659
Accelerated tax depreciation allowances	(16)	830	-	814	(213)	-	601
Provision against non- performing advances	340,978	(14,143)	-	326,835	1,768	-	328,603
	551,332	49,898	(36,978)	564,252	9,138	44,296	617,686
Less: deferred tax liabilities arising in respect of:							
Assets subject to finance leases	(2,134)	204	-	(1,930)	760	-	(1,170)
Revaluation on investments classified as held-for-trading	4,154	(3,339)	-	815	(2,217)	-	(1,402)
Net Investment in finance leases	(123,016)	35,277	-	(87,739)	16,117	-	(71,622)
Dividend receivable	(1,513)	1,513	-	-	-	-	-
	(122,509)	33,655	-	(88,854)	14,660	-	(74,194)
	428,823	83,553	(36,978)	475,398	23,798	44,296	543,492

13 OTHER ASSETS

	Note	2013	2012
		Rupees in '000	
Mark-up / Return / Interest receivable in local currency		321,538	306,472
Mark-up/profit receivable on purchase of securities		25,831	51,785
Security deposits		4,609	4,804
Prepayments		8,193	7,569
Receivable against sale of investments		16,870	-
Taxation		54,054	-
Advances against shares		50,000	-
Non-banking assets acquired in satisfaction of claims	13.1	37,760	-
Others		3,818	3,824
		522,673	374,454
Less: Provision held against other assets	13.2	(3,698)	-
	13.3	518,975	374,454
13.1 Market value of non-banking assets acquired in satisfaction of claims.		37,760	-

13.2 Provision against other assets

	2013	2012
	Rupees in '000	
Opening balance	-	-
Charge for the year	3,698	-
Reversals	-	-
Amount Written off	-	-
Closing balance	3,698	-

- 13.3** The above balances include an aggregate amount of Rs. 514 million (2012: Rs. 370 million) due within a year.

14 BORROWINGS

In Pakistan	5,721,831	6,546,367
Outside Pakistan	-	-
	5,721,831	6,546,367

14.1 Particulars of borrowings with respect to currencies

In local currency	5,721,831	6,546,367
In foreign currencies	-	-
	5,721,831	6,546,367

14.2 Particulars of borrowings

Secured

Borrowings from the State Bank of Pakistan:

-LTF-EOP	14.3	47,699	98,718
-LTFF	14.3	970,163	833,994

Repurchase agreement borrowings	14.4	3,223,829	5,205,861
Long-term borrowings	14.5	816,667	-
Short-term running finance	14.6	163,473	57,794
		5,221,831	6,196,367

Unsecured

Placements	14.7	500,000	350,000
		5,721,831	6,546,367

- 14.3** The Company has entered into agreements for financing with the SBP of long-term finance for export oriented projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the date of maturity of the finances by directly debiting the current account maintained by the Company with the SBP. The rate of return ranges from 5 to 11 percent per annum (2012: 5 to 11 percent per annum). These are repayable within 7 years (2012: 7 years)

- 14.4** The rate of return on these repurchase agreement borrowings, maturing in January 2014 to February 2014 (2012: January 2013), ranges between 9.8 to 10.75 (2012: 7.75 to 9.48) percent per annum. Securities having cost of Rs 3,297.650 million (2012: Rs 5,220.671 million) have been pledged against these borrowings.

- 14.5** The rate of return on these long-term borrowings is three month KIBOR + 0.35% & six months KIBOR+0.25%. The above facilities are secured against advances receivable.

- 14.6** The rate of return on these short-term running finance facilities is three month KIBOR + 0.25% (2012: three month KIBOR + 1.25%). The above facility are secured against loan and advances receivable.
- 14.7** The rates of return on these placements, maturing in January 2014 (2012: from January 2013 to February 2013) ranges between 9.55 to 9.80 (2012: 9.80 to 10.10) percent per annum.

15 DEPOSITS AND OTHER ACCOUNTS

	Note	2013	2012
		Rupees in '000	
Certificates of investment - remunerative (in local currency):			
Financial institutions		607,747	731,747
Others		3,826,101	3,619,253
	15.1, 15.2, 15.3 & 15.4	<u>4,433,848</u>	<u>4,351,000</u>

15.1 Particular of deposits

In local currency	4,433,848	4,351,000
In foreign currencies	-	-
	<u>4,433,848</u>	<u>4,351,000</u>

- 15.2** The rate of return on deposits maturing between January 2014 to July 2015 (2012: January 2013 to May 2014) is 8.6 to 12.30 (2012: 9 to 13.75) percent per annum.
- 15.3** These include Certificate of Investments purchased by gratuity fund of the Company as disclosed in note 32.7.1 and by provident fund of the Company amounting to Rs. 4.9 million (2012: 16.1).
- 15.4** These include Certificate of Investments purchased by Pak Oman Microfinance Bank Limited (associate) of the Company amounting to Rs. 576 million (2012: 442 million).

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2013			2012		
	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	5,414	317	5,097	6,117	932	5,185
Later than one year but not later than five years	504	16	488	5,703	332	5,371
	<u>5,918</u>	<u>333</u>	<u>5,585</u>	<u>11,820</u>	<u>1,264</u>	<u>10,556</u>

- 16.1** The Company has entered into lease agreements with financial institutions for lease of vehicles. Lease rentals are payable in quarterly and monthly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from 10.58% to 15% per annum (2012: 10.58 % to 15% per annum). At the end of lease term, the Company has option to acquire the assets, subject to adjustment of security deposits.

17 OTHER LIABILITIES

	Note	2013	2012
		Rupees in '000	
Mark-up / Return / Interest payable in local currency		127,231	180,330
Accrued expenses		53,006	54,599
Staff gratuity	32.2	4,876	2,121
Security deposits against investment in finance leases	10.3.1.1	142,153	138,977
Taxation		-	115,886
Others		38,335	17,035
		<u>365,601</u>	<u>508,948</u>

18 SHARE CAPITAL

18.1 Authorized Capital

2013	2012		2013	2012
Rupees in '000			Rupees in '000	
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs.10 each	<u>10,000,000</u>	<u>10,000,000</u>

18.2 Issued, subscribed and paid-up

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

18.3 The Ministry of Finance on behalf of the Government of Pakistan and the Sultanate of Oman through its Ministry of Finance each holds 307,495,900 (2012: 307,495,900) ordinary shares of the Company, while 4,100 (2012: 4,100) ordinary shares each are held by the Secretary - Economic Affairs Division, Government of Pakistan and Ministry of Commerce and Industry, Sultanate of Oman.

19 RESERVES

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

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

20.1 (Deficit) / surplus on revaluation of available-for-sale securities

	Note	2013	2012
		Rupees in '000	
Federal Government Securities		-	873
- Market Treasury Bills (MTBs)		(84,640)	31,508
- Pakistan Investment Bonds (PIBs)		<u>(84,640)</u>	<u>32,381</u>
Shares-listed		6,422	17,727
Term Finance Certificates			
- Listed		(71,004)	(44,772)
- Unlisted		<u>6,401</u>	<u>(9,827)</u>
		(64,603)	(54,599)
Sukuk-unlisted		(1,210)	(1,076)
National Saving Bonds		-	(599)
Investment in Mutual Funds		<u>8,014</u>	<u>851</u>
		<u>(136,017)</u>	<u>(5,315)</u>
Deferred tax asset recognized	12	<u>52,659</u>	<u>8,363</u>
		<u>(83,358)</u>	<u>3,048</u>

21 CONTINGENCIES AND COMMITMENTS

	Note	2013	2012
		Rupees in '000	
Transaction related contingent liability:			
Guarantees		20,000	-
Pledge of shares on behalf of Japan Power Generation Limited	21.1	70,726	70,726
Pledge of shares on behalf of Orient Power Company (Private) Limited	21.2	226,000	226,000
Commitments for:			
Sale of Government securities		496,945	235,667
Commitments for advances and net investment in finance leases		1,762,545	1,016,982
Commitments for the acquisition of operating fixed assets		-	709
21.1	Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 (2012: Rs. 70.726) million are pledged as security on behalf of that associate company against a syndicate finance facility obtained by it (the associate company).		
21.2	Investment in unlisted shares in Orient Power Company (Private) Limited (related party) aggregating 22,600,000 having a cost of Rs. 226 million are pledged as security against a syndicate finance facility obtained by Orient Power Company (Private) Limited.		

22 MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:

Customers	713,781	818,201
Financial institutions	10,583	2,569
	<u>724,364</u>	<u>820,770</u>

On investments in:

Available-for-sale securities	664,444	880,343
Held-to-maturity securities	6,350	13,083
Held-for-trading securities	36,395	155,178
	<u>707,189</u>	<u>1,048,604</u>

On securities purchased under resale agreements

109,065 139,132

On deposit with financial institutions

10,125 12,204

On placements

2,552 3,597

On certificate of investments

11,504 24,476

1,564,799 2,048,783

23 MARK-UP / RETURN / INTEREST EXPENSED

On secured borrowings:

Repurchase agreement borrowings	280,889	564,337
Long-term borrowings	116,263	83,474
Short-term borrowings	2,593	4,309
	<u>399,745</u>	<u>652,120</u>

On un-secured borrowings:

Placements	74,170	81,653
Certificate of investments	418,775	570,527
	<u>492,945</u>	<u>652,180</u>
	<u>892,690</u>	<u>1,304,300</u>

24 GAIN ON SALE OF SECURITIES

	Note	2013	2012
Rupees in '000			
Federal Government Securities			
- Market Treasury Bills		2,631	17,020
- Pakistan Investment Bonds		35,039	120,320
		<u>37,670</u>	<u>137,340</u>
Term Finance Certificates		(1,413)	4,313
Shares			
- Listed		82,781	89,105
		<u>119,038</u>	<u>230,758</u>

25 OTHER INCOME

Gain on sale of property and equipment	735	1,230
Exchange gain on revaluation	-	42
Late payment charges on dividend income	304	706
	<u>1,039</u>	<u>1,978</u>

26 ADMINISTRATIVE EXPENSES

Salaries, allowances and employees' benefits		160,251	148,997
Contribution to defined contribution plan		10,291	9,345
Charge for defined benefit plan	32.8	8,098	9,842
Non-executive directors' fee / remuneration	34	19,949	14,717
Chief executive's remuneration	34	29,438	25,776
Traveling and accommodation		10,675	9,404
Rent, rates and taxes		14,705	13,186
Utilities		2,547	1,953
Communication		6,796	6,379
Professional training		1,136	1,213
Advertisement and business promotion		703	1,313
Membership and subscriptions		2,169	2,025
Printing, stationery and periodicals		3,618	2,827
Depreciation	11.1	15,075	15,485
Amortization of intangible assets	11.2	1,031	2,316
Auditors' remuneration	26.1	1,114	1,715
Legal and professional charges		9,974	8,446
Repairs and maintenance		6,130	5,757
Transportation		11,550	11,186
Insurance		6,240	5,560
Finance charges on leased assets		888	1,772
Entertainment and canteen expenses		2,496	2,020
Donation	26.2	1,226	726
Others		1,575	1,485
		<u>327,675</u>	<u>303,445</u>

26.1 Auditors' remuneration

Audit fee	462	440
Half yearly review	161	148
Special certifications and others	368	951
Out of pocket expenses	123	176
	<u>1,114</u>	<u>1,715</u>

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

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

	2013	2012
	Rupees in '000	
Patients' Aid Foundation of Jinnah Post Graduate Medical Centre	350	-
Marie Adelaide Leprosy Centre (MALC)	150	-
Al-Mehrab Tibbi Imdad	140	140
The Kidney Centre Post Graduation Training Institute	200	-
Burns Centre	140	140
	<u>980</u>	<u>280</u>

27 OTHER CHARGES

Fees and commission	8,332	8,522
	<u>8,332</u>	<u>8,522</u>

28 TAXATION

For the year		
Current	136,022	260,722
Deferred	(23,798)	(83,553)
	<u>112,224</u>	<u>177,169</u>

28.1 Relationship between tax expense and accounting profit

Profit before taxation	487,764	605,523
Tax at the applicable rate of 34% (2012: 35%)	165,840	211,933
Tax effect due to change in tax rate from 35% to 34%	(680)	-
Tax effect of income taxed at different rate	(34,869)	(21,829)
Tax effect of exempt capital loss / (gain)	(17,234)	(25,454)
Tax effect of exempt provision for diminution in the value of investments	2,387	14,790
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge	(3,220)	(2,271)
	<u>112,224</u>	<u>177,169</u>

28.2 Tax contingencies

The Income tax Department has amended the deemed assessment orders for the tax years 2004, 2005, 2009, 2010, 2011 and 2012, wherein major issues raised by the authorities were related to applicability of Workers Welfare Fund (WWF), disallowance of allocation of common expenses and disallowance of losses claimed on early termination of leased assets. The Company's appeals are pending at various appellate forums.

Management estimates that sufficient provisions have been made in the relevant financial years and no further provision is required. Further, management expects favorable outcome of the appeals based on their tax consultant's opinion.

29 EARNINGS PER SHARE

Profit after taxation	Rupees in '000	375,540	428,354
Weighted average number of ordinary shares in issue	Numbers in '000	615,000	615,000
Basic earnings per share	Rupees	0.61	0.70
Diluted earnings per share	Rupees	0.61	0.70

29.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2013 and December 31, 2012.

30 CASH AND CASH EQUIVALENTS

	Note	2013	2012
		Rupees in '000	
Cash and balances with treasury banks	6	77,998	101,865
Balances with other banks	7	206,647	158,294
Placements	8	276,000	-
		<u>560,645</u>	<u>260,159</u>

31 STAFF STRENGTH

Permanent	59	59
Temporary / on contractual basis	<u>9</u>	<u>8</u>
Company's own staff strength at end of the year	68	67
Contractual	26	26
Total staff strength	<u>94</u>	<u>93</u>

32 DEFINED BENEFIT PLAN

32.1 General Description

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

32.1.1 Principal actuarial assumptions

The latest actuarial valuation for defined benefit plan scheme was carried out as at December 31, 2013 using the Projected Unit Credit Method (PUCM). The following significant assumptions were used for the actuarial valuation:

	2013	2012
	Percent per annum	
Discount rate	13.00	11.50
Expected rate of increase in salary levels	13.00	11.50
Expected rate of return on plan assets	13.00	11.50

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

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

32.2 Reconciliation of amount payable to defined benefit plan

	Note	2013	2012
		Rupees in '000	
Present value of defined benefit obligation	32.3	68,821	52,079
Fair value of plan assets	32.5	(63,945)	(49,958)
	32.4	<u>4,876</u>	<u>2,121</u>

32.3 Movement in the defined benefit obligation:

Present value of obligation as at January 1	52,079	38,207
Current service cost	8,454	7,880
Interest cost	5,989	4,655
Benefits paid	-	(1,936)
Actuarial loss on remeasurement of obligation	2,299	3,273
Present value of obligation as at December 31	<u>68,821</u>	<u>52,079</u>



	Note	2013	2012
		Rupees in '000	
32.4 Movement in payable to defined benefit plan:			
Opening liability		2,121	(781)
Expense for the year	32.8	8,098	9,842
Other Comprehensive Income		5,090	
Contributions to the fund		(10,433)	(6,940)
Closing liability		<u>4,876</u>	<u>2,121</u>

32.5 Movement in the fair value of plan assets:

Fair value of plan assets as at January 1		49,958	38,988
Expected return on plan assets		6,345	5,186
Contributions		10,433	6,940
Benefits paid		-	(1,936)
Actuarial (loss) / gain on remeasurement of plan assets		(2,791)	780
Fair value of plan assets as at December 31	32.7	<u>63,945</u>	<u>49,958</u>

32.6 Actual return on plan assets during the year was Rs. 3.554 million (2012: Rs. 5.966 million).

32.7 The plan assets are comprised as follows:

Particulars	Note	2013		2012	
		Rating	Rating	Rupees in '000	%
Market Treasury Bills		Unrated	Unrated	33,566	52.49
Pakistan Investment Bonds		Unrated	Unrated	13,796	21.57
Special Saving Certificates (SSCs)		Unrated	Unrated	10,323	16.14
Term Finance Certificates					
- WorldCall Telecom Limited		D	D	866	1.35
- United Bank Limited		-	AA	-	
- NIB Bank Limited		-	A+	-	
				866	1.35
Certificate of Investments	32.7.1	Unrated	Unrated	5,219	8.16
Bank balance		Unrated	Unrated	175	0.27
				<u>63,945</u>	<u>100</u>

32.7.1 These include Certificate of Investment held with the Company. These carry mark-up at rates ranging from 9.25% to 9.75% (2012: 9.15% to 10.50%).

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

	2013	2012
	Rupees in '000	
Current service cost	8,454	7,880
Net Interest	(356)	4,655
Expected return on plan assets	-	(5,186)
Actuarial loss	-	2,493
	<u>8,098</u>	<u>9,842</u>

32.9 Actuarial (losses) / gains

	Note	2013	2012
		Rupees in '000	
Net unrecognised actuarial (losses) / gains as at January 1		-	-
Actuarial loss on remeasurement of obligation	32.9.1	(2,299)	(3,273)
Actuarial (loss) / gain on remeasurement of plan assets	32.9.1	(2,791)	780
		(5,090)	(2,493)
Actuarial loss recognised in:			
other comprehensive income		5,090	-
profit and loss account		-	2,493
Net unrecognised actuarial (losses) / gains as at December 31		-	-

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

	2013	2012	2013	2012
	Actuarial loss on remeasurement of			
	Obligation		Plan assets	
	Rupees in '000			
Demographic assumptions	490		-	
Financial loss	-		538	(608)
Experience adjustment	1,809	3,273	2,253	(172)
	2,299	3,273	2,791	(780)

32.10 Sensitivity analysis

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	%	Rupees in '000	
Discount rate	1	(8,604)	10,394
Salary growth rate	1	10,255	(8,635)
Life expectancy	1	15	-

32.11 The expected gratuity expense for the next year ending December 31, 2014 works out to Rs. 11.091 million.

32.12 The average duration of the benefit obligation at 31 December 2013 is 20.53 years (2012: 21.25 years).

33 DEFINED CONTRIBUTION PLAN

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

33.2 Contribution made during the year

	2013	2012
	Rupees in '000	
Contribution from the Company	10,291	9,345
Contribution from employees	10,291	9,345
	20,582	18,690

34 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Non-Executive Directors		Executives	
	2013	2012	2013	2012	2013	2012
	Rupees in '000					
Fees / remuneration	-	-	19,949	14,717	-	-
Managerial remuneration	27,876	24,075	-	-	143,985	124,998
Charge for defined benefit plan	762	816	-	-	7,284	8,605
Contribution to defined contribution plan	1,485	1,269	-	-	8,414	7,559
Medical	445	552	-	-	-	-
Utilities	622	712	-	-	237	190
Membership fee	80	76	-	-	4	42
Others	415	361	-	-	429	407
	<u>31,685</u>	<u>27,861</u>	<u>19,949</u>	<u>14,717</u>	<u>160,363</u>	<u>141,801</u>
Number of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>5</u>	<u>52</u>	<u>52</u>

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

35 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

- 35.1** On-balance sheet financial instruments

	2013		2012	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
Assets				
Cash and balances with treasury banks	77,998	77,998	101,865	101,865
Balances with other banks	206,647	206,647	158,294	158,294
Lendings to financial institutions	1,206,521	1,206,521	833,119	833,119
Investments - net	6,753,112	6,753,112	9,387,277	9,384,557
Advances - net	7,493,690	7,493,690	6,347,059	6,347,059
Other assets	418,968	418,968	366,885	366,885
	<u>16,156,936</u>	<u>16,156,936</u>	<u>17,194,499</u>	<u>17,191,779</u>
Liabilities				
Borrowings from financial institutions	5,721,831	5,721,831	6,546,367	6,546,367
Deposits and other accounts	4,433,848	4,433,848	4,351,000	4,351,000
Liabilities against assets subject to finance lease	5,585	5,585	10,556	10,556
Other liabilities	360,725	360,725	390,941	390,941
	<u>10,521,989</u>	<u>10,521,989</u>	<u>11,298,864</u>	<u>11,298,864</u>
	<u>5,634,947</u>	<u>5,634,947</u>	<u>5,895,635</u>	<u>5,892,915</u>

- 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.

36 SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Commercial Banking
	Rupees in '000		
2013			
Total income	3,511	1,114,044	728,743
Total expenses	59,015	738,227	561,292
Net (loss) / income	(55,504)	375,817	167,451
Segment assets (gross)	-	10,638,603	8,905,448
Segment non-performing advances	-	-	1,132,366
Investments provided for	-	1,352,836	-
Segment provision required *	-	877,474	938,867
Segment liabilities	-	5,192,317	5,334,548
Segment return on net assets (%)	-	8.23%	6.36%
Segment return on assets (ROA) (%)	-	3.85%	2.10%
Segment cost of funds (%)	-	5.39%	5.87%
2012			
Total income	8,903	1,562,566	825,129
Total expenses	46,760	1,186,932	557,383
Net (loss) / income	(37,857)	375,634	267,746
Segment assets (gross)	-	12,614,438	7,703,108
Segment non-performing advances	-	-	-
Investments provided for	-	1,404,614	-
Segment provision required*	-	805,791	933,814
Segment liabilities	-	6,618,191	4,798,680
Segment return on net assets (%)	-	7.24%	13.59%
Segment return on assets (ROA) (%)	-	3.18%	3.96%
Segment cost of funds (%)	-	7.10%	7.31%

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

37 RELATED PARTY TRANSACTIONS

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

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

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

37.1 Subsidiary

Pak Oman Asset Management Company Limited

37.2 Associates

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

37.3 Key management personnel

All heads of departments
Directors

37.4 Retirement benefit fund

Defined benefit plan
Defined contribution plan

37.5 Other related party

Orient Power Company (Private) Limited

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

Nature of related party transaction	2013				2012			
	As at 1-Jan-13	Given during the year	Repaid during the year	As at 31-Dec-13	As at 1-Jan-12	Given during the year	Repaid during the year	As at 31-Dec-12
Investments								
Subsidiary	168,300	-	-	168,300	168,300	-	-	168,300
Associates	905,742	50,100	-	955,842	905,742	-	-	905,742
Other related parties	457,744	-	(231,744)	226,000	495,744	-	(38,000)	457,744
	<u>1,531,786</u>	<u>50,100</u>	<u>(231,744)</u>	<u>1,350,142</u>	<u>1,569,786</u>	<u>-</u>	<u>(38,000)</u>	<u>1,531,786</u>
Advances								
Subsidiary	-	-	-	-	1,465	-	(1,465)	-
Associates	68,200	-	-	68,200	68,200	-	-	68,200
Key Management personnel	68,907	10,356	(15,960)	63,303	65,877	16,947	(13,917)	68,907
Other related parties	256,713	-	(21,635)	235,078	275,723	-	(19,010)	256,713
	<u>393,820</u>	<u>10,356</u>	<u>(37,595)</u>	<u>366,581</u>	<u>411,265</u>	<u>16,947</u>	<u>(34,392)</u>	<u>393,820</u>
Deposits								
Associates	441,747	297,859	(163,859)	575,747	353,819	383,888	(295,960)	441,747
Key Management personnel	13,941	48,634	(51,264)	11,311	10,021	44,396	(40,476)	13,941
Retirement benefit funds	39,289	36,399	(65,670)	10,018	13,500	101,291	(75,502)	39,289
	<u>494,977</u>	<u>382,892</u>	<u>(280,793)</u>	<u>597,076</u>	<u>377,340</u>	<u>529,575</u>	<u>(411,938)</u>	<u>494,977</u>
Borrowings								
Associates	-	-	-	-	100,000	-	(100,000)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>



	2013	2012
	Rupees in '000	
Other receivables from		
Associates	-	12
Other payable		
Gratuity fund	4,876	2,121
Mark-up income		
Subsidiary	-	82
Key Management personnel	2,993	2,910
Other related parties	28,875	41,059
Dividend income		
Associates	75,714	47,752
Other related parties	50,561	23,227
Other income		
Other related parties	304	706
Mark-up expense on deposits		
Associates	57,865	53,529
Key Management personnel	1,126	1,387
Retirement benefit fund	3,549	4,103
Mark-up expense on borrowing		
Associates	-	441
Expenses for the year		
Remuneration to key management personnel	101,043	88,707
Non-executive director's fee / remuneration	19,949	14,717
Charge for defined contribution plan	10,291	9,345
Charge for defined benefit plan	8,098	9,842
Outright sale of Government Securities		
Retirement benefit fund	202,002	31,734
Outright purchase of Government Securities		
Retirement benefit fund	-	40,079
Outright sale of Term Finance Certificates (TFCs)		
Retirement benefit fund	-	98
Capital gain on Government Securities		
Retirement benefit fund	151	36

38 CAPITAL ADEQUACY

38.1 Capital management policies and procedures

The Company's objectives when managing capital are:

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



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

SBP requires each development financial institution to: (a) hold the minimum level of the regulatory capital of Rs. 6 billion as at 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 three tiers:

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

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

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

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

The table refer in note 38.3 summarizes the composition of regulatory capital and the ratios of the Company for the year ended December 31, 2013.

38.2 The Company's CAR as at December 31, 2013 was 36.6% of its risk weighted exposure.

The calculation of capital adequacy enables the DFIs' to assess the long term soundness. The Company has successfully managed in the past and will in the future its Capital requirements/ needs. Based on the directives of the Board, the Company has built a health portfolio of assets and liabilities focusing on quality. CAR of 36.6% demonstrates that the company is geared to absorb major risks / shocks in the present market scenario. The Company meets its capital needs through clean placements (LOP & COI) and short and long term lines from commercial institutions.

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

38.3 Capital Adequacy Ratio (CAR) disclosure template:

Common Equity Tier 1 capital (CET1):

Instruments and reserves

- 1 Fully Paid-up Capital/ Capital deposited with SBP
- 2 Balance in Share Premium Account
- 3 Reserve for issue of Bonus Shares
- 4 General/ Statutory Reserves
- 5 Gain/(Losses) on derivatives held as Cash Flow Hedge
- 6 Unappropriated/unremitted profits/ (losses)
- 7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)

8 CET 1 before Regulatory Adjustments

Common Equity Tier 1 capital: Regulatory adjustments

- 9 Goodwill (net of related deferred tax liability)
- 10 All other intangibles (net of any associated deferred tax liability)
- 11 Shortfall of provisions against classified assets
- 12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)
- 13 Defined-benefit pension fund net assets
- 14 Reciprocal cross holdings in CET1 capital instruments
- 15 Cash flow hedge reserve
- 16 Investment in own shares/ CET1 instruments
- 17 Securitization gain on sale
- 18 Capital shortfall of regulated subsidiaries
- 19 Deficit on account of revaluation from bank's holdings of property/ AFS
- 20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)
- 21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)
- 22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)
- 23 Amount exceeding 15% threshold
- 24 of which: significant investments in the common stocks of financial entities
- 25 of which: deferred tax assets arising from temporary differences
- 26 National specific regulatory adjustments applied to CET1 capital

2013		2012
Amount	Amounts subject to Pre - Basel III treatment	
Rupees in '000		

6,150,000	6,150,000
-	-
-	-
646,091	570,983
-	-
488,112	437,039
-	-

7,284,203 7,158,022

-	-
635	1,666
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
136,017	5,315
-	3,816
-	13,025
-	-
-	221,481
-	125,785
-	95,696
-	-

		2013		2012
		Amount	Amounts subject to Pre - Basel III treatment	
		Rupees in '000		
27	Investment in TFCs of other banks exceeding the prescribed limit	287,148		679,366
28	Any other deduction specified by SBP (mention details)	-		
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	727,398		
30	Total regulatory adjustments applied to CET1 (sum of 9 to 25)	136,652		6,981
Common Equity Tier 1		(a)	6,133,005	6,471,675
Additional Tier 1 (AT 1) Capital			-	-
31	Qualifying Additional Tier-1 instruments plus any related share premium	-		-
32	of which: Classified as equity	-		-
33	of which: Classified as liabilities	-		-
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-		-
35	of which: instrument issued by subsidiaries subject to phase out	-		-
36	AT1 before regulatory adjustments		-	-
Additional Tier 1 Capital: regulatory adjustments				
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-		-
38	Investment in own AT1 capital instruments	-		-
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-		-
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		-
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	363,699		276,364
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	363,699	296,238	-



		2013		2012
		Amount	Amounts subject to Pre - Basel III treatment	
		Rupees in '000		
44	Total of Regulatory Adjustment applied to AT1 capital	-		
45	Additional Tier 1 capital	-		-
46	Additional Tier 1 capital recognized for capital adequacy (b)	-		276,364
	Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	6,133,005		6,195,311
Tier 2 Capital				
47	Qualifying Tier 2 capital instruments under Basel III	-		-
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-		-
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-		-
50	of which: instruments issued by subsidiaries subject to phase out	-		-
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-		-
52	Revaluation Reserves	-		-
53	of which: Revaluation reserves on Property	-		-
54	of which: Unrealized Gains/Losses on AFS	-		-
55	Foreign Exchange Translation Reserves	-		-
56	Undisclosed/Other Reserves (if any)	-		-
57	T2 before regulatory adjustments			
	Tier 2 Capital: regulatory adjustments			
58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	363,699		(276,364)
59	Reciprocal cross holdings in Tier 2 instruments	-		-
60	Investment in own Tier 2 capital instrument	-		-
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	296,238	-
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-
63	Amount of Regulatory Adjustment applied to T2 capital	-		-
64	Tier 2 capital (T2)	-		-
65	Tier 2 capital recognized for capital adequacy	-		-
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-		-
67	Total Tier 2 capital admissible for capital adequacy (d)	-		(276,364)
	TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	6,133,005		5,918,947

		2013		2012
		Amount	Amounts subject to Pre - Basel III treatment	
		Rupees in '000		
Total Risk Weighted Assets		(i=f+g+h)	16,756,764	14,278,818
68	Total Credit Risk Weighted Assets	(f)	11,395,524	8,047,927
69	Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		-	-
70	of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity "		-	-
71	of which: deferred tax assets		-	-
72	of which: Defined-benefit pension fund net assets		-	-
73	of which: [insert name of adjustment]		-	-
74	Total Market Risk Weighted Assets	(g)	3,695,541	4,477,892
75	Total Operational Risk Weighted Assets	(h)	1,665,699	1,752,999
Capital Ratios and buffers (in percentage of risk weighted assets)				
76	CET1 to total RWA (a/i)		36.6%	45.4%
77	Tier-1 capital to total RWA	(c/i)	36.6%	43.4%
78	Total capital to RWA	(e/i)	36.6%	41.5%
79	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		-	-
80	of which: capital conservation buffer requirement		-	-
81	of which: countercyclical buffer requirement		-	-
82	of which: D-SIB or G-SIB buffer requirement		-	-
83	CET1 available to meet buffers (as a percentage of risk weighted assets)		-	-
National minimum capital requirements prescribed by SBP				
84	CET1 minimum ratio		5.0%	5%
85	Tier 1 minimum ratio		6.5%	6.50%
86	Total capital minimum ratio		10.0%	10%
Amounts below the thresholds for deduction (before risk weighting)				
87	Non-significant investments in the capital of other financial entities		12,906	-
88	Significant investments in the common stock of financial entities		727,398	-
89	Deferred tax assets arising from temporary differences (net of related tax liability)		-	-



2013		2012
Amount	Amounts subject to Pre - Basel III treatment	
Rupees in '000		

Applicable caps on the inclusion of provisions in Tier 2

90	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
91	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
92	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
93	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

38.4 Risk-Weighted Exposures

2013		2012	
Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
Rupees in '000			

Credit Risk

Balance Sheet Items:-

Cash and other liquid Assets	1,491,166	648,573	1,093,278	755,207
Money at call	-	-	-	-
Investments	7,629,301	2,116,932	10,229,027	799,923
Loans and Advances	7,493,690	5,679,913	6,347,059	4,821,038
Fixed Assets	51,086	50,451	58,725	57,059
Other Assets	1,062,467	1,877,705	849,852	849,852
	<u>17,727,710</u>	<u>10,373,574</u>	<u>18,577,941</u>	<u>7,283,079</u>

Off Balance Sheet items

Commitments / guarantees	1,782,545	625,835	1,016,982	420,991
Purchase and Resale Agreements	496,945	99,389	235,657	47,131
Performance Bonds etc	-	-	-	-
Revolving underwriting Commitments				
Others	296,726	296,726	296,726	296,726
Stand By Letters of Credit	-	-	-	-
Outstanding Foreign Exchange Contracts	-	-	-	-
-Purchase	-	-	-	-
-Sale	-	-	-	-
	<u>2,576,216</u>	<u>1,021,950</u>	<u>1,549,365</u>	<u>764,848</u>

Credit risk-weighted exposures

<u>11,395,524</u>	<u>8,047,927</u>
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Market Risk

General market risk	2,033,011	3,506,286
Specific market Risk	<u>1,662,530</u>	<u>971,606</u>

Market risk-weighted exposures

<u>3,695,541</u>	<u>4,477,892</u>
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Operational Risk

<u>1,665,699</u>	<u>1,752,999</u>
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Total Risk-Weighted Exposures

<u>16,756,764</u>	<u>14,278,818</u>
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38.5 Capital Structure Reconciliation

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	As at period end		
	Rupees in '000		
Assets			
Cash and balances with treasury banks	77,998	77,998	
Balanced with other banks	206,647	206,647	
Lending to financial institutions	1,206,521	1,206,521	
Investments	7,629,301	7,629,301	
Advances	7,493,690	7,493,690	
Operating fixed assets	51,086	51,086	
Deferred tax assets	543,492	543,492	
Other assets	518,975	518,975	
Total assets	17,727,710	17,727,710	
Liabilities & Equity			
Bills payable	-	-	
Borrowings	5,721,831	5,721,831	
Deposits and other accounts	4,433,848	4,433,848	
Sub-ordinated loans	-	-	
Liabilities against assets subject to finance lease	5,585	5,585	
Deferred tax liabilities	-	-	
Other liabilities	365,601	365,601	
Total liabilities	10,526,865	10,526,865	
Share capital/ Head office capital account	6,150,000	6,150,000	
Reserves	646,091	646,091	
Unappropriated/ Unremitted profit/ (losses)	488,112	488,112	
Minority Interest	-	-	
Definit on revaluation of assets	(83,358)	(83,358)	
Total liabilities & equity	17,727,710	17,727,710	
Assets			
Cash and balances with treasury banks	77,998	77,998	
Balanced with other banks	206,647	206,647	
Lending to financial institutions	1,206,521	1,206,521	
Investments	7,629,301	7,629,301	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold			a
of which: significant capital investments in financial sector entities exceeding regulatory threshold			b
of which: Mutual Funds exceeding regulatory threshold			c
of which: reciprocal crossholding of capital instrument			d
of which: others (mention details)			e
Advances	7,493,690	7,493,690	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB			f
general provisions reflected in Tier 2 capital			g
Fixed Assets	51,086	51,086	



	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	As at period end		
	Rupees in '000		
Deferred Tax Assets	617,686	617,686	
of which: DTAs excluding those arising from temporary differences			h
of which: DTAs arising from temporary differences exceeding regulatory threshold			i
Other assets	518,975	518,975	
of which: Goodwill			j
of which: Intangibles			k
of which: Defined-benefit pension fund net assets			l
Total assets	17,801,904	17,801,904	
Liabilities & Equity			
Bills payable			
Borrowings	5,721,831	5,721,831	
Deposits and other accounts	4,433,848	4,433,848	
Sub-ordinated loans			
of which: eligible for inclusion in AT1			m
of which: eligible for inclusion in Tier 2			n
Liabilities against assets subject to finance lease	5,585	5,585	
Deferred tax liabilities	74,194	74,194	
of which: DTLs related to goodwill			o
of which: DTLs related to intangible assets			p
of which: DTLs related to defined pension fund net assets			q
of which: other deferred tax liabilities			r
Other liabilities	365,601	365,601	
Total liabilities	10,601,059	10,601,059	
Share capital	6,150,000	6,150,000	
of which: amount eligible for CET1	6,150,000	6,150,000	s
of which: amount eligible for AT1			t
Reserves	646,091	646,091	
of which: portion eligible for inclusion in CET1(provide breakup)	646,091	646,091	u
of which: portion eligible for inclusion in Tier 2			v
Unappropriated profit/ (losses)	488,112	488,112	w
Minority Interest			
of which: portion eligible for inclusion in CET1			x
of which: portion eligible for inclusion in AT1			y
of which: portion eligible for inclusion in Tier 2			z
Surplus on revaluation of assets	(83,358)	(83,358)	
of which: Revaluation reserves on Property			aa
of which: Unrealized Gains/Losses on AFS	(83,358)	(83,358)	
In case of Deficit on revaluation (deduction from CET1)			ab
Total liabilities & Equity	17,801,904	17,801,904	



Component of regulatory capital reported by bank	Source based on reference number from step 2
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Common Equity Tier 1 capital (CET1): Instruments and reserves

1 Fully Paid-up Capital/ Capital deposited with SBP	6,150,000	(s)
2 Balance in Share Premium Account		
3 Reserve for issue of Bonus Shares		
4 General/ Statutory Reserves	646,091	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
6 Unappropriated/unremitted profits/(losses)	488,112	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	7,284,203	

Common Equity Tier 1 capital: Regulatory adjustments

9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	635	(k) - (p)
11 Shortfall of provisions against classified assets		(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments		(d)
15 Cash flow hedge reserve		
16 Investment in own shares/ CET1 instruments		
17 Securitization gain on sale		
18 Capital shortfall of regulated subsidiaries		
19 Deficit on account of revaluation from bank's holdings of property/ AFS	136,017	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold		
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	



	Component of regulatory capital reported by bank	Source based on reference number from step 2
26 National specific regulatory adjustments applied to CET1 capital		
27 Investment in TFCs of other banks exceeding the prescribed limit	287,148	
28 Any other deduction specified by SBP (mention details)		
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	727,398	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	136,652	
Common Equity Tier 1	6,133,005	

Additional Tier 1 (AT 1) Capital

31 Qualifying Additional Tier-1 instruments plus any related share premium		
32 of which: Classified as equity	-	(t)
33 of which: Classified as liabilities	-	(m)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35 of which: instrument issued by subsidiaries subject to phase out		

36 AT1 before regulatory adjustments

Additional Tier 1 Capital: regulatory adjustments

37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38 Investment in own AT1 capital instruments		
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	363,699	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	363,699	
44 Total of Regulatory Adjustment applied to AT1 capital	-	
45 Additional Tier 1 capital	-	
46 Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)	6,133,005	



	Component of regulatory capital reported by bank	Source based on reference number from step 2
Tier 2 Capital		
47 Qualifying Tier 2 capital instruments under Basel III	-	(n)
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
50 of which: instruments issued by subsidiaries subject to phase out	-	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	(g)
52 Revaluation Reserves eligible for Tier 2	-	
53 of which: portion pertaining to Property	-	portion of (aa)
54 of which: portion pertaining to AFS securities	-	
55 Foreign Exchange Translation Reserves	-	(v)
56 Undisclosed/Other Reserves (if any)	-	
57 T2 before regulatory adjustments	-	
Tier 2 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	363,699	
59 Reciprocal cross holdings in Tier 2 instruments	-	
60 Investment in own Tier 2 capital instrument	-	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63 Amount of Regulatory Adjustment applied to T2 capital	-	
64 Tier 2 capital (T2)	-	
65 Tier 2 capital recognized for capital adequacy	-	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	-	
TOTAL CAPITAL (T1 + admissible T2)	6,133,005	

38.6 Main Features Template of Regulatory Capital Instruments

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

38.7 Capital Adequacy

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy are as follows:

	Capital Requirements		Risk Weighted Assets	
	2013	2012	2013	2012
Rupees in '000				
Credit Risk				
Portfolios subject to standardized approach (Simple or Comprehensive)				
On-Balance sheet				
Public sector entities	100,057	-	1,000,571	-
Banks and DFIs	12,653	6,166	126,529	61,659
Corporate	515,779	533,911	5,157,788	5,339,110
Sovereign (include GoP and SBP)	-	-	-	-
Retail Portfolio	839	1,117	8,392	11,168
Residential mortgage finance	3,825	3,976	38,253	39,762
Past due loans	9,675	12,455	96,750	124,546
Operating fixed assets	5,045	5,706	50,451	57,059
Other assets	187,771	84,985	1,877,705	849,852
Off-Balance sheet -				
Non-market related	102,195	76,485	1,021,950	764,848
Equity Exposure Risk in the Banking Book	201,714	79,992	2,017,135	799,923
Total Credit Risk	<u>1,139,553</u>	<u>804,793</u>	<u>11,395,524</u>	<u>8,047,927</u>
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	243,472	280,503	3,043,394	3,506,286
Equity position risk	52,172	77,728	652,147	971,606
Total Market Risk	<u>295,644</u>	<u>358,231</u>	<u>3,695,541</u>	<u>4,477,892</u>
Operational Risk				
Capital Requirement for operational risks	133,256	140,240	1,665,699	1,752,999
TOTAL	<u>1,568,453</u>	<u>1,303,264</u>	<u>16,756,764</u>	<u>14,278,818</u>
Capital Adequacy Ratio	Current Year		Prior Year	
Total eligible regulatory capital held (Note: 38.3) (e)	<u>6,133,005</u>		<u>5,918,947</u>	
Total Risk Weighted Assets (Note: 38.3) (i)	<u>16,756,764</u>		<u>14,278,818</u>	
Capital Adequacy Ratio (e) / (i)	<u>36.60%</u>		<u>41.45%</u>	

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

Risk management organisation

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

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

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

39.1 Credit risk

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

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

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

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

Credit exposures subject to Standardised Approach

Exposures	Rating Category	2013			2012		
		Rupees in '000					
		Amount Outstanding	Deduction CRM*	Net amount	Amount Outstanding	Deduction CRM*	Net amount
Corporate	0	-	-	-	-	-	-
	1	496,195	423,083	919,278	585,989	588,903	1,174,892
	2	1,154,857	(11,800)	1,143,057	1,147,358	(100,225)	1,047,133
	3-4	190,000	-	190,000	100,000	-	100,000
	5-6	-	-	-	-	-	-
	Unrated	4,191,325	(411,283)	3,780,042	4,969,243	(488,678)	4,480,565
		<u>6,032,376</u>	<u>-</u>	<u>6,032,376</u>	<u>6,802,590</u>	<u>-</u>	<u>6,802,590</u>
Banks	0	-	-	-	-	-	-
	1	382,647	-	382,647	58,294	-	58,294
	2-3	100,000	-	100,000	100,000	-	100,000
	Unrated	-	-	-	-	-	-
		<u>482,647</u>	<u>-</u>	<u>482,647</u>	<u>158,294</u>	<u>-</u>	<u>158,294</u>

Sovereigns etc.

Unrated

*CRM= Credit Risk Mitigation

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

39.2 Segmental information

39.2.1 Segment by class of business

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

	2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Financial institution	105,161	1.44	731,747	16.82	235,657	15.20
Textile	1,292,534	17.75	3,315	0.08	452,382	29.18
Transportation and communication	332,519	4.57	555,013	12.76	25,000	1.61
Power	1,106,438	15.20	-	-	296,726	19.14
Electronics	160,079	2.20	-	-	-	-
Food and beverage	1,592,412	21.87	-	-	302,540	19.52
Services	334,241	4.59	80,000	1.84	100,000	6.45
Engineering and allied products	158,017	2.17	-	-	-	-
Chemical and pharmaceuticals	367,233	5.04	-	-	90,000	5.81
Automobiles	258,545	3.55	-	-	-	-
Fuel and energy	474,917	6.52	-	-	44,560	2.87
Construction	107,394	1.48	-	-	-	-
Cement	45,953	0.63	-	-	-	-
Sugar	384,205	5.28	-	-	-	-
Paper and board /packaging	92,215	1.27	-	-	2,500	0.16
Healthcare	150,000	2.06	-	-	-	-
Individual	128,496	1.76	428,190	9.84	-	-
Others	190,514	2.62	2,552,735	58.66	709	0.06
	7,280,873	100.00	4,351,000	100.00	1,550,074	100.00

39.2.2 Segment by sector

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

		2012					
		Advances (Gross)		Deposits		Contingencies and commitments	
		Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government		1,289,506	17.71	650,000	14.94	44,560	2.87
Private		5,991,367	82.29	3,701,000	85.06	1,505,514	97.13
		<u>7,280,873</u>	<u>100.00</u>	<u>4,351,000</u>	<u>100.00</u>	<u>1,550,074</u>	<u>100.00</u>

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

	2013		2012	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Automobile	213,957	213,957	258,545	258,545
Cement	26,907	26,907	45,953	45,953
Textile	438,151	380,585	454,834	331,808
Chemical and pharmaceuticals	34,854	30,649	38,616	34,411
Construction	55,250	53,675	57,395	53,675
Engineering and allied products	80,073	80,073	86,073	86,073
Electronics	50,000	2,819	50,000	-
Fuel and energy	89,194	60,907	89,194	34,053
Food and beverages	16,434	15,934	16,435	15,935
Financial institution	5,161	5,161	5,161	5,161
Power	68,200	68,200	68,200	68,200
Transportation & Communication	-	-	12,500	-
Others	54,185	-	-	-
	<u>1,132,366</u>	<u>938,867</u>	<u>1,182,906</u>	<u>933,814</u>

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

Public / Government	-	-	-	-
Private	1,132,366	938,867	1,182,906	933,814
	<u>1,132,366</u>	<u>938,867</u>	<u>1,182,906</u>	<u>933,814</u>

39.2.5 Geographical segment analysis

	2013		2012	
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	487,764	17,726,165	7,200,845	2,576,216
Middle East	-	1,545	-	-
	<u>487,764</u>	<u>17,727,710</u>	<u>7,200,845</u>	<u>2,576,216</u>

39.3 Market risk

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

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

39.3.1 Interest rate risk

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

39.3.2 Foreign currency risk

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

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistani Rupees	17,726,792	10,526,865	-	7,199,927
United States Dollar	148	-	-	148
Omani Riyal	770	-	-	770
	<u>17,727,710</u>	<u>10,526,865</u>	<u>-</u>	<u>7,200,845</u>

39.3.3 Equity position risk

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

39.3.4 Liquidity risk

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

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

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

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

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

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

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

Exposed to Yield / interest risk											
Effective yield/ interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial Instruments

Rupees in '000

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks		77,998	-	-	-	-	-	-	-	-	77,998
Balances with other banks	10.08%	206,647	204,796	-	-	-	-	-	-	-	1,851
Lending to financial institutions	10.31%	1,206,521	1,195,277	1,203	-	10,041	-	-	-	-	-
Investments	11.36%	6,753,112	704,398	1,335,872	1,167,583	763	51,432	958,061	1,039,464	993,223	16,927
Advances	12.06%	7,493,690	2,438,390	3,371,710	526,223	150,714	302,991	256,050	346,013	77,397	13,013
Other assets		418,968	-	-	-	-	-	-	-	-	418,968
		16,156,936	4,542,861	4,708,785	1,693,806	161,518	354,423	1,214,111	1,385,477	1,070,620	29,940

Liabilities

Borrowings from financial institutions	9.76%	5,721,831	3,013,445	1,336,547	479,166	119,070	268,930	196,652	270,634	37,387	-
Deposits and other accounts	9.64%	4,433,848	1,351,652	2,126,059	845,289	110,223	625	-	-	-	-
Liabilities against assets subject to finance leases	13.49%	5,585	359	922	1,236	2,580	488	-	-	-	-
Other liabilities		360,725	-	-	-	-	-	-	-	-	360,725
		10,521,989	4,365,456	3,463,528	1,325,691	231,873	270,043	196,652	270,634	37,387	-
On-balance sheet gap		5,634,947	177,405	1,245,257	368,115	(70,355)	84,380	1,017,459	1,114,843	1,033,233	29,940

Non-Financial assets 1,570,774

Non-Financial liabilities 4,876

Total Net Assets 7,200,845

Total yield/profit risk sensitivity gap 177,405 1,245,257 368,115 (70,355) 84,380 1,017,459 1,114,843 1,033,233 29,940

Cumulative yield/profit risk sensitivity gap 177,405 1,422,662 1,790,777 1,720,422 1,804,802 2,822,261 3,937,104 4,970,337 5,000,277

Mismatch of interest rate sensitive assets and liabilities as at December 31, 2012

Exposed to Yield / interest risk											
Effective yield/ interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial Instruments

Rupees in '000

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks		101,865	-	-	-	-	-	-	-	-	101,865
Balances with other banks	9.97%	158,294	153,611	-	-	-	-	-	-	-	4,683
Lending to financial institutions	9.80%	833,119	820,456	212	1,207	-	11,244	-	-	-	-
Investments	10.87%	9,387,277	108,012	1,509,922	1,861,075	1,615,890	8,994	63,898	3,373,571	115,853	730,062
Advances	12.92%	6,347,059	2,182,413	2,449,580	647,730	151,235	267,669	230,855	307,753	78,600	16,333
Other assets		366,885	-	-	-	-	-	-	-	-	366,885
		17,194,499	3,264,492	3,959,714	2,510,012	1,767,125	287,907	294,753	3,681,324	194,453	16,333

Liabilities

Borrowings from financial institutions	9.04%	6,546,367	5,471,422	194,064	59,264	114,383	207,033	216,375	246,022	37,804	-
Deposits and other accounts	10.75%	4,351,000	1,222,984	1,350,195	1,103,129	381,674	293,018	-	-	-	-
Liabilities against assets subject to finance leases	13.68%	10,556	640	942	1,577	2,026	4,882	489	-	-	-
Other liabilities		390,941	-	-	-	-	-	-	-	-	390,941
		11,298,864	6,695,046	1,545,201	1,163,970	498,083	504,933	216,864	246,022	37,804	-
On-balance sheet gap		5,895,635	(3,430,554)	2,414,513	1,346,042	1,269,042	(217,026)	77,889	3,435,302	156,649	16,333

Non-Financial assets 1,383,442

Non-Financial liabilities 118,007

Total Net Assets 7,161,070

Total yield/profit risk sensitivity gap (3,430,554) 2,414,513 1,346,042 1,269,042 (217,026) 77,889 3,435,302 156,649 16,333

Cumulative yield/profit risk sensitivity gap (3,430,554) (1,016,041) 330,001 1,599,043 1,382,017 1,459,906 4,895,208 5,051,857 5,068,190

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

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

39.4 Operational risk

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

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

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

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

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

Maturities of assets and liabilities as at December 31, 2013

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

Maturities of assets and liabilities as at December 31, 2012

2012									
Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000									
Assets									
Cash and balances with treasury banks	101,865	101,865	-	-	-	-	-	-	-
Balances with other banks	158,294	158,294	-	-	-	-	-	-	-
Lending to financial institutions	833,119	820,456	212	1,207	-	11,244	-	-	-
Investments	10,229,027	136,426	272,767	690,804	2,070,739	674,457	549,188	4,886,676	947,970
Advances	6,347,059	199,427	1,458,387	377,794	685,963	1,101,829	822,001	1,156,140	529,185
Other assets	374,454	71,536	215,889	81,226	999	-	-	4,804	-
Operating fixed assets	58,725	2,311	4,622	6,208	8,514	12,012	6,804	4,212	10,532
Deferred tax assets	475,398	(21,363)	(17,168)	(23,930)	(54,385)	(45,072)	(7,744)	646,012	(1,482)
	18,577,941	1,468,952	1,934,709	1,133,309	2,711,830	1,754,470	1,370,249	6,697,844	1,486,205
									20,373
Liabilities									
Borrowings from financial institutions	6,546,367	5,471,422	194,064	59,264	114,383	207,033	216,375	246,022	37,804
Deposits and other accounts	4,351,000	1,222,984	1,350,195	1,103,129	381,674	293,018	-	-	-
Liabilities against assets subject to finance leases	10,556	640	942	1,577	2,026	4,882	489	-	-
Others Liabilities	508,948	87,741	110,167	65,595	174,194	37,276	10,879	23,096	-
	11,416,871	6,782,787	1,655,368	1,229,565	672,277	542,209	227,743	269,118	37,804
	7,161,070	(5,313,835)	279,341	(96,256)	2,039,553	1,212,261	1,142,506	6,428,726	1,448,401
									20,373
Net assets									
Share capital	6,150,000								
Reserves	570,983								
Unappropriated profit	437,039								
	7,158,022								
Surplus on revaluation of investment - net of tax	3,048								
	7,161,070								

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

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

Maturities of assets and liabilities as at December 31, 2013

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

Maturities of assets and liabilities as at December 31, 2012

	2012									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets	Rupees in '000									
Cash and balances with treasury banks	101,865	101,865	-	-	-	-	-	-	-	-
Balances with other banks	158,294	158,294	-	-	-	-	-	-	-	-
Lending to financial institutions	833,119	820,456	212	1,207	-	11,244	-	-	-	-
Investments	10,229,027	136,426	272,767	690,804	2,070,739	674,457	549,188	4,886,676	947,970	-
Advances	6,347,059	199,427	1,458,387	377,794	685,963	1,101,829	822,001	1,156,140	529,185	16,333
Other assets	374,454	71,536	215,889	81,226	999	-	-	4,804	-	-
Operating fixed assets	58,725	2,311	4,622	6,208	8,514	12,012	6,804	4,212	10,532	3,510
Deferred tax assets	475,398	(21,363)	(17,168)	(23,930)	(54,385)	(45,072)	(7,744)	646,012	(1,482)	530
	18,577,941	1,468,952	1,934,709	1,133,309	2,711,830	1,754,470	1,370,249	6,697,844	1,486,205	20,373
Liabilities										
Borrowings from financial institutions	6,546,367	5,471,422	194,064	59,264	114,383	207,033	216,375	246,022	37,804	-
Deposits and other accounts	4,351,000	1,222,984	1,350,195	1,103,129	381,674	293,018	-	-	-	-
Liabilities against assets subject to finance leases	10,556	640	942	1,577	2,026	4,882	489	-	-	-
Others Liabilities	508,948	87,741	110,167	65,595	174,194	37,276	10,879	23,096	-	-
	11,416,871	6,782,787	1,655,368	1,229,565	672,277	542,209	227,743	269,118	37,804	-
Net assets	7,161,070	(5,313,835)	279,341	(96,256)	2,039,553	1,212,261	1,142,506	6,428,726	1,448,401	20,373
Share capital	6,150,000									
Reserves	570,983									
Unappropriated profit	437,039									
	7,158,022									
Surplus on revaluation of investment - net of tax	3,048									
	7,161,070									

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

40 Trust activities

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

41 POST BALANCE SHEET EVENTS

The Board of Directors of the Company in their meeting held on March 06, 2014 have:

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

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



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

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

These financial statements were authorised on March 06, 2014 by the Board of Directors of the Company.

Managing Director and Chief Executive Officer

Chairman



Consolidated Financial Statements

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Independent Auditors' Report to the Members on the Consolidated Financial Statements

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 (Pak Oman Asset Management Company Limited) as at December 31, 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company. We have also expressed opinion on annual financial statements of subsidiary for the year ended June 30, 2013, and conclusion on half-yearly financial information for the half year ended December 31, 2013. The financial statements of the subsidiary company covering period from January 1, 2013 to December 31, 2013 have been extracted from audited financial statements for the year ended June 30, 2013 and reviewed financial statements for the half year ended December 31, 2013.

These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary company as at December 31, 2013 and the results of their operations for the year then ended.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Karachi: March 06, 2014

Consolidated Statement of Financial Position

AS AT DECEMBER 31, 2013

2013	2012		Note	2013	2012
US \$ in '000				Rupees in '000	
ASSETS					
741	968	Cash and balances with treasury banks	6	78,034	101,974
2,156	1,519	Balances with other banks	7	227,034	159,980
11,455	7,910	Lendings to financial institutions	8	1,206,521	833,119
72,652	97,756	Investments - net	9	7,652,050	10,296,148
71,149	60,262	Advances - net	10	7,493,690	6,347,059
500	582	Operating fixed assets	11	52,642	61,298
4,678	4,083	Deferred tax assets - net	12	492,682	430,070
5,203	3,691	Other assets	13	547,998	388,729
168,534	176,771			17,750,651	18,618,377
LIABILITIES					
-	-	Bills payable		-	-
54,326	62,154	Borrowings	14	5,721,831	6,546,367
42,097	41,310	Deposits and other accounts	15	4,433,848	4,351,000
-	-	Sub-ordinated loans		-	-
53	103	Liabilities against assets subject to finance lease	16	5,605	10,802
-	-	Deferred tax liabilities		-	-
3,553	4,727	Other liabilities	17	374,125	497,955
100,029	108,294			10,535,409	11,406,124
68,505	68,477			7,215,242	7,212,253
NET ASSETS					
REPRESENTED BY					
58,391	58,391	Share capital	18	6,150,000	6,150,000
6,134	5,421	Reserves	19	646,091	570,983
4,581	4,299	Unappropriated profit		482,442	452,759
69,106	68,111			7,278,533	7,173,742
211	354	Non-controlling interest	20	22,221	37,268
69,317	68,465			7,300,754	7,211,010
(812)	12	(Deficit) / surplus on revaluation of assets - net of			
		Deferred tax	21	(85,512)	1,243
68,505	68,477			7,215,242	7,212,253
CONTINGENCIES AND COMMITMENTS					
22					

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

Managing Director and Chief Executive Officer

Chairman

Consolidated Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2013

2013	2012		Note	2013	2012
US \$ in '000				Rupees in '000	
14,875	19,475	Mark-up / return / interest earned	23	1,566,715	2,051,174
8,476	12,384	Mark-up / return / interest expensed	24	892,690	1,304,300
6,399	7,091	Net mark-up / interest income		674,025	746,874
48	(526)	Provision / (reversal) against non-performing advances	10.6	5,053	(55,410)
1,001	2,081	Provision for diminution in the value of investments	9.3	105,425	219,205
-	-	Bad debts written off directly		-	-
1,049	1,555			110,478	163,795
5,350	5,536	Net mark-up / interest income after provisions		563,547	583,079
		NON MARK-UP / INTEREST INCOME			
386	457	Fee, commission and brokerage income		40,688	48,095
661	376	Dividend income		69,574	39,564
-	-	Income from dealing in foreign currencies		-	-
1,134	2,257	Gain on sale of securities	25	119,456	237,760
59	131	Unrealised gain on revaluation of investments classified as held-for-trading		6,234	13,794
609	850	Share of profit from associates - net of tax		64,145	89,517
10	30	Other income	26	1,103	3,149
2,859	4,101	Total non mark-up / interest income		301,200	431,879
8,209	9,637			864,747	1,014,958
		NON MARK-UP / INTEREST EXPENSES			
3,728	3,528	Administrative expenses	27	392,662	371,542
35	-	Other provisions / write offs	13.2	3,698	-
105	142	Other charges	28	11,080	14,946
3,868	3,670	Total non mark-up / interest expenses		407,440	386,488
4,341	5,967			457,307	628,470
-	-	Extra ordinary / unusual items		-	-
4,341	5,967	PROFIT BEFORE TAXATION		457,307	628,470
1,296	2,484	Taxation	29	136,520	261,582
-	-	- current		-	-
(174)	(757)	- prior years		(18,316)	(79,698)
1,122	1,727	- deferred		118,204	181,884
3,219	4,240	PROFIT AFTER TAXATION		339,103	446,586
3,362	4,340	PROFIT / (LOSS) ATTRIBUTABLE TO:			
(143)	(100)	Shareholders of the holding company		354,150	457,168
3,219	4,240	Non-controlling interest		(15,047)	(10,582)
				339,103	446,586
US \$				Rupees	
0.0055	0.0071	Basic and diluted earnings per share	30	0.58	0.74

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

Managing Director and Chief Executive Officer

Chairman

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2013

2013	2012		Note	2013	2012
US \$ in '000				Rupees in '000	
3,219	4,240	Profit after taxation		339,103	446,586
		Other comprehensive income for the year			
-	-	Items that may be reclassified subsequently to profit and loss account		-	-
		Items that will not be reclassified subsequently to profit and loss account:			
(48)	-	Remeasurement of defined benefit obligation	5.20.2 & 33.9	(5,090)	-
16	-	Related tax impact		1,731	-
(32)	-			(3,359)	-
<u>3,187</u>	<u>4,240</u>	Total comprehensive income for the year		<u>335,744</u>	<u>446,586</u>
		Total comprehensive income attributable to:			
3,330	4,340	Shareholders of the holding company		350,791	457,168
(143)	(100)	Non-controlling interest		(15,047)	(10,582)
<u>3,187</u>	<u>4,240</u>			<u>335,744</u>	<u>446,586</u>

Deficit / surplus on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

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

Consolidated Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2013

2013	2012		Note	2013	2012
US \$ in '000				Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES					
4,341	5,967	Profit before taxation		457,307	628,470
661	376	Less: Dividend income		69,574	39,564
3,680	5,591			387,733	588,906
Adjustments:					
156	173	Depreciation	11.1	16,391	18,261
10	22	Amortization of intangible assets	11.2	1,031	2,324
(59)	(131)	Unrealised gain on revaluation of investments classified as held-for-trading		(6,234)	(13,794)
(8)	(13)	Gain on sale of operating fixed assets	26	(799)	(1,335)
(609)	(850)	Share of profit from associates - net of tax		(64,145)	(89,517)
48	(526)	Provision / (Reversal) against non-performing advances	10.6	5,053	(55,410)
1,001	2,081	Provision for diminution in the value of investments	9.3	105,425	219,205
35	-	Provision held against other assets	13.2	3,698	-
9	18	Finance charges on leased assets	27	957	1,849
583	774			61,377	81,583
4,263	6,365			449,110	670,489
(Increase) / decrease in operating assets					
(925)	4,639	Lendings to financial institutions		(97,402)	488,626
980	25,743	Net investments in held-for-trading securities		103,200	2,711,372
(10,935)	(5,137)	Advances - net		(1,151,684)	(541,088)
(864)	(157)	Other assets		(91,080)	(16,831)
(11,744)	25,088			(1,236,966)	2,642,079
(Decrease) / increase in operating liabilities					
(7,829)	(972)	Borrowings		(824,536)	(102,349)
787	(3,273)	Deposits and other accounts		82,848	(344,693)
(267)	(722)	Other liabilities (excluding taxation)		(28,122)	(76,219)
(7,309)	(4,967)			(769,810)	(523,261)
(14,790)	26,486			(1,557,666)	2,789,307
(10)	(19)	Finance charges paid on leased assets		(1,031)	(2,004)
(2,919)	(2,718)	Income tax paid		(307,400)	(286,254)
(17,719)	23,749			(1,866,097)	2,501,049
Net cash (used in) / generated from operating activities					
CASH FLOWS FROM INVESTING ACTIVITIES					
19,947	(22,895)	Net proceeds from / (investments in) available-for-sale securities		2,100,922	(2,411,411)
1,923	47	Net proceeds from held-to-maturity securities		202,576	4,917
677	694	Investments in associates		71,303	73,073
661	519	Dividend received		69,574	54,694
(96)	(152)	Investments in operating fixed assets		(10,135)	(15,971)
21	35	Sale proceeds of operating fixed assets disposed off		2,168	3,699
23,133	(21,752)	Net cash generated from / (used in) investing activities		2,436,408	(2,290,999)
CASH FLOWS FROM FINANCING ACTIVITIES					
(49)	(86)	Payments of lease obligations		(5,197)	(9,056)
(2,336)	(2,044)	Dividend paid		(246,000)	(215,250)
(2,385)	(2,130)	Net cash used in financing activities		(251,197)	(224,306)
3,029	(133)	Increase / (decrease) in cash and cash equivalents		319,114	(14,256)
2,489	2,622	Cash and cash equivalents at beginning of the year		261,954	276,210
5,518	2,489	Cash and cash equivalents at end of the year	31	581,068	261,954

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

Managing Director and Chief Executive Officer

Chairman

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2013

	Attributable to the shareholders of the holding company						
Issued, subscribed and paid-up capital	RESERVES		Unappropriated profit	Sub Total	Non-controlling interest	Total	
	Statutory reserve	General reserve					
Rupees in '000							
Balance as at January 1, 2012	6,150,000	473,682	11,630	296,512	6,931,824	47,850	6,979,674
Comprehensive income							
Profit / (loss) for the year ended December 31, 2012	-	-	-	457,168	457,168	(10,582)	446,586
Other comprehensive income - net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	457,168	457,168	(10,582)	446,586
Transfers							
Transfer to statutory reserve - 20% of the holding company's profit for the year	-	85,671	-	(85,671)	-	-	-
Transaction with owners recognised directly in equity							
Dividend for the year ended December 31, 2011 (Re. 0.35 per share)	-	-	-	(215,250)	(215,250)	-	(215,250)
Balance as at December 31, 2012	6,150,000	559,353	11,630	452,759	7,173,742	37,268	7,211,010
Comprehensive income							
Profit / (loss) for the year ended December 31, 2013	-	-	-	354,150	354,150	(15,047)	339,103
Other comprehensive income - net of tax	-	-	-	(3,359)	(3,359)	-	(3,359)
Total comprehensive income for the year	-	-	-	350,791	350,791	(15,047)	335,744
Transfers							
Transfer to statutory reserve - 20% of the holding company's profit for the year	-	75,108	-	(75,108)	-	-	-
Transaction with owners recognised directly in equity							
Dividend for the year ended December 31, 2012 (Re. 0.4 per share)	-	-	-	(246,000)	(246,000)	-	(246,000)
Balance as at December 31, 2013	6,150,000	634,461	11,630	482,442	7,278,533	22,221	7,300,754

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

Managing Director and Chief Executive Officer

Chairman

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2013

1 LEGAL STATUS AND NATURE OF BUSINESS

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

1.1.1 Holding Company

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

1.1.2 Subsidiary Company

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

1.2 The Group’s associates are as follows:

Entity	Country of incorporation	Nature of business	Holding %	
			2013	2012
Pak Oman Advantage Fund	Pakistan	Established as a closed-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	27.36	27.36
Pak Oman Advantage Islamic Income Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	41.04	35.36
Pak Oman Islamic Asset Allocation Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	88.61	64.97

Entity	Country of incorporation	Nature of business	Holding %	
			2013	2012
Pak Oman Advantage Asset Allocation Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	84.36	94.27
Pak Oman Government Securirties Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	-	-
Pak Oman Microfinance Bank Limited	Pakistan	Incorporated under the Companies Ordinance, 1984 and is engaged in providing micro finance services to the poor and under served segment of the society.	33.40	33.40
Japan Power Generation Limited (Note: 9.6.10.1)	Pakistan	Incorporated under the Companies Ordinance, 1984 and is engaged in generation of power and its supply to WAPDA.	19.59	19.59

2 BASIS OF PRESENTATION

2.1 Consolidated Financial Statements

These consolidated financial statements have been prepared from the information available in the audited financial statements of the holding company for the year ended December 31, 2013 and the condensed interim financial information of the subsidiary (POAMCL) as on and for the half year ended December 31, 2013 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, 2013. The accounting policies used by POAMCL and associates in preparation of their respective financial statements are consistent with that of the holding company except for the accounting policy for investments. The financial statements used for the equity accounting of associates are disclosed in Note 9.6.9.2.

2.2 US Dollar equivalent

The US Dollar amounts shown on the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 105.3246 to 1 US Dollar has been used for 2013 and 2012 as it was the prevalent rate as on December 31, 2013.

2.3 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The estimates / judgments and



associated assumptions used in the preparation of the consolidated financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimate and judgments in relation to these consolidated financial statements are as follows:

a) Provision against non-performing advances

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

b) Impairment of available-for-sale investments

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

c) Classification of investments

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

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

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

d) Income taxes

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

e) Fixed assets, depreciation and amortization

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

f) Employees’ benefit plans

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

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

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

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

3.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2013

The following standards, amendments and interpretations are effective for the year ended December 31, 2013. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

Standard, amendments or interpretation

Effective from accounting period beginning on or after

Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information

January 01, 2013

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment

January 01, 2013

The amendment provides enhanced disclosures for 'transferred financial assets that are derecognized in their entirety' and transferred assets that are not derecognized in their entirety.

**Amendments to IAS 32 Financial Instruments: Presentation -
Tax effects of distributions to holders of an equity instrument,
and transaction costs of an equity transaction****January 01, 2013**

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

**Amendments to IAS 34 - Interim Financial Reporting -
Interim reporting of segment information for total assets and
total liabilities****January 01, 2013**

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

**IFRIC 20 - Stripping Costs in the Production Phase of
a Surface Mine****January 01, 2013**

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

**Amendment to IAS 1 - Presentation of Financial Statements –
Presentation of items of Other Comprehensive Income****July 01, 2012**

These changes have been discussed in Note 5.20.1

IAS 19 - Employee Benefits (as revised in 2011)**January 01, 2013**

These changes have been discussed in Note 5.20.2

3.3 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Groups' consolidated financial statements.

**Amendments to IAS 32 Financial Instruments: Presentation -
Offsetting financial assets and financial liabilities****January 01, 2014**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets**January 01, 2014**

The amendments:

- remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13; and
- introduce additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

IFRIC 21 - Levies**January 01, 2014**

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

4**BASIS OF MEASUREMENT**

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

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

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

5.1 Business combination

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

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

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

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

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

5.1.1 Basis of consolidation

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

5.2 Cash and cash equivalents

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

5.3 Revenue recognition

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

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

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

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

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

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

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

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

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

5.4 Investments

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

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

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

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

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

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

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

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

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

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

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

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

5.5 Derivatives

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

5.6 Advances and net investment in finance lease

5.6.1 Advances

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

5.6.2 Provision against non-performing advances

Specific provisions are made in accordance with the requirements of the Prudential Regulations issued by SBP and charged to the consolidated profit and loss account. These regulations prescribe an age based

criteria (as supplemented by subjective evaluation of advances) for classification of non-performing loans and advances and computing provision / allowance there against.

5.6.3 Net investment in lease

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

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

5.7 Operating fixed assets

5.7.1 Property and equipment – owned

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

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

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

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

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

5.7.2 Property and equipment - leased

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

5.7.3 Capital work-in-progress

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

5.7.4 Intangible assets

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

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

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

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

5.8 Repurchase and resale agreements

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

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

5.9 Taxation

5.9.1 Current

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

5.9.2 Deferred

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

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

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

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

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

5.10 Borrowings

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

5.11 Staff retirement benefits

5.11.1 Defined benefit plan

The holding company operates a funded-gratuity scheme for all its permanent employees. The scheme was established on November 1, 2002 and approved by the Commissioner of Income Tax with effect from January 31, 2003. Contribution to the fund is made every year based on actuarial valuation. The actuarial valuation is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. During the year, the holding company has changed its accounting policy as discussed in note 5.20.2. According to the new policy, all actuarial gains and losses are recognized in Other Comprehensive Income (OCI) in the periods in which they occur. Previously, the holding company was recognizing all actuarial gains / losses in the profit and loss account. The actuarial valuation was conducted as at December 31, 2013.

5.11.2 Defined contribution plan - the holding company

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

5.11.3 Defined contribution plan - the subsidiary company

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

5.11.4 Compensated absences

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

5.12 Foreign currencies translation

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

5.13 Provisions

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

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

5.14 Offsetting

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

5.15 Dividend and reserves

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

5.16 Impairment

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

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

5.17 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at December 31, 2013.

5.18 Financial instruments

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

5.19 Segment information

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

Business segments

- Corporate finance

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

- Trading & sales

Involves the businesses of equity trading and fixed income securities.

- Commercial banking

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

5.20 Change in accounting policies

5.20.1 Amendment to IAS 1 'Presentation of Financial statements' regarding 'other comprehensive income'

During the year, the Group has changed their accounting policy as required under IAS 1 "Presentation of Financial statements" regarding 'other comprehensive income'. As per new policy, the Group has grouped items presented in 'other comprehensive income' that may be or may not be reclassified subsequently to profit and loss account. Related income tax has also been grouped into the same basis.

The effect of such change is considered immaterial to these unconsolidated financial statements as whole.

5.20.2 Adoption of amendments in IAS 19, (Revised) 'Employee Benefits'

During the current year, the holding company has changed its accounting policy in respect of post-retirement defined benefit plan as required under IAS 19, 'Employee Benefits'. According to the new policy, all actuarial gains and losses are recognized in Other Comprehensive Income (OCI) in the periods in which they occur. Amounts recorded in profit and loss account are limited to current and past service costs, gain or loss on settlement and net interest income or expense. All other changes in the net defined benefit obligation are recognized directly in OCI with no subsequent recycling through profit and loss account. Previously, the Company was recognizing all actuarial gains / losses in the profit and loss account.

The effect of such change is considered immaterial to this unconsolidated financial statements as whole.

6 CASH AND BALANCES WITH TREASURY BANKS

	Note	2013	2012
		Rupees in '000	
Cash in hand:			
local currency		74	162
foreign currency		150	139
Balances with State Bank of Pakistan in local currency - current account	6.1	77,810	101,673
		<u>78,034</u>	<u>101,974</u>

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

7 BALANCES WITH OTHER BANKS

	Note	2013	2012
		Rupees in '000	
In Pakistan:			
current account		999	4,407
deposit accounts	7.1	225,183	155,297
		<u>226,182</u>	<u>159,704</u>
Outside Pakistan - current accounts		852	276
		<u>227,034</u>	<u>159,980</u>

- 7.1** These include term deposit receipts (TDRs) due for maturity within 1 month aggregating Rs. 200 million (2012: Rs. 150 million). These carry mark-up rates ranging from 9.8 to 10.50 percent per annum (2012: from 9.5 to 10.35 percent per annum).

8 LENDINGS TO FINANCIAL INSTITUTIONS

Placements	8.1	276,000	-
Reverse repurchase agreement lendings	8.2 & 8.5	919,277	820,091
Certificate of investments (COIs)	8.3	11,244	13,028
		<u>1,206,521</u>	<u>833,119</u>

- 8.1** The rates of return on these placements, maturing in January 2014 ranges between 10.20 to 10.50 percent per annum.

- 8.2** These are short-term lendings to different financial institutions secured against government securities as disclosed in note 8.5 which are purchased under resale obligations. These carry mark-up rates ranging from 9.55 to 11.25 percent per annum (2012: 8.5 to 10.4 percent per annum) and will mature within one month (2012: 35 days).

- 8.3** COIs are due for maturity beginning from 3 month to 10 months (2012: 1 months to 20 months). The rate of return on COIs are 12 percent per annum (2012: 12 percent per annum).

8.4 Particulars of lendings

In local currency	1,206,521	833,119
In foreign currency	-	-
	<u>1,206,521</u>	<u>833,119</u>

8.5 Securities held as collateral against lendings to financial institutions

Note	2013			2012		
	Held by the holding company	Further given as collateral	Total	Held by the holding company	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	-	496,195	496,195	-	231,188	231,188
Pakistan Investment Bonds	423,082	-	423,082	160,409	428,494	588,903
8.5.1	<u>423,082</u>	<u>496,195</u>	<u>919,277</u>	<u>160,409</u>	<u>659,682</u>	<u>820,091</u>

- 8.5.1** Market value of the securities amounting to Rs. 925.789 million (2012: Rs. 826.880 million)

		2013			2012		
		Held by the Group	Given as collateral	Total	Held by the Group	Given as collateral	Total
		Rupees in '000					
	Note						
9.1 Investments by types	9.6						
Held-for-trading securities							
Pakistan Investment Bonds (PIBs)	9.4 & 9.6.1	30,659	252,088	282,747	13,366	612,226	625,592
Market Treasury Bills (T-Bills)	9.4 & 9.6.1	726,187	197,369	923,556	50,812	648,145	698,957
Listed ordinary shares	9.6.2.1	17,472	-	17,472	-	-	-
Sukuk certificates	9.6.6.1	1,017	-	1,017	3,443	-	3,443
		775,335	449,457	1,224,792	67,621	1,260,371	1,327,992
Available-for-sale securities							
Pakistan Investment Bonds (PIBs)	9.4 & 9.6.1	402,615	2,351,998	2,754,613	154,242	2,647,324	2,801,566
Market Treasury Bills (T-Bills)	9.4 & 9.6.1	-	-	-	485,026	653,294	1,138,320
Listed ordinary shares	9.6.2.2	207,890	-	207,890	213,693	-	213,693
Unlisted ordinary shares	9.6.3	131,333	226,000	357,333	131,333	226,000	357,333
Unlisted preference shares	9.6.8	-	-	-	231,744	-	231,744
Mutual funds units	9.6.7.1	14,337	-	14,337	14,337	-	14,337
Term finance certificates (TFCs)	9.6.4.1 & 9.6.5.1	2,351,722	-	2,351,722	2,772,238	177,691	2,949,929
Sukuk certificates	9.6.6.1 & 9.6.6.2	605,074	-	605,074	724,373	-	724,373
National Saving Bonds	9.6.7.2	-	-	-	9,999	-	9,999
		3,712,971	2,577,998	6,290,969	4,736,985	3,704,309	8,441,294
Held-to-maturity securities							
Pakistan Investment Bonds (PIBs)	9.5	-	-	-	202,576	-	202,576
Associates							
Japan Power Generation Limited		-	-	-	-	-	-
Pak Oman Advantage Fund		296,570	-	296,570	298,760	-	298,760
Pak Oman Advantage Islamic Income Fund		105,034	-	105,034	105,451	-	105,451
Pak Oman Islamic Asset Allocation Fund		114,721	-	114,721	112,441	-	112,441
Pak Oman Advantage Asset Allocation Fund		110,540	-	110,540	155,015	-	155,015
Pak Oman Microfinance Bank Limited		271,056	-	271,056	233,761	-	233,761
	9.6.9	897,921	-	897,921	905,428	-	905,428
Investments at cost		5,386,227	3,027,455	8,413,682	5,912,610	4,964,680	10,877,290
Less: Provision for diminution in the value of investments	9.3	570,250	59,271	629,521	573,499	-	573,499
Investments - net of provisions		4,815,977	2,968,184	7,784,161	5,339,111	4,964,680	10,303,791
Surplus / (deficit) on revaluation of held-for-trading securities	9.7	193	3,713	3,906	(119)	(2,209)	(2,328)
(Deficit) / surplus on revaluation of available-for-sale securities	21	(54,758)	(81,259)	(136,017)	(40,896)	35,581	(5,315)
Total investments at carrying value		4,761,412	2,890,638	7,652,050	5,298,096	4,998,052	10,296,148

9.2 Investments by segments

	Note	2013	2012
		Rupees in '000	
Federal Government Securities			
Pakistan Investment Bonds (PIBs)	9.4, 9.5 & 9.6.1	3,037,360	3,629,734
Market Treasury Bills (MTBs)	9.4 & 9.6.1	923,556	1,837,277
		<u>3,960,916</u>	<u>5,467,011</u>
Fully paid up ordinary shares			
Listed companies	9.6.2	225,362	213,693
Unlisted companies	9.6.3	357,333	357,333
		<u>582,695</u>	<u>571,026</u>
Term finance certificates (TFCs)			
Listed	9.6.4	1,504,849	2,046,467
Unlisted	9.6.5	846,873	903,462
		<u>2,351,722</u>	<u>2,949,929</u>
Sukuk certificates - unlisted	9.6.6	606,091	727,816
Other investments			
Investments in mutual funds	9.6.7.1	14,337	14,337
National Saving Bonds	9.6.7.2	-	9,999
Preference shares-unlisted	9.6.8	-	231,744
		<u>14,337</u>	<u>256,080</u>
Investments in associates	9.6.9	897,921	905,428
Total investments at cost		<u>8,413,682</u>	<u>10,877,290</u>
Less: Provision for diminution in the value of investments	9.3	629,521	573,499
Investments - net of provisions		<u>7,784,161</u>	<u>10,303,791</u>
Surplus / (deficit) on revaluation of held-for-trading securities	9.7	3,906	(2,328)
Deficit on revaluation of available-for-sale securities	21	(136,017)	(5,315)
Total investments at carrying value		<u><u>7,652,050</u></u>	<u><u>10,296,148</u></u>

9.3 Particulars of provision for diminution in the value of investments

Opening balance		573,499	373,952
Charge for the year		163,339	226,043
Reversal for the year		(57,914)	(6,838)
Net charge		<u>105,425</u>	<u>219,205</u>
Transfer from mark-up		-	49,980
Transfer to advances	10.6	-	(15,000)
Transfer to capital gain due to disposal of relevant investments		-	(54,638)
Write-off		(49,403)	-
Closing balance	9.3.1	<u><u>629,521</u></u>	<u><u>573,499</u></u>



9.3.1 Particulars of provision in respect of types and segments

Available-for-sale securities

Shares

-Listed

49,171

42,149

-Unlisted

69,091

55,795

Term Finance Certificates

-Listed

263,036

234,520

-Unlisted

125,441

114,530

Sukuk-unlisted

115,103

118,826

Investment in Mutual Funds

7,679

7,679

629,521

573,499

9.4 The rates of return on PIBs maturing between July 2015 to January 2024 (2012: June 2013 to August 2021), range from 10.70 to 14.02 (2012: 5.2 to 14.02) percent per annum. The rates of return on market treasury bills maturing between January 2014 to February 2014 (2012: January 2013 to November 2013), range from 9.82 to 10.40 (2012: 9.19 to 9.5) percent per annum.

9.5 These PIBs have been matured during the year.

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

9.6.1 Government Securities

2013		2012	
Market Value	Rating	Market Value	Rating
Rupees in '000		Rupees in '000	

9.6.1.1 Held-for-trading

Pakistan Investment Bonds (PIBs)

15 years

-

-

13,230

Unrated

10 years

13,495

Unrated

-

-

5 years

264,544

Unrated

609,606

Unrated

3 years

8,956

Unrated

-

-

286,995

622,836

Market Treasury Bills (MTBs)

3 months

923,352

Unrated

-

12 months

-

472,200

Unrated

6 months

-

227,185

Unrated

923,352

699,385

9.6.1.2 Available-for-sale

Pakistan Investment Bonds (PIBs)

20 years

16,927

Unrated

-

15 years

237,997

Unrated

-

10 years

1,833,624

Unrated

1,225,096

Unrated

7 years

-

-

5 years

581,425

Unrated

1,607,978

Unrated

3 years

-

-

2,669,973

2,833,074

Market Treasury Bills (MTBs)

12 months

-

1,139,193

Unrated

3,880,320

5,294,488

9.6.1.3 Held-to-maturity

Pakistan Investment Bonds (PIBs)

10-Years	-	-	202,576	Unrated
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9.6.2 Listed shares

Rating	2013	2012	2013	2012	2013	2012
	No. of shares held		Cost		Market value	
			Rupees in '000			

9.6.2.1 Held-for-trading

Chemical

Fauji Fertilizer Bin Qasim Limited	Unrated	298,000	-	13,126	-	13,055	-
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Oil and gas

Pakistan Petroleum Limited	Unrated	20,000	-	4,346	-	4,279	-
				17,472	-	17,334	-

9.6.2.2 Available-for-sale

Construction and materials (Cement)

Cherat Cement Limited	Unrated	199,500	-	11,243	-	12,625	-
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Fertilizer

Fauji Fertilizer Company Limited	Unrated	525,000	300,000	61,787	36,298	58,779	35,142
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Electricity

HUB Power Co. Limited	AA+/A1+	-	594,994	-	22,134	-	26,918
Lalpir Power Limited	AA/A1+	2,071,858	-	45,601	-	41,229	-

Chemical

Agriotech Limited (9.6.5.2)	D	1,629,911	1,629,911	57,046	57,046	20,651	19,021
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Commercial Banks

National Bank of Pakistan	AAA/A-1+	-	234,500	-	11,740	-	11,582
Allied Bank Limited	AA+/A1+	-	386,499	-	19,172	-	28,404
NIB Bank Limited	AA-/A1+	3,788,000	-	10,053	-	8,863	-
Soneri Bank Limited	AA-/A1+	-	552,225	-	3,910	-	3,915

General Industrials

Cherat Packaging Limited	Unrated	396,500	-	14,076	-	18,952	-
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Financial Services

Next Capital Limited	Unrated	808,400	808,400	8,084	8,084	4,042	3,961
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Refinery / Oil & Gas

Pakistan Oilfield Limited	Unrated	-	60,500	-	20,949	-	26,471
Pakistan State Oil	AA+/A1+	-	145,806	-	34,360	-	33,857

207,890 213,693 165,141 189,271

225,362 213,693 182,475 189,271

9.6.3 Particulars of investments held in shares of unlisted companies

9.6.3.1 Available-for-sale

Available-for-sale	Number of shares held		Cost		Share holding %	Break-up / carrying value per share (Rupees)	Latest available financial statements	Name of the Chief Executive
	2013	2012	2013	2012				
	Rupees in '000							
Shareholding upto 10%								
Alhamra Avenue (Private) Limited	5,000,000	5,000,000	50,000	50,000	3.12	9.21	30-06-2012***	Mr. Muhammad Hammad Arshad
Systems Limited	934,053	934,053	10,000	10,000	2.21	22.26	31-Dec-2012*	Mr. Asif Peer
Visionnet Systems Inc.	36,037	36,037	-	-	2.13	127.96	31-Dec-2012*	Mr. Arshad Masood
Pakistan Textile City Limited (Note 9.6.10)	5,000,000	5,000,000	50,000	50,000	4.00	5.45	30-Jun-2013*	Mr. Mohammad Hanif
Techlogix International Limited	1,872,197	1,872,197	21,333	21,333	1.84	4.20	31-Dec-2011**	Mr. Kewan Qadre Khawaja
Orient Power Co. (Private) Limited (Note 22.2)	22,600,000	22,600,000	226,000	226,000	5.43	15.48	30-Jun-2013*	Mr. Nadeem Baber
			357,333	357,333				

*Audited financial statement

**Audited consolidated financial statements

*** Unaudited financial statements

9.6.4 Listed Term-finance Certificates

9.6.4.1 Available-for-sale

	Rate of Interest	Profit Payment	Maturity	Long Term rating	No. of certificates held		Market value / cost	
					2013	2012	2013	2012
					Rupees in '000			
Available-for-sale								
Investment bank/companies/securities								
Escort Investment Bank Limited	8%		Half yearly 15-Mar-16	BB	4,031	4,031	1,485	2,970
Commercial banks								
Allied Bank Limited I	6 month Kibor + 1.9%		Half yearly 6-Dec-14	AA	25,078	25,078	62,833	127,341
Allied Bank Limited II	6 month Kibor + 0.85%		Half yearly 28-Aug-19	AA	13,962	13,962	66,803	67,984
Askari Bank Limited I	6 month Kibor + 1.5%		Half yearly 4-Feb-13	AA-	-	463	-	2,307
Askari Bank Limited II	6 month Kibor + 1.5%		Half yearly 31-Oct-13	AA-	-	3,000	-	15,095
Askari Bank Limited III	6 month Kibor + 2.5%		Half yearly 18-Nov-19	AA-	50,949	50,949	258,128	280,987
Bank Al-Falah Limited III	6 month Kibor + 1.5%		Half yearly 25-Nov-13	AA-	-	1,000	-	3,343
Bank Al-Falah Limited V	6 month Kibor + 1.25%		Half yearly 20-Feb-21	AA-	29,500	-	150,677	-
Standard Chartered Bank Limited III	6 month Kibor +2%		Half yearly 1-Feb-13	AAA	-	6,740	-	8,443
Faysal Bank Limited	6 month Kibor + 1.4%		Half yearly 12-Nov-14	AA-	17,681	17,681	44,312	89,596
NIB Bank Limited	6 month Kibor + 1.15%		Half yearly 5-Mar-15	A+	-	63,106	-	315,753
United Bank Limited-IV	6 month Kibor + 0.85%		Half yearly 14-Feb-18	AA	-	16,300	-	83,146
Soneri Bank Limited	6 month Kibor + 1.6%		Half yearly 5-May-13	A+	-	8,500	-	10,552
Summit Bank Limited	6 month Kibor + 3.25%		Half yearly 27-Oct-18	A-(SO)	10,000	10,000	47,193	47,717
Technology and communication								
Telecard Limited	3 month Kibor + 5.04%		Half yearly 27-May-15	Unrated	56,716	56,716	-	78,046
Pakistan Mobile Communication Limited	6 month Kibor + 2.85%		Half yearly 31-May-13	AA-	-	26,000	-	21,722
WorldCall Telecom Limited	6 month Kibor + 1.6%		Half yearly 7-Oct-15	D	108,623	108,623	162,836	162,836
Chemical								
Engro Fertilizers Limited II	6 month Kibor + 1.55%		Half yearly 30-Nov-15	A	30,177	30,177	150,508	146,868
Pak Arab Fertilizers Limited	6 month Kibor + 1.5%		Half yearly 28-Feb-13	AA	-	10,000	-	15,006
Personal goods								
Azgard Nine Limited	6 month Kibor + 2.4%		Half yearly 20-Sep-17	D	15,000	15,000	3,527	17,024
Leasing								
Saudi Pak Leasing Company Limited	6%		Monthly 13-Mar-17	Unrated	-	28,469	-	-
Orix Leasing Pakistan Limited II	3 month Kibor + 2.15%		Quarterly 30-Jun-14	AA+	500	500	10,023	29,786
Electricity								
KESC AZM Certificate	14.75%		Quarterly 3-Jul-15	AA	10,000	10,000	49,870	49,990
Miscellaneous								
Pace (Pakistan) Limited	6 month Kibor + 2%		Half yearly 15-Feb-17	Unrated	60,230	60,230	162,614	190,663
							1,170,809	1,767,175

9.6.4.2 The face value of each certificate held in listed TFCs is Rs. 5,000 (2012: Rs. 5,000) per certificate as at issue date except for Orix Leasing Pakistan Limited having face value per TFC of Rs. 100,000 (2012: Rs. 100,000)

9.6.5 Unlisted Term Finance Certificate

9.6.5.1 Available-for-sale

Commercial banks

Faysal Bank Limited - PPTFC	6 month Kibor + 2.25%	Half yearly	27-Dec-17	AA-	30,000	30,000	156,910	153,487
Bank Al Habib Limited - PPTFC	15.50%	Quarterly	15-Jun-17	AA	10,000	10,000	52,311	55,883
Bank Al-Falah Limited - IV	6 month Kibor + 2.5%	Half yearly	2-Dec-17	AA-	33,000	33,000	174,068	172,495

Development Financial Institutions

Pak-Libya Holding Co. (Pvt) Limited - PPTFC	6 month Kibor + 1.6%	Half yearly	7-Feb-16	AA	8,000	8,000	33,236	40,287
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Chemical

Engro Fertilizers Limited - PPTFC	6 month Kibor + 1.70%	Half yearly	18-Mar-18	A	44,500	44,500	213,087	200,306
Agri Tech Limited (Note 9.6.5.2)	6 month Kibor + 1.75%	Half yearly	29-Nov-19	D	20,000	20,000	49,437	63,987
Agri Tech Limited (Note 9.6.5.2)	Zero coupon	Half yearly	1-Jan-15	D	4,309	4,309	-	-

Personal goods

Nishat (Chunain) Limited - PPTFC	3 month Kibor + 2.25%	Quarterly	30-Sep-15	A	10,000	10,000	25,000	37,500
Azgard Nine Limited - III	6 month Kibor + 2.25%	Half yearly	4-Dec-17	D	2,000	2,000	898	3,024
Azgard Nine Limited - IV	3 month Kibor + 1%	Quarterly	18-Nov-15	D	5,000	5,000	4,287	11,155
Azgard Nine Limited - V	Zero coupon	Half yearly	31-Mar-17	D	5,687	5,687	-	-

Leasing

Security Leasing Corporation Limited	-	-	29-Jan-22	Unrated	12,000	12,000	-	-
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Miscellaneous

Avari Hotels Limited	12 month Kibor + 2.50%	Yearly	30-Oct-14	A-	10,000	10,000	18,599	40,981
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727,833 779,105

9.6.5.2 In respect of term finance certificates and shares of Agritech Limited, the State Bank of Pakistan (SBP) vide their letter number BPRD/BRD-(Policy)/2013-11339 dated July 25, 2013 has provided further relaxation and advised to record provision and impairment on existing credit exposure and mark-to-market loss on shares in a phased manner upto 30%, 40%, 50%, 60%, 75%, 85% and 100% by June 30, 2013, September 30, 2013, December 31, 2013, March 31, 2014, June 30, 2014, September 30, 2014 and December 31, 2014 respectively calculated under Prudential Regulations. The holding company has maintained 53.56% (December 31, 2012: 50%) provision on credit exposure and 100% (December 31, 2012: 100%) impairment on mark-to-market loss on shares in these consolidated financial statements.

9.6.6 Investment in unlisted Sukuk

9.6.6.1 Held for trading

Cement

Kohat Cement	3 month Kibor + 1.5%	Quarterly	20-Sep-16	Unrated	4,000	4,000	1,017	3,443
							1,017	3,443

9.6.6.2 Available-for-sale

Personal Goods

Amtex Limited	3 month Kibor + 2%	Quarterly	12-Oct-12	Unrated	22,000	22,000	79,612	79,612
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Leasing

Security Leasing Corporation Limited	-	Monthly	19-Jan-22	Unrated	10,000	10,000	-	-
Security Leasing Corporation Limited II	-	Monthly	19-Jan-22	Unrated	10,000	10,000	-	-

Energy

Liberty Power Tech (Private) Limited	3 month Kibor + 3%	Quarterly	18-Mar-21	A+	60,000	60,000	253,609	275,645
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Miscellaneous

Al-Razi HealthCare (Private) Limited	6 month Kibor + 3.6%	Monthly	4-Nov-17	Unrated	30,000	30,000	128,000	148,000
Century Papers & Board Mills Limited	6 month Kibor + 1.35%	Half yearly	25-Sep-14	Unrated	-	10,000	-	19,635
House Building Finance Corporation Limited	6 month Kibor + 1%	Half yearly	8-May-14	Unrated	55,035	55,035	27,540	81,579
New Allied Electronic Industries (Private) Limited	3 month Kibor + 2.6%	Quarterly	25-Jul-12	Unrated	272,000	272,000	-	-

488,761 604,471

489,778 607,914

9.6.6.3 The face value of each certificate held in unlisted Sukuks is Rs. 5,000 (2012: Rs. 5,000) per certificate as at issue date except for New Allied Electronic Industries (Private) Limited having face value per Sukuk of Rs. 312.5 (2012: Rs. 312.5).

9.6.7 Other Investments	Rating	No. of units held		Cost		Market value	
		2013	2012	2013	2012	2013	2012
		Rupees in '000					

9.6.7.1 Investment in Mutual Funds							
NAMCO Balance Fund	Unrated	1,756,352	1,580,875	14,337	14,337	14,672	7,509

9.6.7.2 Bonds							
National Savings Bonds-3 Years	Unrated	-	1,000	-	9,999	-	9,400

9.6.8 Preference shares unlisted	Rate of Interest	Rating	No. of shares held		Cost	
			2013	2012	2013	2012
			Rupees in '000			

9.6.8.1 Available for sale							
Orient Power Company Limited	6 month Kibor+2.5%	Cumulative	Unrated	-	26,974,445	-	231,744

9.6.9 Investment in associates

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

9.6.9.2 Quoted	No. of shares / units held				Holding	Break-up value per share / unit (Rupees)	Latest available financial statements	Name of the Chief Executive
	2013	2012	2013	2012				
	Rupees in '000							
Japan Power Generation Limited (JPGL) (Note 9.6.9.3 and 22.1)	30,560,189	30,560,189	-	-	19.59%	(29.93)	30-June-13***	Mr. Mohammad Mohsin (Acting CEO)
Pak Oman Advantage Fund	27,109,000	27,109,000	296,570	298,760	27.11%	10.84	31-Dec-13**	Ms. Hina Ghazanfar
Pak Oman Islamic Asset Allocation Fund	2,000,000	2,000,000	114,721	112,441	88.61%	57.36	31-Dec-13**	Ms. Hina Ghazanfar
Pak Oman Advantage Asset Allocation Fund	2,000,000	2,000,000	110,540	155,015	84.36%	55.27	31-Dec-13**	Ms. Hina Ghazanfar
Pak Oman Advantage Islamic Income Fund	2,003,976	2,003,976	105,034	105,451	41.04%	52.41	31-Dec-13**	Ms. Hina Ghazanfar

Unquoted

Pak Oman Microfinance Bank Limited (Note 9.6.10)	30,120,788	25,110,788	271,056	233,761	33.40%	9.01	31-Dec-13*	Mr. Munawar Suleman
			897,921	905,428				

**Reviewed financial statements.

* Unaudited financial statements

***Audited financial statements.

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

9.6.9.4 The above associates are incorporated in Pakistan.

9.6.9.5 Associates - Key Information

	Pak Oman Advantage Fund	Pak Oman Advantage Islamic Income Fund	Pak Oman Islamic Asset Allocation Fund	Pak Oman Advantage Asset Allocation Fund	Pak Oman Government Securities Fund	Japan Power Generation Limited	Pak Oman Microfinance Bank Limited
	Rupees in '000						
Particulars							
Assets	1,172,075	269,421	147,511	166,119	189,549	8,281,188	871,268
Liabilities	88,487	13,477	18,036	35,078	2,419	11,879,065	54,298
Profit / (loss) before taxation	66,578	11,711	21,395	25,145	13,223	(896,634)	(37,644)
Profit / (loss) after taxation	66,578	11,711	21,395	25,145	13,223	(897,885)	(37,671)

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

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

	2013	2012
	Rupees in '000	
Federal Government Securities		
- Market Treasury Bills	(204)	428
- Pakistan Investment Bonds	4,248	(2,756)
	4,044	(2,328)
Shares-listed	(138)	-
	3,906	(2,328)

10 ADVANCES - net

	Note	2013	2012
		Rupees in '000	
In Pakistan			
Loans, cash credit, running finance, etc. in Pakistan		7,105,050	6,215,491
Net investment in finance leases in Pakistan	10.3	1,158,149	928,382
Advance against leases		48,875	8,504
Staff loans	10.4	120,483	128,496
Advances - Gross	10.1	8,432,557	7,280,873
Less: Provision for non-performing loans and advances	10.6	938,867	933,814
Advances - net of provision		7,493,690	6,347,059



	Note	2013	2012
		Rupees in '000	
10.1 Particulars of advances (Gross)			
10.1.1 In local currency	10.1.3	8,432,557	7,280,873
10.1.2 In foreign currency		-	-
10.1.3 Short term (for upto one year)		4,769,350	3,532,069
Long term (for over one year)		3,663,207	3,748,804
		8,432,557	7,280,873

10.2 In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the SBP, the holding company has further availed the benefit of FSV against the non-performing advances and term finance certificates. Had this benefit of FSV not been taken by the holding company, the specific provision against non-performing advances and term finance certificates would have been higher by Rs. 26.339 million (net of tax Rs. 17.12 million) and profit before taxation for the year ended December 31, 2013 would have been reduced by the same amount. As of December 31, 2013, the holding company has availed total accumulated FSV benefit amounting to Rs. 319.8 million (net of tax Rs. 207.873 million). Accordingly, accumulated profit of Rs. 207.873 million (net of transfer to statutory reserves Rs. 166.298 million) will not be available for the distribution as cash or stock dividend to the shareholders of the holding company as required by the aforementioned SBP directives.

10.3 Net investment in finance lease

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

	2013			2012		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	Rupees in '000					
Lease rentals receivable	539,241	650,071	1,189,312	492,501	413,014	905,515
Residual value	67,092	88,866	155,958	71,320	86,001	157,321
Minimum lease payments	606,333	738,937	1,345,270	563,821	499,015	1,062,836
Financial charges for future periods	(81,681)	(105,440)	(187,121)	(64,257)	(70,197)	(134,454)
Present value of minimum lease payments	524,652	633,497	1,158,149	499,564	428,818	928,382

10.3.1.1 In respect of the aforementioned finance leases the Group holds an aggregate sum of Rs. 142.153 million (2012: Rs. 138.977 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (note 17).

10.3.1.2 The holding company has entered into lease agreements of various vehicles and plant and machinery. The amount recoverable under these arrangements are receivable by the year 2017 and are subject to finance income at rates ranging between 10.83 to 16.11 (2012: 11.25 to 16.24) percent per annum.

10.4 Staff loans include personal loans and house loans given to employees in accordance with their terms of appointment. House loans carry mark-up at a rate of 5 (2012: 5) percent per annum, while no mark-up is charged on personal loans.

10.4.1 Staff loans include an amount of Rs. 13.845 million (2012: Rs. 21.124 million) advanced to the holding company's Chief Executive.

10.5 Particulars of classification

Advances include Rs. 1,132.366 million (2012: Rs. 1,182.906 million) which have been placed under the non-performing status as detailed below:

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

	2012								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	94,878	-	94,878	-	-	-	-	-	-
Doubtful	128,266	-	128,266	63,061	-	63,061	63,061	-	63,061
Loss	959,762	-	959,762	870,753	-	870,753	870,753	-	870,753
	1,182,906	-	1,182,906	933,814	-	933,814	933,814	-	933,814

10.6 Particulars of provision against non-performing advances

	Note	2013			2012		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		933,814	-	933,814	974,224	-	974,224
Charge during the year		92,734	-	92,734	51,966	-	51,966
Reversal during the year		(87,681)	-	(87,681)	(107,376)	-	(107,376)
Net charge / (reversal)		5,053	-	5,053	(55,410)	-	(55,410)
Less: Amounts written off during the year	10.7	-	-	-	-	-	-
Transfer from investments	9.3	-	-	-	15,000	-	15,000
Closing balance		938,867	-	938,867	933,814	-	933,814

10.6.1 Particulars of provisions against non-performing advances

	2013			2012		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	938,867	-	938,867	933,814	-	933,814
In foreign currencies	-	-	-	-	-	-
	938,867	-	938,867	933,814	-	933,814

10.7 Particulars of write offs

	2013	2012
	Rupees in '000	
Against provisions	-	-
Directly charged to profit and loss account	-	-
	-	-
	-	-
	-	-
	-	-

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

10.7.2 Statement showing written off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2013.

S. No.	Name and address of the borrower	Name of individuals partners/ directors with CNIC No.	Outstanding liabilities at beginning of year name					Principal written-off	Interest/mark-up written off	Other financial relief provided	Total (9+10+11)
			Father's/Husband's name	Principal	Interest/mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
				Rupees in '000							
N/A	N/A	N/A	N/A	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-

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

	Note	2013	2012
		Rupees in '000	
Debts due by directors, executives or officers of the holding company or any of them either severally or jointly with any other persons.			
Balance at beginning of the year		128,496	110,448
Loans granted during the year		22,072	48,688
Repayments		(30,085)	(30,640)
Balance at end of the year		120,483	128,496
Debts due by other related parties			
Balance at beginning of the year		324,913	343,923
Loans granted during the year		-	-
Repayments		(21,635)	(19,010)
Balance at end of the year		303,278	324,913
	10.8.1	423,761	453,409

10.8.1 This includes an amount of Rs. 68.2 million due from Japan Power Generation Limited (an associated company) classified as non performing loan under loss category. The holding company has recorded provision for entire amount due as at December 31, 2013.

10.9 Maximum total amount of advances including temporary advances granted during the year amounts to Rs. 448 (2012: Rs. 457) million. The maximum amount has been calculated by reference to month end balance.

11 OPERATING FIXED ASSETS

	Note	2013	2012
		Rupees in '000	
Property and equipment	11.1	52,007	55,476
Intangible	11.2	635	1,666
Advance for capital expenditure		-	4,156
		<u>52,642</u>	<u>61,298</u>

11.1 Property and equipment

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

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



Description	Cost			Depreciation			Net book value	
	As at January 1, 2012	Addition/ (deletion) during the year	As at December 31, 2012	As at January 1, 2012	During the year / (on disposals)	As at December 31, 2012	As at December 31, 2012	Rate %
Rupees in '000								
Owned								
Office premises*	42,126	-	42,126	15,445	2,106	17,551	24,575	5
Improvement	17,499	-	17,499	15,340	1,404	16,744	755	20
Office equipment	12,526	173	12,699	10,058	1,230	11,288	1,411	20
Computer equipment	22,989	1,747 (874)	23,862	19,282	2,839 (795)	21,326	2,536	33.33
Furniture and fixtures	15,100	100 (250)	14,950	12,464	1,326 (146)	13,644	1,306	20
Vehicles	7,650	9,439 (3,000)	14,089	6,977	1,185 (2,709)	5,453	8,636	20
Assets subject to finance lease								
Vehicles	43,639	- (6,378)	37,261	17,321	8,171 (4,488)	21,004	16,257	20
2012	161,529	11,459 (10,502)	162,486	96,887	18,261 (8,138)	107,010	55,476	

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

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

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
Rupees in '000							
Vehicles							
Suzuki Cultus	917	595	322	560	238	Group policy	Syed Abdullah Jamal Ahmed (Executive)
Honda Civic	1,775	1,775	-	454	454	Group policy	Mr. Jehangir Shah (Deputy Managing Director)
Suzuki Cultus	970	48	922	930	8	Negotiations	Mandviwala Motors (Pvt) Ltd - Madviwala Chambers, Old Queens Road, Karachi
Others	3,662	2,418	1,244	1,944	700		
	1,812	1,687	125	224	99		
	5,474	4,105	1,369	2,168	799		

11.2 Intangible assets

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

Description	Cost			Amortisation			Net book value	Rate %
	As at January 1, 2012	Addition during the year	As at December 31, 2012	As at January 1, 2012	During the year	As at December 31, 2012	As at December 31, 2012	
	Rupees in '000							
Software licences	19,481	356	19,837	15,847	2,324	18,171	1,666	33.33

12 DEFERRED TAX ASSETS - Net

	Note	2013	2012
		Rupees in '000	
Deferred tax assets arising in respect of:			
Provision for diminution in the value of investments		182,941	165,791
Provision against other assets		1,294	-
Amortisation of premium on Federal Government Securities		778	17,121
Accelerated tax depreciation allowances		601	814
Revaluation on investments classified as available-for-sale	21	52,659	8,363
Provision against non-performing advances		328,603	326,835
		<u>566,876</u>	<u>518,924</u>
Less: Deferred tax liabilities arising in respect of:			
Assets subject to finance leases		(1,170)	(1,930)
Revaluation on investments classified as held-for-trading		(1,402)	815
Net investment in finance leases		(71,622)	(87,739)
Dividend receivable		-	-
		<u>(74,194)</u>	<u>(88,854)</u>
	12.1	<u>492,682</u>	<u>430,070</u>

12.1 Movement of deferred tax

movement of deferred tax

	Recognized in			Recognized in			
	January 1, 2012	Profit and loss account	Surplus / (deficit) on revaluation of securities	December 31, 2012	Profit and loss account	Surplus / (deficit) on revaluation of securities	December 31, 2013
	Rupees in '000						
Deferred tax assets arising in respect of:							
Provision for diminution in the value of investments	109,111	56,680	-	165,791	17,150	-	182,941
Provision against other assets	-	-	-	-	1,294	-	1,294
Amortisation of premium on Federal Government securities	14,445	2,676	-	17,121	(16,343)	-	778
Accelerated tax depreciation allowances	(16)	830	-	814	(213)	-	601
Revaluation on investments classified as available-for-sale	45,341	-	(36,978)	8,363	-	44,296	52,659
Provision against non-performing advances	340,978	(14,143)	-	326,835	1,768	-	328,603
	509,859	46,043	(36,978)	518,924	3,656	44,296	566,876
Less: deferred tax liabilities arising in respect of:							
Assets subject to finance leases	(2,134)	204	-	(1,930)	760	-	(1,170)
Revaluation on investments classified as held-for-trading	4,154	(3,339)	-	815	(2,217)	-	(1,402)
Net Investment in finance leases	(123,016)	35,277	-	(87,739)	16,117	-	(71,622)
Dividend receivable	(1,513)	1,513	-	-	-	-	-
	(122,509)	33,655	-	(88,854)	14,660	-	(74,194)
	387,350	79,698	(36,978)	430,070	18,316	44,296	492,682

13 OTHER ASSETS

	Note	2013	2012
		Rupees in '000	
Mark-up / Return / Interest receivable in local currency		324,141	308,987
Mark-up / profit receivable on purchase of securities		25,831	51,785
Security deposits		4,907	5,674
Prepayments		11,920	9,543
Receivable against sale of investments		16,870	-
Taxation		71,887	-
Non-banking assets acquired in satisfaction of claims	13.1	37,760	-
Advance against shares		50,000	-
Receivable from funds		4,250	8,470
Others		4,130	4,270
		551,696	388,729
Less: Provision held against other assets		3,698	-
		547,998	388,729
13.1 Market value of non-banking assets acquired in satisfaction of claims.		37,760	-

13.2 Provision against other assets

	Note	2013	2012
		Rupees in '000	
Opening balance		-	-
Charge for the year		3,698	-
Reversals		-	-
Amount Written off		-	-
Closing balance		<u>3,698</u>	<u>-</u>

13.3 The above balances include an aggregate amount of Rs. 522 million (2012: Rs. 384 million) due within a year.

14 BORROWINGS

In Pakistan	5,721,831	6,546,367
Outside Pakistan	-	-
	<u>5,721,831</u>	<u>6,546,367</u>

14.1 Particulars of borrowings with respect to currencies

In local currency	5,721,831	6,546,367
In foreign currencies	-	-
	<u>5,721,831</u>	<u>6,546,367</u>

14.2 Particulars of borrowings

Secured

Borrowings from the State Bank of Pakistan:

-LTF-EOP	14.3	47,699	98,718
-LTFF	14.3	970,163	833,994

Repurchase agreement borrowings	14.4	3,223,829	5,205,861
Long-term borrowings	14.5	816,667	-
Short-term running finance	14.6	<u>163,473</u>	<u>57,794</u>
		<u>5,221,831</u>	<u>6,196,367</u>

Unsecured

Placements	14.7	<u>500,000</u>	<u>350,000</u>
		<u>5,721,831</u>	<u>6,546,367</u>

14.3 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 holding company at the date of maturity of the finances by directly debiting the current account maintained by the holding company with the SBP. The rate of return ranges from 5 to 11 (2012: 5 to 11) percent per annum. These are repayable within 7 years (2012: 7 years).

14.4 The rate of return on these repurchase agreement borrowings, maturing in January 2014 to February 2014 (2012: January 2013), ranges between 9.8 to 10.75 (2012: 7.75 to 9.48) percent per annum. Securities having cost of Rs 3,297.650 million (2012: Rs 5,220.671 million) have been pledged against these borrowings.

14.5 The rate of return on these long-term borrowings is three month KIBOR + 0.35% & six months KIBOR+0.25%. The above facilities are secured against loan and advances receivable.

- 14.6** The rate of return on these short-term running finance facilities is three month KIBOR + 0.25% (2012: three month KIBOR + 1.25%). The above facility are secured against loan and advances receivable.
- 14.7** The rates of return on these placements, maturing in January 2014 (2012: from January 2013 to February 2013) ranges between 9.55 to 9.80 (2012: 9.80 to 10.10) percent per annum.

15 DEPOSITS AND OTHER ACCOUNTS

	Note	2013	2012
		Rupees in '000	
Certificates of investment - remunerative (in local currency):			
Financial institutions		607,747	731,747
Others		3,826,101	3,619,253
	15.1, 15.2, 15.3 & 15.4	4,433,848	4,351,000
15.1 Particular of deposits			
In local currency		4,433,848	4,351,000
In foreign currencies		-	-
		4,433,848	4,351,000

- 15.2** The rate of return on deposits maturing between January 2014 to July 2015 (2012: January 2013 to May 2014) is 8.6 to 12.30 (2012: 9 to 13.75) percent per annum.
- 15.3** These include Certificate of Investments purchased by gratuity fund of the holding company as disclosed in note 33.7.1 and by provident fund of the Company amounting to Rs. 4.9 million (2012: 16.1).
- 15.4** These include Certificate of Investments purchased by Pak Oman Microfinance Bank Limited (an associate) amounting to Rs. 576 million (2012: 442 million).

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2013			2012		
	Minimum Lease payment	Financial Charges for future period	Total	Minimum Lease payment	Financial Charges for future period	Total
Rupees in '000						
Not later than one year	5,435	318	5,117	6,241	954	5,287
Later than one year but not later than five years	504	16	488	5,849	334	5,515
	5,939	334	5,605	12,090	1,288	10,802

- 16.1** The Group has entered into lease agreements with financial institutions for lease of vehicles. Lease rentals are payable in quarterly and monthly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from 10.58% to 15% (2012: 10.58 % to 15% per annum) per annum. At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.

17 OTHER LIABILITIES

	Note	2013	2012
		Rupees in '000	
Mark-up / Return / Interest payable in local currency		127,231	180,330
Accrued expenses		53,006	54,599
Staff gratuity	33.2	4,876	2,121
Security deposits against investment in finance leases	10.3.1.1	142,153	138,977
Taxation		-	100,724
Others		46,859	21,204
		<u>374,125</u>	<u>497,955</u>

18 SHARE CAPITAL

18.1 Authorized Capital

2013	2012		2013	2012
Number of shares			Rupees in '000	
1,000,000,000	1,000,000,000	Ordinary shares of Rs.10 each	10,000,000	10,000,000

18.2 Issued, subscribed and paid-up

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

18.3 The Ministry of Finance on behalf of the Government of Pakistan and the Sultanate of Oman through its Ministry of Finance each holds 307,495,900 (2012: 307,495,900) ordinary shares of the holding Company. While 4,100 (2012: 4,100) ordinary shares each are held by the Secretary - Economic Affairs Division, Government of Pakistan and Ministry of Commerce and Industry, Sultanate of Oman.

19 RESERVES

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

20 NON-CONTROLLING INTEREST

	2013	2012
	Rupees in '000	
Opening balance	37,268	47,850
Change during the year	(15,047)	(10,582)
Closing balance	<u>22,221</u>	<u>37,268</u>

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

	Note	2013	2012
		Rupees in '000	
21.1 (Deficit) / surplus on revaluation of available-for-sale securities			
Federal Government Securities			
- Market Treasury Bills (MTBs)		-	873
- Pakistan Investment Bonds (PIBs)		(84,640)	31,508
		(84,640)	32,381
Shares-listed		6,422	17,727
Term Finance Certificates			
- Listed		(71,004)	(44,772)
- Unlisted		6,401	(9,827)
		(64,603)	(54,599)
Sukuk-unlisted		(1,210)	(1,076)
National Saving Bonds		-	(599)
Investment in Mutual Funds		8,014	851
		(136,017)	(5,315)
Deferred tax asset recognized	12	52,659	8,363
		(83,358)	3,048
Associate's share of deficit on revaluation of available-for-sale securities		(2,154)	(1,805)
		(85,512)	1,243

22 CONTINGENCIES AND COMMITMENTS

Transaction related contingent liability:

Guarantees		20,000	-
Pledge of shares on behalf of Japan Power Generation Limited	22.1	70,726	70,726
Pledge of shares on behalf of Orient Power Company (Private) Limited	22.2	226,000	226,000
Commitments for:			
Sale of Government securities		496,945	235,667
Commitments for advances and net investment in finance leases		1,762,545	1,016,982
Commitments for the acquisition of operating fixed assets		-	709

- 22.1** Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 (2012: Rs. 70.726) million are pledged as security on behalf of that associate company against a syndicate finance facility obtained by it (the associate company).
- 22.2** Investment in unlisted shares in Orient Power Company (Private) Limited (related party) aggregating 22,600,000 having a cost of Rs. 226 million are pledged as security against a syndicate finance facility obtained by Orient Power Company (Private) Limited.

23 MARK-UP / RETURN / INTEREST EARNED

	2013	2012
	Rupees in '000	
On loans and advances to		
Customers	713,781	818,119
Financial institutions	10,583	2,569
	<u>724,364</u>	<u>820,688</u>
On investments in		
Available-for-sale securities	664,152	880,343
Held-to-maturity securities	6,350	13,083
Held-for-trading securities	36,578	156,793
	<u>707,080</u>	<u>1,050,219</u>
On securities purchased under resale agreements	109,065	139,132
On deposit with financial institutions	12,150	13,062
On placements	2,552	3,597
On certificate of investments	11,504	24,476
	<u>1,566,715</u>	<u>2,051,174</u>

24 MARK-UP / RETURN / INTEREST EXPENSED

On secured borrowings		
Repurchase agreement borrowings	280,889	564,337
Long-term borrowings	116,263	83,474
Short-term borrowings	2,593	4,309
	<u>399,745</u>	<u>652,120</u>
On un-secured borrowings		
Placements	74,170	81,653
Certificate of investments	418,775	570,527
	<u>492,945</u>	<u>652,180</u>
	<u>892,690</u>	<u>1,304,300</u>

25 GAIN ON SALE OF SECURITIES

Federal Government Securities		
- Market Treasury Bills (PIBs)	2,631	17,020
- Pakistan Investment Bonds (MTBs)	35,039	120,320
	<u>37,670</u>	<u>137,340</u>
Term Finance Certificates	(995)	10,739
Shares / units		
- Listed	82,781	89,681
- Unlisted	-	-
	<u>82,781</u>	<u>89,681</u>
	<u>119,456</u>	<u>237,760</u>

26 OTHER INCOME

	Note	2013	2012
Rupees in '000			
Gain on sale of property and equipment		799	1,335
Exchange gain on revaluation		-	42
Late payment charges on dividend income		304	706
Liabilities no longer payable		-	1,017
Others		-	49
		<u>1,103</u>	<u>3,149</u>

27 ADMINISTRATIVE EXPENSES

Salaries, allowances and employees' benefits		198,266	183,611
Contribution to defined contribution plan		12,150	10,937
Charge for defined benefit plan	33.8	8,098	9,842
Non-executive directors' fee / remuneration	35	19,949	14,717
Non-executive directors' fee of POAMCL		1,337	3,360
Chief executive's remuneration	35	29,438	25,776
Traveling and accommodation		12,954	11,941
Rent, rates and taxes		16,720	18,661
Utilities		4,828	3,733
Communication		6,873	6,469
Professional training		1,136	1,213
Advertisement and business promotion		703	1,313
Membership and subscriptions		5,693	5,294
Printing, stationery and periodicals		5,518	4,794
Depreciation	11.1	16,391	18,261
Amortization of intangible assets	11.2	1,031	2,324
Auditors' remuneration	27.1	1,480	1,977
Legal and professional charges		13,463	11,711
Repairs and maintenance		7,389	6,038
Transportation		14,901	14,017
Insurance		6,338	5,965
Finance charges on leased assets		957	1,849
Entertainment and canteen expenses		3,113	2,497
Donation	27.2	1,226	726
Shahriah advisor fee		600	600
Others		2,110	3,916
		<u>392,662</u>	<u>371,542</u>

27.1 Auditors' remuneration

Audit fee	462	440
Half yearly review	161	148
Auditors' remuneration of subsidiary company	366	262
Special certifications and others	368	951
Out of pocket expenses	123	176
	<u>1,480</u>	<u>1,977</u>

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

Note

2013

2012

Rupees in '000

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

Patients' Aid Foundation of Jinnah Post Graduate Medical Centre	350	-
Marie Adelaide Leprosy Centre (MALC)	150	-
Al-Mehrab Tibbi Imdad	140	140
The Kidney Centre Post Graduation Training Institute	200	-
Burns Centre	140	140
	<u>980</u>	<u>280</u>

28 OTHER CHARGES

Fees and commission	11,080	14,946
	<u>11,080</u>	<u>14,946</u>

29 TAXATION**For the year**

Current	136,520	261,582
Deferred	12.1 (18,316)	(79,698)
	<u>118,204</u>	<u>181,884</u>

29.1 Relationship between tax expense and accounting profit

Profit before taxation	457,307	628,470
Tax at the applicable rate of 34 % (2012: 35%)	155,484	219,965
Tax effect due to change in tax rate from 35% to 34%	(1,539)	-
Tax effect of income taxed at different rate	(16,698)	(21,829)
Tax effect of exempt capital gain	(17,234)	(25,454)
Tax effect of exempt provision for diminution in the value of investments	2,387	14,790
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge	(4,196)	(5,588)
	<u>118,204</u>	<u>181,884</u>

29.1.1 POAMCL has not recognised deferred tax asset due to uncertainty with regards to availability of future taxable profits against which deferred tax asset would be utilised. As on December 31, 2013, the total unrecognised deferred tax asset is amounting to Rs. 103.926 million (December 31, 2012: Rs. 85.75 million) mainly arising on account of accumulated tax losses and deductible temporary differences.

29.2 Tax contingencies

The Income Tax Department has amended the deemed assessment orders of the holding company for the tax years 2004, 2005, 2009, 2010, 2011 and 2012, wherein major issues raised by the authorities were related to applicability of Workers Welfare Fund (WWF), disallowance of allocation of common expenses and disallowance of losses claimed on early termination of leased assets. The holding company's appeals are pending at various appellate forums.

Management estimates that sufficient provisions have been made in the relevant financial years and no further provision is required. Further, management expects favorable outcome of the appeals based on their tax consultant's opinion.

30 EARNINGS PER SHARE

	Note	2013	2012
Profit attributable to shareholders of the holding company	Rupees in '000	354,150	457,168
Weighted average number of ordinary shares in issue	Numbers in '000	615,000	615,000
Basic earnings per share	Rupees	0.58	0.74
Diluted earnings per share	Rupees	0.58	0.74

30.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2013 and 2012.

31 CASH AND CASH EQUIVALENTS

		Rupees in '000	
Cash and balances with treasury banks	6	78,034	101,974
Balances with other banks	7	227,034	159,980
Placements	8	276,000	-
		581,068	261,954

32 STAFF STRENGTH

Permanent	82	93
Temporary / on contractual basis	15	14
Group's own staff strength at end of the year	97	107
Contractual	26	26
Total staff strength	123	133

33 DEFINED BENEFIT PLAN

General Description

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

Principal actuarial assumptions

The latest actuarial valuation for defined benefit plan scheme was carried out as at December 31, 2013 using the Projected Unit Credit method. The following significant assumptions were used for the actuarial valuation:

	Percent per annum	
Discount rate	13.00	11.50
Expected rate of increase in salary levels	13.00	11.50
Expected rate of return on plan assets	13.00	11.50

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

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

	Note	2013	2012
		Rupees in '000	
33.2 Reconciliation of amount payable to defined benefit plan			
Present value of defined benefit obligation	33.3	68,821	52,079
Fair value of plan assets	33.5	(63,945)	(49,958)
	33.4	<u>4,876</u>	<u>2,121</u>

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

Present value of obligation as at January 1	52,079	38,207
Current service cost	8,454	7,880
Interest cost	5,989	4,655
Benefits paid	-	(1,936)
Actuarial loss on obligation	2,299	3,273
	<u>68,821</u>	<u>52,079</u>

33.4 Movement in payable to defined benefit plan:

Opening liability / (assets)	2,121	(781)
Expense for the year	8,098	9,842
Other Comprehensive Income	5,090	-
Contributions to the fund	(10,433)	(6,940)
	<u>4,876</u>	<u>2,121</u>

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

Fair value of plan assets as at January 1	49,958	38,988
Expected return on plan assets	6,345	5,186
Contributions	10,433	6,940
Benefits paid	-	(1,936)
Actuarial (loss) / gain on remeasurement of plan assets	(2,791)	780
	<u>63,945</u>	<u>49,958</u>

33.6 Actual return on plan assets during the year was Rs. 3.554 million (2012: Rs. 5.966 million).

33.7 The plan assets are comprised as follows:

		2013	2012	2013		2012	
Note		Rating	Rating	Rupees in '000	%	Rupees in '000	%
Market Treasury Bills		Unrated	Unrated	33,566	52.49	-	-
Pakistan Investment Bonds		Unrated	Unrated	13,796	21.57	9,213	18.44
Special Saving Certificates (SSCs)		Unrated	Unrated	10,323	16.14	10,584	21.19
Term Finance Certificates							
- WorldCall Telecom Limited		D	D	866		1,469	
- United Bank Limited		-	AA	-		4,907	
- NIB Bank Limited		-	A+	-		102	
				866	1.35	6,478	12.97
Certificate of Investments	33.7.1	Unrated	Unrated	5,219	8.16	23,663	47.37
Bank balance		Unrated	Unrated	175	0.29	20	0.03
				63,945	100	49,958	100

33.7.1 These include Certificate of Investment held with the holding company. These carry mark-up at rates ranging from 9.25% to 9.75% (2012: 9.15% to 10.50%).

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

Note	2013	2012
	Rupees in '000	
Current service cost	8,454	7,880
Net Interest	(356)	4,655
Expected return on plan assets	-	(5,186)
Actuarial loss	-	2,493
	<u>8,098</u>	<u>9,842</u>

33.9 Actuarial (losses) / gains

Net unrecognised actuarial (losses) / gains as at January 1		-	-
Actuarial loss on remeasurement of obligation	33.9.1	(2,299)	(3,273)
Actuarial (loss) / gain on remeasurement of plan assets		(2,791)	780
		<u>(5,090)</u>	<u>(2,493)</u>
Actuarial loss recognised in:			
other comprehensive income		5,090	-
profit and loss account		-	2,493
		<u>-</u>	<u>-</u>
Net unrecognised actuarial (losses) / gains as at December 31		-	-

33.9.1 Actuarial loss on remeasurement of obligation comprise of:

	2013	2012	2013	2012
	Actuarial loss on remeasurement of			
	Obligation		Plan assets	
	Rupees in '000			
Demographic assumptions	490	-	-	-
Financial loss	-	538	(608)	
Experience adjustment	1,809	3,273	2,253	(172)
	2,299	3,273	2,791	(780)

33.10 Sensitivity analysis

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	%	Rupees in '000	
Discount rate	1	(8,604)	10,394
Salary growth rate	1	10,255	(8,635)
Life expectancy	1	15	-

33.11 The expected gratuity expense for the next year ending December 31, 2014 works out to Rs. 11.091 million.

33.12 The average duration of the benefit obligation at 31 December 2013 is 20.53 years (2012: 21.25 years).

34 DEFINED CONTRIBUTION PLAN

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

34.2 Contribution made during the year

	2013	2012
	Rupees in '000	
Contribution from the holding company	10,291	9,345
Contribution from employees of holding company	10,291	9,345
	<u>20,582</u>	<u>18,690</u>

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

Contribution from the subsidiary company	1,859	1,592
Contribution from the employees of subsidiary company	1,859	1,592
	<u>3,718</u>	<u>3,184</u>

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Non-Executive Directors		Executives	
	2013	2012	2013	2012	2013	2012
	Rupees in '000					
Fees / remuneration	-	-	19,949	14,717	-	-
Managerial remuneration	27,876	24,075	-	-	163,141	156,104
Charge for defined benefit plan	762	816	-	-	7,284	8,605
Contribution to defined contribution plan	1,485	1,269	-	-	9,999	8,682
Medical	445	552	-	-	1,531	-
Utilities	622	712	-	-	10,832	190
Membership fee	80	76	-	-	14	42
Others	415	361	-	-	429	407
	<u>31,685</u>	<u>27,861</u>	<u>19,949</u>	<u>14,717</u>	<u>193,230</u>	<u>174,030</u>
Number of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>5</u>	<u>65</u>	<u>65</u>

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

35.2 It includes particulars of Chief executive and executives of POAMCL

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

36.1 On-balance sheet financial instruments

	2013		2012	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
Assets				
Cash and balances with treasury banks	78,034	78,034	101,974	101,974
Balances with other banks	227,034	227,034	159,980	159,980
Lendings to financial institutions	1,206,521	1,206,521	833,119	833,119
Investments - net	6,754,129	6,754,129	9,390,720	9,388,000
Advances - net	7,493,690	7,493,690	6,347,059	6,347,059
Other assets	426,431	426,431	379,186	379,186
	<u>16,185,839</u>	<u>16,185,839</u>	<u>17,212,038</u>	<u>17,209,318</u>
Liabilities				
Borrowings	5,721,831	5,721,831	6,546,367	6,546,367
Deposits and other accounts	4,433,848	4,433,848	4,351,000	4,351,000
Liabilities against assets subject to finance lease	5,605	5,605	10,802	10,802
Other liabilities	369,249	369,249	395,110	395,110
	<u>10,530,533</u>	<u>10,530,533</u>	<u>11,303,279</u>	<u>11,303,279</u>
	<u>5,655,306</u>	<u>5,655,306</u>	<u>5,908,759</u>	<u>5,906,039</u>

- 36.2** 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.

37 SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Commercial Banking	Asset Management
	Rupees in '000			
2013				
Total income	3,511	1,098,136	728,743	37,525
Total expenses	59,015	722,566	561,292	67,735
Net (loss) / income	(55,504)	375,570	167,451	(30,210)
Segment assets (Gross)	-	10,359,697	8,905,448	53,894
Segment non-performing loans	-	-	1,132,366	-
Investments provided for	-	1,061,889	-	-
Segment provision required *	-	629,521	938,867	-
Segment liabilities	-	5,192,317	5,334,548	8,544
Segment return on net assets (%)	-	8.28%	6.36%	-66.62%
Segment return on assets (ROA) (%)	-	3.86%	2.10%	-56.05%
Segment cost of funds (%)	-	5.39%	5.87%	-
2012				
Total income	8,903	1,595,235	825,047	53,868
Total expenses	46,760	1,175,919	557,383	74,521
Net (loss) / income	(37,857)	419,316	267,664	(20,653)
Segment assets (Gross)	-	12,357,271	7,703,108	65,311
Segment non-performing loans	-	-	1,182,906	-
Investments provided for	-	1,113,667	-	-
Segment provision required*	-	573,499	933,814	-
Segment liabilities	-	6,618,191	4,798,680	(10,747)
Segment return on net assets (%)	-	8.12%	13.58%	(27.15%)
Segment return on assets (ROA) (%)	-	3.56%	3.95%	(31.62%)
Segment cost of funds (%)	-	7.10%	7.31%	-

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

38 RELATED PARTY TRANSACTIONS

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

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

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

38.1 Associates

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

38.2 Key management personnel

All heads of departments
Directors

38.3 Retirement benefit fund

Defined benefit plan
Defined contribution plan

38.4 Other related party

Orient Power Company (Private) Limited

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

Nature of related party transaction	2013				2012			
	As at 1-Jan-13	Given during the year	Repaid during the year	As at 31-Dec-13	As at 1-Jan-12	Given during the year	Repaid during the year	As at 31-Dec-12
Rupees in '000								
Investments								
Associates	905,428	63,000	(70,507)	897,921	886,236	1,010,318	(991,126)	905,428
Other related parties	457,744	-	(231,744)	226,000	495,744	-	(38,000)	457,744
	<u>1,363,172</u>	<u>63,000</u>	<u>(302,251)</u>	<u>1,123,921</u>	<u>1,381,980</u>	<u>1,010,318</u>	<u>(1,029,126)</u>	<u>1,363,172</u>
Advances								
Associates	68,200	-	-	68,200	68,200	-	-	68,200
Key Management personnel	68,907	10,356	(15,960)	63,303	65,877	16,947	(13,917)	68,907
Other related parties	256,713	-	(21,635)	235,078	275,723	-	(19,010)	256,713
	<u>393,820</u>	<u>10,356</u>	<u>(37,595)</u>	<u>366,581</u>	<u>409,800</u>	<u>16,947</u>	<u>(32,927)</u>	<u>393,820</u>
Deposits								
Associates	441,747	297,859	(163,859)	575,747	353,819	383,888	(295,960)	441,747
Key Management personnel	13,941	48,634	(51,264)	11,311	10,021	44,396	(40,476)	13,941
Retirement benefit fund	39,289	36,399	(65,670)	10,018	13,500	101,291	(75,502)	39,289
	<u>494,977</u>	<u>382,892</u>	<u>(280,793)</u>	<u>597,076</u>	<u>377,340</u>	<u>529,575</u>	<u>(411,938)</u>	<u>494,977</u>
Borrowings								
Associates	-	-	-	-	100,000	-	(100,000)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>

	2013	2012
	Rupees in '000	
Other receivables from:		
Associates	-	12
Other payable		
Gratuity fund	4,876	2,121
Formation cost receivable from associates	-	3,300
Management fee receivable from associates	2,957	3,067
Formation cost received from associates	2,081	3,251
Management fee received from associates	27,280	33,610
Mark-up income		
Key Management personnel	2,993	2,910
Other related parties	28,875	41,059
Dividend income		
Associates	75,714	47,752
Other related parties	50,561	23,227
Other income		
Other related parties	304	706
Mark-up expense on deposits		
Associates	57,865	53,529
Key Management personnel	1,126	1,387
Retirement benefit fund	3,549	4,103
Mark-up expense on borrowing		
Associates	-	441
Expenses for the year		
Remuneration to key management personnel	115,775	100,072
Non-executive director's fee / remuneration	19,949	14,717
Charge for defined contribution plan	12,150	10,937
Charge for defined benefit plan	8,098	9,842
Outright sale of Government Securities		
Retirement benefit fund	202,002	31,734
Outright purchase of Government Securities		
Retirement benefit fund	-	40,079
Outright sale of Term Finance Certificates (TFCs)		
Retirement benefit fund	-	98
Capital gain on Government Securities		
Retirement benefit fund	151	36

39.1 Capital management policies and procedures

The Group's objectives when managing capital are:

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

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

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

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

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

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

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

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

The table refer in note 39.3 summarizes the composition of regulatory capital and the ratios of the Group for the year ended December 31, 2013.

39.2 The Group's CAR as at December 31, 2013 was 36.80% of its risk weighted exposure.

The calculation of capital adequacy enables the DFIs' to assess the long term soundness. The Group has successfully managed in the past and will in the future its Capital requirements/ needs. Based on the directives of the Board, the Group has built a healthy portfolio of assets and liabilities focusing on quality. CAR of 36.80% demonstrates that the Group is geared to absorb major risks / shocks in the present market scenario. The Group meets its capital needs through clean placements (LOP & COI) and short and long term lines from commercial institutions.

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

39.3 Capital Adequacy Ratio (CAR) disclosure template:

Capital Adequacy Ratio (CAR) disclosure template:			
	Amount	Amounts subject to Pre-Basel III treatment	
	2013		2012
	Rupees in '000		
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital/ Capital deposited with SBP	6,150,000	6,150,000
2	Balance in Share Premium Account	-	-
3	Reserve for issue of Bonus Shares	-	-
4	General/ Statutory Reserves	646,091	570,983
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
6	Unappropriated/unremitted profits/ (losses)	482,442	452,759
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	22,221	37,268
8	CET 1 before Regulatory Adjustments	7,300,754	7,211,010
Common Equity Tier 1 capital: Regulatory adjustments			
9	Goodwill (net of related deferred tax liability)	-	-
10	All other intangibles (net of any associated deferred tax liability)	635	1,666
11	Shortfall of provisions against classified assets	-	-
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
13	Defined-benefit pension fund net assets	-	-
14	Reciprocal cross holdings in CET1 capital instruments	-	-
15	Cash flow hedge reserve	-	-
16	Investment in own shares/ CET1 instruments	-	-
17	Securitization gain on sale	-	-
18	Capital shortfall of regulated subsidiaries	-	-
19	Deficit on account of revaluation from bank's holdings of property/ AFS	138,171	7,120
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	3,810
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	28,172
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
23	Amount exceeding 15% threshold	-	164,115
24	" of which: significant investments in the common stocks of financial entities"	-	97,153
25	of which: deferred tax assets arising from temporary differences	-	66,962
26	National specific regulatory adjustments applied to CET1 capital	-	-
27	Investment in TFCs of other banks exceeding the prescribed limit	285,708	674,248
28	Any other deduction specified by SBP (mention details)	-	-
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	753,224	-
30	Total regulatory adjustments applied to CET1 (sum of 9 to 25)	138,806	8,786
Common Equity Tier 1		(a) 6,123,016	6,527,976



		Amount	Amounts subject to Pre-Basel III treatment	
		2013	2012	
		Rupees in '000		
Additional Tier 1 (AT 1) Capital		-	-	
31	Qualifying Additional Tier-1 instruments plus any related share premium	-	-	
32	of which: Classified as equity	-	-	
33	of which: Classified as liabilities	-	-	
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	(10,642)	-	
35	of which: instrument issued by subsidiaries subject to phase out	-	-	
36	AT1 before regulatory adjustments	(10,642)	-	
Additional Tier 1 Capital: regulatory adjustments				
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	
38	Investment in own AT1 capital instruments	-	-	
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-	
40	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	
42	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	371,496	266,261	
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	371,086	-	295,388
44	Total of Regulatory Adjustment applied to AT1 capital	(10,642)	-	
45	Additional Tier 1 capital	-	266,261	
46	Additional Tier 1 capital recognized for capital adequacy (b)	-	266,261	
Tier 1 Capital (CET1 + admissible AT1)		(c=a+b) 6,123,016	6,261,715	
Tier 2 Capital				
47	Qualifying Tier 2 capital instruments under Basel III	-	-	
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-	
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	410	-	
50	of which: instruments issued by subsidiaries subject to phase out	-	-	
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-	
52	Revaluation Reserves	-	-	
53	of which: Revaluation reserves on Property	-	-	
54	of which: Unrealized Gains/Losses on AFS	-	-	
55	Foreign Exchange Translation Reserves	-	-	
56	Undisclosed/Other Reserves (if any)	-	-	
57	T2 before regulatory adjustments	410	-	

Amount	Amounts subject to Pre-Basel III treatment
2013	2012
Rupees in '000	

Tier 2 Capital: regulatory adjustments

58	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(371,496)	(266,261)
59	Reciprocal cross holdings in Tier 2 instruments	-	-
60	Investment in own Tier 2 capital instrument	-	-
61	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
63	Amount of Regulatory Adjustment applied to T2 capital	410	-
64	Tier 2 capital (T2)	-	-
65	Tier 2 capital recognized for capital adequacy	-	-
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-
67	Total Tier 2 capital admissible for capital adequacy (d)	-	(266,261)
TOTAL CAPITAL (T1 + admissible T2)		(e=c+d) 6,123,016	5,995,454
Total Risk Weighted Assets		(i=f+g+h) 16,638,073	14,551,209
68	Total Credit Risk Weighted Assets (f)	11,143,498	8,019,783
69	Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment	-	-
70	of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity "	-	-
71	of which: deferred tax assets	-	-
72	of which: Defined-benefit pension fund net assets	-	-
73	of which: [insert name of adjustment]	-	-
74	Total Market Risk Weighted Assets (g)	3,748,614	4,650,071
75	Total Operational Risk Weighted Assets (h)	1,745,961	1,881,355



Amount	Amounts subject to Pre-Basel III treatment
2013	2012
Rupees in '000	

**Capital ratios and buffers
(in percentage of risk weighted assets)**

76	CET1 to total RWA	(a/i)	36.80%	44.86%
77	Tier-1 capital to total RWA	(c/i)	36.80%	43.03%
78	Total capital to RWA	(e/i)	36.80%	41.20%
79	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		-	-
80	of which: capital conservation buffer requirement		-	-
81	of which: countercyclical buffer requirement		-	-
82	of which: D-SIB or G-SIB buffer requirement		-	-
83	CET1 available to meet buffers (as a percentage of risk weighted assets)		-	-

National minimum capital requirements prescribed by SBP

84	CET1 minimum ratio	5.0%	5%
85	Tier 1 minimum ratio	6.5%	6.50%
86	Total capital minimum ratio	10.0%	10%

Amounts below the thresholds for deduction (before risk weighting)

87	Non-significant investments in the capital of other financial entities	-	-
88	Significant investments in the common stock of financial entities	742,991	-
89	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-

Applicable caps on the inclusion of provisions in Tier 2

90	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
91	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
92	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-

39.4 Risk-Weighted Exposures

2013		2012	
Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
Rupees in '000			

Credit Risk

Balance Sheet Items:-

Cash and other liquid Assets	1,511,589	320,085	1,095,073	232,223
Money at call	-	-	-	-
Investments	7,652,050	2,289,840	10,296,148	799,923
Loans and Advances	7,493,690	5,679,913	6,347,059	5,344,359
Fixed Assets	52,642	52,007	61,298	59,632
Other Assets	1,040,680	1,779,704	818,799	818,799
	<u>17,750,651</u>	<u>10,121,548</u>	<u>18,618,377</u>	<u>7,254,935</u>

Off Balance Sheet items

Commitments / Guarantees	1,782,545	625,835	1,016,982	420,991
Purchase and Resale Agreements	496,945	99,389	235,657	47,131
Performance Bonds etc	-	-	-	-
Revolving underwriting Commitments	-	-	-	-
Others	296,726	296,726	296,726	296,726
Stand By Letters of Credit	-	-	-	-
Outstanding Foreign Exchange Contracts	-	-	-	-
-Purchase	-	-	-	-
-Sale	-	-	-	-
	<u>2,576,216</u>	<u>1,021,950</u>	<u>1,549,365</u>	<u>764,848</u>

Credit risk-weighted exposures	<u>11,143,498</u>	<u>8,019,783</u>
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Market Risk

General market risk	2,059,064	2,649,685
Specific market Risk	1,689,550	2,000,386

Market risk-weighted exposures	<u>3,748,614</u>	<u>4,650,071</u>
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Operational Risk

Total Risk-Weighted Exposures	<u><u>16,638,073</u></u>	<u><u>14,551,209</u></u>
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39.5 Capital Structure Reconciliation

Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
As at period end		
Rupees in '000		

Assets

Cash and balances with treasury banks	78,034	78,034
Balances with other banks	227,034	227,034
Lending to financial institutions	1,206,521	1,206,521
Investments	7,652,050	7,652,050
Advances	7,493,690	7,493,690
Operating fixed assets	52,642	52,642
Deferred tax assets	492,682	492,682
Other assets	547,998	547,998

Total assets	17,750,651	17,750,651
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Liabilities & Equity

Bills payable	-	-
Borrowings	5,721,831	5,721,831
Deposits and other accounts	4,433,848	4,433,848
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	5,605	5,605
Deferred tax liabilities	-	-
Other liabilities	374,125	374,125

Total liabilities	10,535,409	10,535,409
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Share capital/ Head office capital account	6,150,000	6,150,000
Reserves	646,091	646,091
Unappropriated/ Unremitted profit/ (losses)	482,442	482,442
Minority Interest	22,221	22,221
Surplus on revaluation of assets	(85,512)	(85,512)

Total liabilities & equity	17,750,651	17,750,651
---------------------------------------	------------	------------



	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	As at period end		
	Rupees in '000		
Assets			
Cash and balances with treasury banks	78,034	78,034	
Balanced with other banks	227,034	227,034	
Lending to financial institutions	1,206,521	1,206,521	
Investments	7,652,050	7,652,050	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold"			a
of which: significant capital investments in financial sector entities exceeding regulatory threshold"			b
of which: Mutual Funds exceeding regulatory threshold			c
of which: reciprocal crossholding of capital instrument			d
of which: others (mention details)			e
Advances	7,493,690	7,493,690	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital			g
Fixed Assets	52,642	52,642	
Deferred Tax Assets	566,876	566,876	
of which: DTAs excluding those arising from temporary differences			h
of which: DTAs arising from temporary differences exceeding regulatory threshold			i
Other assets	547,998	547,998	
of which: Goodwill			j
of which: Intangibles			k
of which: Defined-benefit pension fund net assets			l
Total assets	17,824,845	17,824,845	



	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	As at period end		
	Rupees in '000		
Liabilities & Equity			
Bills payable			
Borrowings	5,721,831	5,721,831	
Deposits and other accounts	4,433,848	4,433,848	
Sub-ordinated loans			
of which: eligible for inclusion in AT1			m
of which: eligible for inclusion in Tier 2			n
Liabilities against assets subject to finance lease	5,605	5,605	
Deferred tax liabilities	74,194	74,194	
of which: DTLs related to goodwill			o
of which: DTLs related to intangible assets			p
of which: DTLs related to defined pension fund net assets			q
of which: other deferred tax liabilities			r
Other liabilities	374,125	374,125	
Total liabilities	10,609,603	10,609,603	
Share capital	6,150,000	6,150,000	
of which: amount eligible for CET1	6,150,000	6,150,000	s
of which: amount eligible for AT1			t
Reserves	646,091	646,091	
of which: portion eligible for inclusion in CET1 (provide breakup)	646,091	646,091	u
of which: portion eligible for inclusion in Tier 2			v
Unappropriated profit/ (losses)	482,442	482,442	w
Minority Interest	22,221	22,221	
of which: portion eligible for inclusion in CET1			x
of which: portion eligible for inclusion in AT1			y
of which: portion eligible for inclusion in Tier 2			z
Surplus on revaluation of assets	(85,512)	(85,512)	
of which: Revaluation reserves on Property			aa
of which: Unrealized Gains/Losses on AFS	(85,512)	(85,512)	
In case of Deficit on revaluation (deduction from CET1)			ab
Total liabilities & Equity	17,824,845	17,824,845	

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

	Component of regulatory capital reported by bank	Source based on reference number from step 2
1 Fully Paid-up Capital/ Capital deposited with SBP	6,150,000	(s)
2 Balance in Share Premium Account		
3 Reserve for issue of Bonus Shares		
4 General/ Statutory Reserves	646,091	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/(losses)	482,442	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	22,221	(x)
8 CET 1 before Regulatory Adjustments	7,300,754	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	635	(k) - (p)
11 Shortfall of provisions against classified assets		(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments		(d)
15 Cash flow hedge reserve		
16 Investment in own shares/ CET1 instruments		
17 Securitization gain on sale		
18 Capital shortfall of regulated subsidiaries		
19 Deficit on account of revaluation from bank's holdings of property/ AFS	138,171	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital		
27 Investment in TFCs of other banks exceeding the prescribed limit	285,708	
28 Any other deduction specified by SBP (mention details)		
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	753,224	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	138,806	
Common Equity Tier 1	6,123,016	



Additional Tier 1 (AT 1) Capital

- 31 Qualifying Additional Tier-1 instruments plus any related share premium
- 32 of which: Classified as equity
- 33 of which: Classified as liabilities
- 34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)
- 35 of which: instrument issued by subsidiaries subject to phase out
- 36 **AT1 before regulatory adjustments**

Component of regulatory capital reported by bank	Source based on reference number from step 2
-	(t)
(10,642)	(m)
-	(y)
(10,642)	

Additional Tier 1 Capital: regulatory adjustments

- 37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)
- 38 Investment in own AT1 capital instruments
- 39 Reciprocal cross holdings in Additional Tier 1 capital instruments
- 40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)
- 41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation
- 42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital
- 43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions
- 44 Total of Regulatory Adjustment applied to AT1 capital
- 45 Additional Tier 1 capital
- 46 **Additional Tier 1 capital recognized for capital adequacy**

-	
-	(ac)
-	(ad)
-	
371,496	
(10,642)	
-	

Tier 1 Capital (CET1 + admissible AT1)

6,123,016

Tier 2 Capital

	Component of regulatory capital reported by bank	Source based on reference number from step 2
47 Qualifying Tier 2 capital instruments under Basel III	-	
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	410	(z)
50 of which: instruments issued by subsidiaries subject to phase out	-	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	(g)
52 Revaluation Reserves eligible for Tier 2	-	
53 of which: portion pertaining to Property	-	portion of (aa)
54 of which: portion pertaining to AFS securities	-	
55 Foreign Exchange Translation Reserves	-	(v)
56 Undisclosed/Other Reserves (if any)	-	
57 T2 before regulatory adjustments	410	

Tier 2 Capital: regulatory adjustments

58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(371,496)	
59 Reciprocal cross holdings in Tier 2 instruments	-	
60 Investment in own Tier 2 capital instrument	-	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63 Amount of Regulatory Adjustment applied to T2 capital	410	
64 Tier 2 capital (T2)	-	
65 Tier 2 capital recognized for capital adequacy	-	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	-	
TOTAL CAPITAL (T1 + admissible T2)	6,123,016	

39.6 Main Features Template of Regulatory Capital Instruments

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

39.7 Capital Adequacy

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy are as follows:

Capital Requirements		Risk Weighted Assets	
2013	2012	2013	2012
Rupees in '000			

Credit Risk

Portfolios subject to standardized approach (Simple or Comprehensive)

On-Balance sheet

Public sector entities	100,057	-	1,000,570	-
Banks and DFIs	13,061	6,200	130,607	61,996
Corporate	472,543	533,911	4,725,426	5,339,110
Sovereign (include GoP and SBP)	-	-	-	-
Retail Portfolio	839	1,117	8,392	11,168
Residential mortgage finance	3,825	3,976	38,253	39,762
Past due loans	9,675	12,455	96,750	124,546
Operating fixed assets	5,201	5,963	52,007	59,632
Other assets	177,970	81,880	1,779,704	818,799

Off-Balance sheet

Non-market related	102,195	76,485	1,021,950	764,848
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Equity Exposure Risk in the Banking Book	228,984	79,992	2,289,839	799,922
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Total Credit Risk	1,114,350	801,979	11,143,498	8,019,783
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Market Risk

Capital Requirement for portfolios subject to Standardized Approach

Interest rate risk	243,558	351,070	3,044,461	3,510,698
Equity position risk	56,332	113,937	704,153	1,139,373

Total Market Risk	299,890	465,007	3,748,614	4,650,071
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Operational Risk

Capital Requirement for operational risks	139,677	150,508	1,745,961	1,881,355
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TOTAL	1,553,917	1,417,494	16,638,073	14,551,209
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Capital Adequacy Ratio

	Current Year	Prior Year
Total eligible regulatory capital held (Note: 39.3)	6,123,016	5,995,454
Total Risk Weighted Assets (Note: 39.3)	16,638,073	14,551,209
Capital Adequacy Ratio (e) / (i)	36.80%	41.20%

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

Risk management organisation

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

Credit Committee implements credit risk policy and monitors credit risk in light with credit policy and Prudential Regulations.

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

40.1 Credit risk

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

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

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

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

Credit exposures subject to Standardised Approach

Exposures	Rating Category	2013			2012		
		Amount Outstanding	Deduction CRM*	Net amount	Amount Outstanding	Deduction CRM*	Net amount
		Rupees in '000					
Corporate	0	-	-	-	-	-	-
	1	496,195	423,083	919,278	585,989	588,903	1,174,892
	2	1,154,857	(11,800)	1,143,057	1,147,358	(100,225)	1,047,133
	3-4	190,000	-	190,000	100,000	-	100,000
	5-6	-	-	-	-	-	-
	Unrated	4,191,325	(411,283)	3,780,042	4,969,243	(488,678)	4,480,565
		<u>6,032,377</u>	<u>-</u>	<u>6,032,377</u>	<u>6,802,590</u>	<u>-</u>	<u>6,802,590</u>
Banks	0	-	-	-	-	-	-
	1	403,034	-	403,034	59,980	-	59,980
	2-3	100,000	-	100,000	100,000	-	100,000
	Unrated	-	-	-	-	-	-
		<u>503,034</u>	<u>-</u>	<u>503,034</u>	<u>159,980</u>	<u>-</u>	<u>159,980</u>

Sovereigns etc.

Unrated

*CRM= Credit Risk Mitigation

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

40.2 Segmental information

40.2.1 Segment by class of business

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

	2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Financial institution	105,161	1.44	731,747	16.82	235,657	15.20
Textile	1,292,534	17.75	3,315	0.08	452,382	29.18
Transportation and communication	332,519	4.57	555,013	12.76	25,000	1.61
Power	1,106,438	15.20	-	-	296,726	19.14
Electronics	160,079	2.20	-	-	-	-
Food and beverage	1,592,412	21.87	-	-	302,540	19.52
Services	334,241	4.59	80,000	1.84	100,000	6.45
Engineering and allied products	158,017	2.17	-	-	-	-
Chemical and pharmaceuticals	367,233	5.04	-	-	90,000	5.81
Automobiles	258,545	3.55	-	-	-	-
Fuel and energy	474,917	6.52	-	-	44,560	2.87
Construction	107,394	1.48	-	-	-	-
Cement	45,953	0.63	-	-	-	-
Sugar	384,205	5.28	-	-	-	-
Paper and board /packaging	92,215	1.27	-	-	2,500	0.16
Healthcare	150,000	2.06	-	-	-	-
Individual	128,496	1.76	428,190	9.84	-	-
Others	190,514	2.62	2,552,735	58.66	709	0.05
	7,280,873	100.00	4,351,000	100.00	1,550,074	100.00

40.2.2 Segment by sector

	2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	2,310,491	27.40	260,000	5.86	6,180	0.24
Private	6,122,066	72.60	4,173,848	94.14	2,570,036	99.76
	8,432,557	100	4,433,848	100	2,576,216	100

	2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Public / Government	1,289,506	17.71	650,000	14.94	44,560	2.87
Private	5,991,367	82.29	3,701,000	85.06	1,505,514	97.13
	7,280,873	100	4,351,000	100	1,550,074	100

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

	2013		2012	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Automobile	213,957	213,957	258,545	258,545
Cement	26,907	26,907	45,953	45,953
Textile	438,151	380,585	454,834	331,808
Chemical and pharmaceuticals	34,854	30,649	38,616	34,411
Construction	55,250	53,675	57,395	53,675
Engineering and allied products	80,073	80,073	86,073	86,073
Electronics	50,000	2,819	50,000	-
Fuel and energy	89,194	60,907	89,194	34,053
Food and beverages	16,434	15,934	16,435	15,935
Financial institution	5,161	5,161	5,161	5,161
Power	68,200	68,200	68,200	68,200
Transportation & Communication	-	-	12,500	-
Others	54,185	-	-	-
	1,132,366	938,867	1,182,906	933,814

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

	2013		2012	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Public / Government	-	-	-	-
Private	1,132,366	938,867	1,182,906	933,814
	1,132,366	938,867	1,182,906	933,814

40.2.5 Geographical segment analysis

	2013		2012	
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	457,307	17,749,106	7,215,242	2,576,216
Middle East	-	1,545	-	-
	<u>457,307</u>	<u>17,750,651</u>	<u>7,215,242</u>	<u>2,576,216</u>

40.3 Market risk

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

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

40.3.1 Interest rate risk

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

40.3.2 Foreign currency risk

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

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupees	17,749,733	10,535,409	-	7,214,324
United States Dollar	148	-	-	148
Omani Riyal	770	-	-	770
	<u>17,750,651</u>	<u>10,535,409</u>	<u>-</u>	<u>7,215,242</u>

40.3.3 Equity position risk

Equity position risk refers to the risk arising from taking long or short positions, in the trading book, in equities and all instruments that exhibit market 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. As per Standardized Approach 8% charge has to be created on both Specific and General Equity Position Risk Management calculation.

40.3.4 Liquidity risk

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

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

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

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

- Risk Management Department
- Finance Department
- Treasury Department
- Asset Liability Committee (ALCO)

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

40.3.5 Mismatch of interest rate sensitive assets and liabilities for the year ended December 31, 2013

Exposed to Yield / interest risk											
Effective yield/ interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial Instruments
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	78,034	-	-	-	-	-	-	-	-	-	78,034
Balances with other banks	10.87% 227,034	204,796	20,387	-	-	-	-	-	-	-	1,851
Lending to financial institutions	10.31% 1,206,521	1,195,277	1,203	-	10,041	-	-	-	-	-	-
Investments	11.36% 6,754,129	704,398	1,336,889	1,167,583	763	51,432	958,061	1,039,464	993,223	16,927	485,389
Advances	12.06% 7,493,690	2,438,390	3,371,710	526,223	150,714	302,991	256,050	346,013	77,397	13,013	11,189
Other assets	426,431	-	-	-	-	-	-	-	-	-	426,431
	16,185,839	4,542,861	4,730,189	1,693,806	161,518	354,423	1,214,111	1,385,477	1,070,620	29,940	1,002,894
Liabilities											
Borrowings from financial institutions	9.76% 5,721,831	3,013,445	1,336,547	479,166	119,070	268,930	196,652	270,634	37,387	-	-
Deposits and other accounts	9.64% 4,433,848	1,351,652	2,126,059	845,289	110,223	625	-	-	-	-	-
Liabilities against assets subject to finance leases	13.49% 5,605	379	922	1,236	2,580	488	-	-	-	-	-
Other liabilities	369,249	-	-	-	-	-	-	-	-	-	369,249
	10,530,533	4,365,476	3,463,528	1,325,691	231,873	270,043	196,652	270,634	37,387	-	369,249
On-balance sheet gap	5,655,306	177,385	1,266,661	368,115	(70,355)	84,380	1,017,459	1,114,843	1,033,233	29,940	633,645
Non-financial assets	1,564,812										
Non-financial liabilities	4,876										
Total Net Assets	7,215,242										
Total yield / profit risk sensitivity gap		177,385	1,266,661	368,115	(70,355)	84,380	1,017,459	1,114,843	1,033,233	29,940	
Cumulative yield / profit risk sensitivity gap		177,385	1,444,046	1,812,161	1,741,806	1,826,186	2,843,645	3,958,488	4,991,721	5,021,661	

Mismatch of interest rate sensitive assets and liabilities for the year ended December 31, 2012

Exposed to Yield / interest risk											
Effective yield/ interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial Instruments
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	101,974	-	-	-	-	-	-	-	-	-	101,974
Balances with other banks	9.97% 159,980	155,297	-	-	-	-	-	-	-	-	4,683
Lending to financial institutions	9.80% 833,119	820,456	212	1,207	-	11,244	-	-	-	-	-
Investments	10.87% 9,390,720	108,012	1,509,922	1,861,075	1,619,333	8,994	63,898	3,373,571	115,853	-	730,062
Advances	12.92% 6,347,059	2,182,413	2,449,580	647,730	151,235	267,669	230,855	307,753	78,600	16,333	14,891
Other assets	379,186	-	-	-	-	-	-	-	-	-	379,186
	17,212,038	3,266,178	3,959,714	2,510,012	1,770,568	287,907	294,753	3,681,324	194,453	16,333	1,230,796
Liabilities											
Borrowings from financial institutions	9.04% 6,546,367	5,471,422	194,064	59,264	114,383	207,033	216,375	246,022	37,804	-	-
Deposits and other accounts	10.75% 4,351,000	1,222,984	1,350,195	1,103,129	381,674	293,018	-	-	-	-	-
Liabilities against assets subject to finance leases	13.68% 10,802	640	942	1,823	2,026	4,882	489	-	-	-	-
Other liabilities	395,110	-	-	-	-	-	-	-	-	-	395,110
	11,303,279	6,695,046	1,545,201	1,164,216	498,083	504,933	216,864	246,022	37,804	-	395,110
On-balance sheet gap	5,908,759	(3,428,868)	2,414,513	1,345,796	1,272,485	(217,026)	77,889	3,435,302	156,649	16,333	835,686
Non-financial assets	1,406,339										
Non-financial liabilities	102,845										
Total Net Assets	7,212,253										
Total yield / profit risk sensitivity gap		(3,428,868)	2,414,513	1,345,796	1,272,485	(217,026)	77,889	3,435,302	156,649	16,333	
Cumulative yield / profit risk sensitivity gap		(3,428,868)	(1,014,355)	331,441	1,603,926	1,386,900	1,464,789	4,900,091	5,056,740	5,073,073	

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

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

40.4 Operational risk

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

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

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

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

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

Maturities of assets and liabilities as at December 31, 2013

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
Assets										
Cash and balances with treasury banks	78,034	78,034	-	-	-	-	-	-	-	-
Balances with other banks	227,034	227,034	-	-	-	-	-	-	-	-
Lending to financial institutions	1,206,521	1,195,277	1,203	-	10,041	-	-	-	-	-
Investments	7,652,050	645,906	482,364	372,342	178,328	606,687	1,206,006	2,690,226	1,453,264	16,927
Advances	7,493,690	376,014	672,281	1,313,704	1,621,813	1,072,695	975,971	1,131,142	317,057	13,013
Other assets	547,998	214,991	155,426	149,587	2,386	2,099	1,067	22,442	-	-
Operating fixed assets	52,642	2,848	5,048	5,587	8,207	12,698	2,106	4,212	10,532	1,404
Deferred tax assets	492,682	(67,904)	(24,158)	(18,305)	25,024	(53,560)	(37,553)	669,727	(1,679)	1,090
	17,750,651	2,672,200	1,292,164	1,822,915	1,845,799	1,640,619	2,147,597	4,517,749	1,779,174	32,434
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	5,721,831	3,013,445	969,880	179,166	269,070	568,930	413,319	270,634	37,387	-
Deposits and other accounts	4,433,848	1,351,652	2,126,059	845,289	110,223	625	-	-	-	-
Liabilities against assets subject to finance leases	5,605	379	922	1,236	2,580	488	-	-	-	-
Other liabilities	374,125	105,117	147,684	31,848	12,550	10,794	39,060	27,072	-	-
Deferred taxation	-	-	-	-	-	-	-	-	-	-
	10,535,409	4,470,593	3,244,545	1,057,539	394,423	580,837	452,379	297,706	37,387	-
Net assets	<u>7,215,242</u>	<u>(1,798,393)</u>	<u>(1,952,381)</u>	<u>765,376</u>	<u>1,451,376</u>	<u>1,059,782</u>	<u>1,695,218</u>	<u>4,220,043</u>	<u>1,741,787</u>	<u>32,434</u>
Share capital	6,150,000									
Reserves	646,091									
Unappropriated profit	482,442									
	<u>7,278,533</u>									
Deficit on revaluation of investment - net of tax	(85,512)									
Non controlling interest	22,221									
	<u>7,215,242</u>									

Maturities of assets and liabilities as at December 31, 2012

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
Assets										
Cash and balances with treasury banks	101,974	101,974	-	-	-	-	-	-	-	-
Balances with other banks	159,980	159,980	-	-	-	-	-	-	-	-
Lending to financial institutions	833,119	820,456	212	1,207	-	11,244	-	-	-	-
Investments	10,296,148	136,426	319,435	690,804	2,070,739	674,457	549,188	4,907,129	947,970	-
Advances	6,347,059	199,427	1,458,387	377,794	685,963	1,101,829	822,001	1,156,140	529,185	16,333
Other assets	388,729	71,536	230,022	81,226	999	-	-	4,946	-	-
Operating fixed assets	61,298	2,311	7,195	6,208	8,514	12,012	6,804	4,212	10,532	3,510
Deferred tax assets	430,070	(21,363)	(17,168)	(23,930)	(54,385)	(45,072)	(7,744)	600,684	(1,482)	530
	18,618,377	1,470,747	1,998,083	1,133,309	2,711,830	1,754,470	1,370,249	6,673,111	1,486,205	20,373
Liabilities										
Borrowings from financial institutions	6,546,367	5,471,422	194,064	59,264	114,383	207,033	216,375	246,022	37,804	-
Deposits and other accounts	4,351,000	1,222,984	1,350,195	1,103,129	381,674	293,018	-	-	-	-
Liabilities against assets subject to finance leases	10,802	640	1,188	1,577	2,026	4,882	489	-	-	-
Other liabilities	497,955	87,741	99,174	65,595	174,194	37,276	10,879	23,096	-	-
	11,406,124	6,782,787	1,644,621	1,229,565	672,277	542,209	227,743	269,118	37,804	-
Net assets	7,212,253	(5,312,040)	353,462	(96,256)	2,039,553	1,212,261	1,142,506	6,403,993	1,448,401	20,373
Share capital	6,150,000									
Reserves	570,983									
Unappropriated Profit	452,759									
	7,173,742									
Surplus on revaluation of investment - net of tax	1,243									
Non controlling interest	37,268									
	7,212,253									

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

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

Maturities of assets and liabilities as at December 31, 2013

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
Assets										
Cash and balances with treasury banks	78,034	78,034	-	-	-	-	-	-	-	-
Balances with other banks	227,034	227,034	-	-	-	-	-	-	-	-
Lending to financial institutions	1,206,521	1,195,277	1,203	-	10,041	-	-	-	-	-
Investments	7,652,050	645,906	482,364	372,342	178,328	606,687	1,206,006	2,690,226	1,453,264	16,927
Advances	7,493,690	376,014	672,281	1,313,704	1,621,813	1,072,695	975,971	1,131,142	317,057	13,013
Other assets	547,998	214,991	155,426	149,587	2,386	2,099	1,067	22,442	-	-
Operating fixed assets	52,642	2,848	5,048	5,587	8,207	12,698	2,106	4,212	10,532	1,404
Deferred tax assets	492,682	(67,904)	(24,158)	(18,305)	25,024	(53,560)	(37,553)	669,727	(1,679)	1,090
	17,750,651	2,672,200	1,292,164	1,822,915	1,845,799	1,640,619	2,147,597	4,517,749	1,779,174	32,434
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	-
Borrowings from financial institutions	5,721,831	3,013,445	969,880	179,166	269,070	568,930	413,319	270,634	37,387	-
Deposits and other accounts	4,433,848	1,351,652	2,126,059	845,289	110,223	625	-	-	-	-
Liabilities against assets subject to										
finance leases	5,605	379	922	1,236	2,580	488	-	-	-	-
Other liabilities	374,125	105,117	147,684	31,848	12,550	10,794	39,060	27,072	-	-
Deferred taxation	-	-	-	-	-	-	-	-	-	-
	10,535,409	4,470,593	3,244,545	1,057,539	394,423	580,837	452,379	297,706	37,387	-
Net assets	7,215,242	(1,798,393)	(1,952,381)	765,376	1,451,376	1,059,782	1,695,218	4,220,043	1,741,787	32,434
Share capital	6,150,000									
Reserves	646,091									
Unappropriated profit	482,442									
	7,278,533									
Deficit on revaluation of investment - net of tax	(85,512)									
Non controlling interest	22,221									
	<u>7,215,242</u>									

Maturities of assets and liabilities as at December 31, 2012

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 month to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
Assets										
Cash and balances with treasury banks	101,974	101,974	-	-	-	-	-	-	-	-
Balances with other banks	159,980	159,980	-	-	-	-	-	-	-	-
Lending to financial institutions	833,119	820,456	212	1,207	-	11,244	-	-	-	-
Investments	10,296,148	136,426	319,435	690,804	2,070,739	674,457	549,188	4,907,129	947,970	-
Advances	6,347,059	199,427	1,458,387	377,794	685,963	1,101,829	822,001	1,156,140	529,185	16,333
Other assets	388,729	71,536	230,022	81,226	999	-	-	4,946	-	-
Operating fixed assets	61,298	2,311	7,195	6,208	8,514	12,012	6,804	4,212	10,532	3,510
Deferred tax assets	430,070	(21,363)	(17,168)	(23,930)	(54,385)	(45,072)	(7,744)	600,684	(1,482)	530
	18,618,377	1,470,747	1,998,083	1,133,309	2,711,830	1,754,470	1,370,249	6,673,111	1,486,205	20,373
Liabilities										
Borrowings from financial institutions	6,546,367	5,471,422	194,064	59,264	114,383	207,033	216,375	246,022	37,804	-
Deposits and other accounts	4,351,000	1,222,984	1,350,195	1,103,129	381,674	293,018	-	-	-	-
Liabilities against assets subject to finance leases	10,802	640	1,188	1,577	2,026	4,882	489	-	-	-
Other liabilities	497,955	87,741	99,174	65,595	174,194	37,276	10,879	23,096	-	-
	11,406,124	6,782,787	1,644,621	1,229,565	672,277	542,209	227,743	269,118	37,804	-
Net assets	<u>7,212,253</u>	<u>(5,312,040)</u>	<u>353,462</u>	<u>(96,256)</u>	<u>2,039,553</u>	<u>1,212,261</u>	<u>1,142,506</u>	<u>6,403,993</u>	<u>1,448,401</u>	<u>20,373</u>
Share capital	6,150,000									
Reserves	570,983									
Unappropriated Profit	452,759									
	<u>7,173,742</u>									
Surplus/Deficit on revaluation of investment - net of tax	1,243									
Non controlling interest	37,268									
	<u>7,212,253</u>									

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

41 TRUST ACTIVITIES

- 41.1** The holding company is acting as trustee to Term Finance Certificates issued by Pakistan Mobile Communication Limited, Pakistan Refinery Limited, United Bank Limited, Orix Leasing Pakistan Limited and Standard Chartered Bank (Pakistan) Limited. The holding company is holding the trust properties in fiduciary capacity on behalf of the relevant beneficiaries. In this behalf, the holding company is fulfilling all its obligations and duties in accordance with the provisions of the respective trust documents.
- 41.2** POAMCL is managing five (2012: eight) discretionary portfolio and three (2012: one) non-discretionary portfolio amounting to Rs. 79.522 million (2012: 92.72 million) and 101.023 million (2012: 51.23 million) respectively. The market value of the said portfolio are Rs 82.735 million (2012: Rs. 98.83 million) and Rs 108.917 million (2012: 57.69) respectively.

42 POST BALANCE SHEET EVENTS

The Board of Directors of the holding company in their meeting held on March 06, 2014 have:

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

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

43 GENERAL

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

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

44 DATE OF AUTHORISATION

These financial statements were authorised on March 06, 2014 by the Board of Directors of the holding company.

Company Information

AUDITORS

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Chartered Accountants
Member Firm of Deloitte
Touche Tohmatsu

LEGAL ADVISOR

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

TAX CONSULTANT

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