Symphony of
Sound Investments

PAK OMAN

Annual Report 2009

The Perfect Score

The Perfect Score

Any performance is only as perfect as the original score. Just as a musical sheet is a collaboration of movements, tones and keys, Pak Oman Investment Company Limited has been written into existence as a joint venture between the Governments of Pakistan and the Sultanate of Oman.

Orchestrating Success

Orchestrating Success

Just as each facet of an orchestra from score to skill, instruments to execution, are in the hands of the conductor, the board and management at Pak Oman Investment Company Limited guide each section of the Company to perform individually, to complement each other while maintaining harmony and culminating in a financial crescendo.

Talent and Skill

Talent and Skill

Talent is intrinsic and at Pak Oman Investment Company Limited we seek only the best players in the fianancial world. This talent is groomed and intensive training develops sharpness of skill, keen understanding and insight.

Instruments of Investment

Instruments of Investment

Pak Oman Investment Company Limited scripting its future with emphasis on expansions in Treasury, Investment and Corporate Banking. The Company offers Term Finance Certificates, Certificates of Investment along with Corporate Loans and Lease Financing.

Vision

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

Mission

Pak Oman will endeavor to provide cutting edge financial solutions to meet the requirements of its target customer base, with emphasis on customer satisfaction.

Our focus will remain on supporting economic development in both sponsoring countries and on maximizing returns to all stakeholders.

We will aim to be the employer of choice.

Company Profile

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

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

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

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

Company Objectives

Pak Oman Investment Company Limited has the following objectives:

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

Facilitating Omani investment into Pakistan

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

Core Values

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

Placing the interests of clients and customers first

Continuous quest for quality in all aspects of operations

Respectful and dignified intra-personal relations

High ethical and moral standards

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

Strong civic sense and responsibility to community

Code of Ethics / Business Practices

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

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

Contents

Financial Statements

Board of Directors

Clockwise

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

Management Team

Sitting (Left to Right)

Mr. Mohammad Jamal Nasir Chief Financial Officer
Ms. Saba Tariq Tajik Company Secretary
Mr. Agha Ahmed Shah Managing Director & Chief Executive Officer
Mr. Jehangir Shah Deputy Managing Director
Mr. Shahbaz Jameel Head Corporate Credit

Standing (Left to Right)

Mr. Mohammad Shoaib Head Treasury & Capital Markets
Mr. Naveed Shahzad Head Information Technology
Mr. Zalmai Khan Head Risk Management
Mr. S. Abdullah Jamal Ahmed Head of Compliance
Mr. Rehan Saeed Khan Vice President-Recovery
Mr. Shiraz Nandwani AVP-Credit Administration
Mr. Mohammad Ahmer Siddiqui Chief Internal Auditor

Board & Management

Board of Directors

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

Audit Committee

Mr. Hamed Sloom Mubarak Al Athobi	Chairman
Mr. Muhammad Iqbal Awan	Member
Mr. M. Zubair Motiwala	Member

Executive Committee

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

Board's HR Committee for Remuneration & Compensation

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

Management Team

Mr. Agha Ahmed Shah	Managing Director & Chief Executive Officer
Mr. Jehangir Shah	Deputy Managing Director
Mr. Mohammad Jamal Nasir	Chief Financial Officer
Mr. Shahbaz Jameel	Head Corporate Credit
Mr. Zalmai Khan	Head Risk Management
Ms. Saba Tariq Tajik	Company Secretary
Mr. Mohammad Shoaib	Head Treasury & Capital Markets
Mr. Mohammad Ahmer Siddiqui	Chief Internal Auditor
Mr. Naveed Shahzad	Head Information Technology
Mr. S. Abdullah Jamal Ahmed	Head of Compliance
Mr. Shiraz Nandwani	Head Credit Administration
Mr. Rehan Saeed Khan	Vice President-Recovery
Mr. Kashif Khan	Regional Head, Islamabad
Mr. Nafees Ahmed	Head, Lahore Operations

Board of Directors

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

Chairman
Pak Oman Investment Co. Ltd

Executive President
Capital Market Authority
Sultanate of Oman

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

His Excellency 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.

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

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

Mr. Mustafa Bin
Ali Sulaiman

Director General
Ministry of Finance
Sultanate of Oman

Director
Pak Oman Investment Co. Ltd

Mr. 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. Ali Sulaiman is currently the Director General of Collection in the Office of the Secretary General for Taxation, Ministry of Finance. He has extensive experience in the fields of taxation, investigation of financial statements, funds management, foreign exchange trading and cash flow management.

In addition Mr. Mustafa Bin Ali Sulaiman is a member of the Board of Directors of Muscat Electricity Distribution Company SAOC and has previously remained a Director of Gulf International Bank, Bahrain.

Mr. Hamed Sloom
Mubarak Al Athobi

Director
Pak Oman Investment Co. Ltd

Mr. Hamed Sloom Mubarak Al Athobi has 13 years of proficient experience in the oil and gas associated industry.

His official function is that of Business Development Manager 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 Business Development Manager, Mr. Athobi worked as a Finance Manager in OOC and different positions in the Ministry of Housing, Electricity and Water, Government of Oman.

In addition to Pak Oman, he is also a Board member in Oman India Fertilizer Company, Libya Oman Investment Co. and Compania Logistica de Hidrocarburos (CLH).
Mr. Athobi holds a Masters Degree in Business Administration (MBA) from the University of Strathclyde, UK and a Professional Diploma in Accountancy from the Association of Accounting Technicians.

Mr. Agha Ahmed Shah

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

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

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

Mr. Muhammad Iqbal Awan

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

Director
Pak Oman Investment Co. Ltd

Mr. Muhammad Iqbal Awan, an M.S. from Columbia University has more than 30 years experience, specialising in Finance. He is currently serving as the Additional Secretary (Corporate Finance), Ministry of Finance.

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

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

Mr. M. Zubair Motiwala

Director
Motiwala Industries

Managing Director &
Chief Excutive Officer
Diamond Textile (Private) Ltd

Director
Pak Oman Investment Co. Ltd

Mr. M. Zubair Motiwala is a leading industrialist and businessman with extensive experience in the industrial sector. He is currently serving as Director, Motiwala Industries and CEO, Diamond Textiles. His current honorary assignments include Chairman of Textile & Ancillary Standing Committee, Fuel Gas and Power Committee, Supreme Council All Pakistan Member Federation. He is also a member, board of Directors in Workers Welfare Fund, Committee to develop recommendation related to Textile Sector, Prime Minister Task Force on Textile Industry and Public Safety Commission. He is amongst the advisory Board of the Ministry of Science and Technology, as well as Karachi Electric Supply Corporation.

Chairman's Review

It gives me pleasure to share with you the performance of Pak Oman Investment Company for year 2009. The Company completed a difficult year being affected adversely by the macro and micro-economic environment. Despite all the negative factors, your Company has able to achieve:

- The Company maintained its Credit Rating of AA+ and Corporate Governance Rating of CGR 9 by JCR-VIS Credit Rating Company.
- The Company was reappointed as Primary Dealer by the State Bank of Pakistan.
- Pak Oman Investment Company increased its balance sheet size and continued booking new relationships in a very difficult year.
- The portfolio mix of the Company remained almost the same as the previous year.
- Initiated offering Certificates of Investment (COIs) to retail customers.

Overview of Operations

As at December 31, 2009 Company's assets stood at Rs 21 billion as against Rs 17 billion in 2008. This shows Company's resilience in a year which witnessed difficult economic and security conditions in the country. During the period under review, due to non-availability of quality lending names, the Company shifted its strategy and channeled its funds into Government securities and the bond market. The growth strategy resulted in a profit before provisions and losses in equity market of 2008 of Rs. 616 million. However, a one time provisioning of loans and investments of Rs. 730 million and losses of Rs. 540 million in the equity market in 2008 resulted in a loss after tax of Rs. 607 million for the year ended December 31, 2009.

Corporate Credit

Proactive yet conservative management made 2009 another satisfactory year for Corporate Credit department. Despite difficult prevailing conditions, the department improved its disbursements amount to Rs. 2.7 Billion compared to Rs. 2.6 Billion disbursed during 2008 and the average portfolio yield stayed at 3% above six (6) months KIBOR.

By the end of 2009 the Company reached near its 25% sector cap for the independent power producers and textile sectors. Together these two sectors account for about 40% of the portfolio.

Pak Oman has played an active role as a Development Financial Institution in terms of financing Infrastructure Projects in the country. Out of the five (5) Independent Power Producers financed by Pak Oman, Attock Group's Attock Gen Limited achieved Commercial Production during 2009, while Fauji Foundation Group's Foundation Power Company and Orient Power Company (49% equity owned by Oman Oil Company SAOC) are scheduled to be operational in first quarter 2010. The remaining two projects - Saif Power and Liberty Power - are well under progress. This clearly exhibits Pak Oman's commitment in assisting country meet its energy requirements.

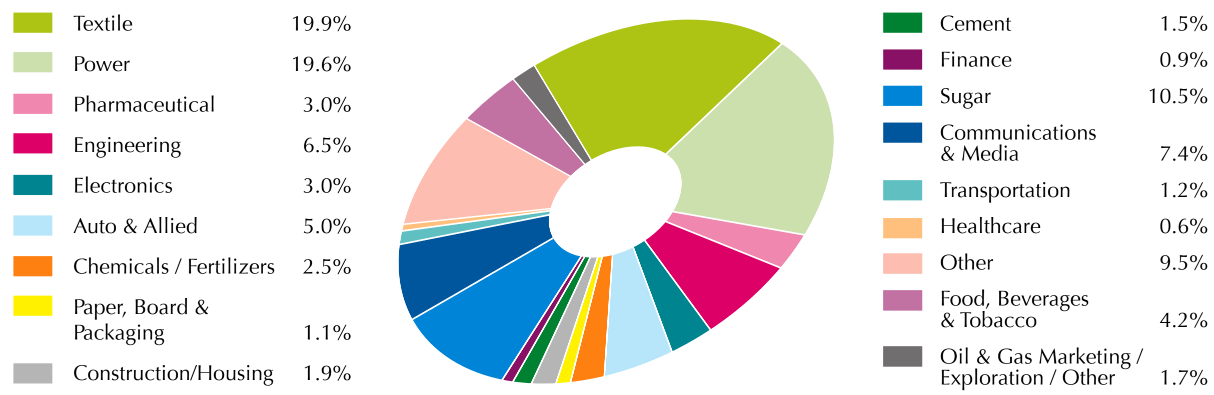
The strategy of servicing top tier customers within the textile sector has been successful. Pak Oman has used the State Bank of Pakistan's subsidised credit lines to cater to these select clients. The advantages include removal of mismatch between age of assets and corresponding liabilities, and having a fixed percentage spread on these credit facilities.

We have also institutionalised the practice of monitoring “Flagged Accounts”. Accounts are “Flagged” when there is either 'actual' trouble or even 'expected' trouble with the customers' repayment capacity.

income securities to its customers, it also provides investment advisory services. It also extended it services to high net-worth Individuals in 2009. Overall the treasury has contributed significantly towards achievements of the milestones set by management.

The highlight of the year was book building of TFCs, Sukuks and Government securities. The Government and corporate bond portfolio increased by 226% and 29% respectively.

Deposit base also depicted an increase of 51%. The cost of COIs declined by 223 basis points



Investment Banking

The Investment Banking Division continues to play an active role in origination and distribution of debt and equity instruments and is a pioneer in structuring commercial paper transactions in Pakistan. It has played and continues to play a pivotal role in bringing foreign investment into Pakistan.

Treasury

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

The corporate sales desk at Pak Oman is one of the oldest among DFIs. Apart from providing fixed over the year. Pak Oman Investment Company also started deposit mobilization from individuals in 2009 which received good response from the high net-worth individuals.

Trading profit also stands at Rs. 36 million on trading volume of Rs. 176 billion in Government securities and Rs. 12.3 million on trading volume of Rs. 4.1 billion in corporate bonds.

Also, standby over draft lines were secured from commercial banks through management effort as a contingency plan.

Risk Management

Pak Oman has stringent risk management policies. During 2009, Internal Capital Adequacy Assessment Process was conducted and document prepared for State Bank of Pakistan requirement in which the Company's capital requirement / needs were defined and its Minimum Capital Requirement was well within the stipulated limit. Different risk elements of the Company were analyzed and reports were regularly presented to the Board of Directors. Pak Oman remained compliant with the requirements pertaining to implementation of the Basel II Accord as mandated by the State Bank of Pakistan Regulations during this period.

Support Operations

Finance, Information Technology, Human Resources and Administration, played their role in supporting core operations of the Company. Information Technology Department concentrated on better communication, connectivity and business process engineering by upgrading all its existing modules. It also implemented the primary and backup optical fibre link for the reuters dealing system. 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)	Coordination Committee
(iv)	Purchase & Works Committee
(v)	Friends of Life Committee
(vi)	Information Technology Committee
(vii)	Capital Market Review Committee (CMRC)
(viii)	Performance Evaluation Committee

Social Responsibility / Contribution to National Economy

Pak Oman was established at a time when the practice of granting tax exemptions had been eradicated. In the year 2009, the Company's contribution to the national exchequer was Rs. 195 million.

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

Friends of Life undertook certain initiatives this year which were geared towards health for the underprivileged.

- **Al-Mehrab Tibbi Imdad**

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

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

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

- **Dar-ul-Sukun**

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

Apart from the above mentioned causes, the committee has also donated funds to other institutions, including the "Kidney Centre", "Citizen's Foundation" and "NOWPDP" (Network of Organisations Working for People with Disabilities).

2010 and Beyond

The Company will continue to focus on its core business and consolidating its operations. The major challenge for the year 2010 will be working out on non-performing / flagged accounts. The management will channel its efforts on recoveries through litigation process / out of court settlement and / or by way of feasible re-structuring of facilities. For this purpose a broad strategy has also been prepared.

The corporate loan and lease books, as well as treasury and equity books are expected to see growth through concerted efforts in this direction. As the investment climate improves, income generation through advisory transactions are also expected to increase.

In order to expand our outreach in Sultanate of Oman and facilitate more contact between investors in the two countries, Pak Oman Investment Company is in the process of launching a Private Equity Fund of USD 40 million (equivalent to approximately RO 15 million) in Muscat, Sultanate of Oman. It shall be a country specific close end fund listed in the Muscat Securities Market.

Acknowledgement

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

I would like to express my gratitude to our stakeholders, the government, and customers for their valuable support and cooperation & the regulatory bodies for their guidance.

Yahya Bin Said Bin Abdullah Al-Jabri
Chairman

Muscat: March 02, 2010

Directors' Report

On behalf of the Board of Directors, it gives me pleasure to present the Eighth Annual Report and the Audited Financial Statements together with the Auditors' Report of your Company, along with Consolidated Audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2009.

Economy

The year 2009 has been a difficult year for Pakistan in general and the economy in particular. This was partly due to the global financial situation and partly due to the security situation which resulted in high cost on the economy, both in terms of direct costs of the fight against terrorism, as well as in terms of the effect on investment inflows and market confidence. Further, a shortfall in the country's energy requirements and low tax to GDP ratio were also major challenges for the year. As a result, real GDP growth in the current year is now estimated at 3 percent.

Operational Review

Despite the uncertain conditions in the country, the underlying growth of the Company's core business has been strong. Earning from operations was in line with previous years. However, due to a one off credit provisioning of Rs 730 million and impairment losses of Rs 540 million, the Company declared a loss after tax of Rs 607 million for the year 2009. The impairment losses pertained to losses incurred in the equity market during 2008 but have been booked by the Company in 2009. On a yearly basis, total revenue from operations amounted to Rs 2,500 million (US$ 29.7 million). After accounting for mark-up and interest expense of Rs 1,637 million (US$ 19.5 million) and total administrative and other expenses of Rs 247 million (US$ 2.9 million), the Company achieved profit before provisions and capital gain / impairment of Rs 616 million (US$ 7.3 million). However, during the year Company has accounted for impairment losses of 2008 (net off capital gain and effect of the price movement, if any) amounting to Rs 540 million (US$ 6.4 million).Further, the Company has made unprecedented provisions of Rs 730 million (US$ 8.7 million) mainly against Dewan Group of Rs 305 million; LG Rs 113 million; Progas Rs 23 million and JPGL Rs 111 million. After this provisioning, Company's coverage ratio of total provisions to total non performing loans is 81%. However, this has resulted into a loss after tax of Rs 607 million (US$ 7.2 million).

Pak Oman continued to build a well-diversified asset portfolio comprising of loans and leases, as well as corporate bonds and investment in mutual funds. As at December 31, 2009, Company's total assets stood at Rs 21 billion (US$ 245 million) [2008: Rs 17 billion(US$ 207 million)].

Financial Results

	For the Year ended 2009	
	Rs million	US$ million
Total Assets	20,565	245
Advances	5,514	66
Investments	10,775	128
Loss after taxation	607	7

Appropriations

In view of the loss for the year, no dividend is proposed to be paid for the year. To meet the requirement of minimum paid up capital of Rs. 6 billion (net of losses) as of December 31, 2009, the Board has approved the transfer to the profit and loss account of Rs. 487 million and Rs.120 million from general reserves and contingency reserves respectively.

Credit rating

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

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

Corporate Governance Rating

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

The assigned rating denotes a very high level of corporate governance. Pak Oman is the first financial institution to accomplish this milestone in the first year of assessment. This remarkable achievement is the result of the adoption of best practices within the Company.

Primary Dealer of State Bank of Pakistan

Acknowledging Pak Oman's role in the development of the primary and secondary markets for Government bonds, the State Bank of Pakistan has reappointed Pak Oman as a Primary Dealer for the financial year 2009-2010.

Pak Oman Microfinance Bank

In the year 2009, Pak Oman Microfinance Bank continued to create its impact in the Microfinance landscape of Pakistan.

The salient features of Pak Oman Microfinance Bank's performance:

Total number of operational branches	14
Service Centres	3
Total number of Borrowers	30,028
Total number of Deposit Holders	15,971
Total number of Customers	45,999
Total Amount of Disbursement	Rs 526,280,000
Total Amount of Deposits	Rs 24,547,190
Total number of Loans	30,028
Average loan size	Rs 13,555

In 2010, the Bank plans to steadily increase its outreach by opening three Branches and two Service Centres across the country. It also continues to focus on providing access to a sound and affordable healthcare facility to its borrowers who were totally deprived of such facilities prior to this initiative, through a renowned insurance company.

Pak Oman Asset Management Company

Pak Oman Asset management Company Limited (POAMCL) endeavoured to perform well while being subject to testing market conditions during the year. The Company successfully weathered the adverse market conditions at the beginning of the year as financial markets tried to build up momentum after the precipitous fall in 2008. Over the year, clients reaped considerable payout returns from the funds under management. Pak Oman Advantage Stock Fund and Pak Oman Advantage Islamic Fund annualized payout returns ranked highest in their respective Conventional Equity and Islamic Asset Allocation categories, while that for Pak Oman Advantage Islamic Income Fund ranked second highest in its Islamic Income category.

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 risk management department oversees Credit, Market and Operational risk. It constantly endeavours for betterment of the existing systems and procedures. In this regard there is an ongoing process of upgrading the IT systems, which would not only cover the Company's increasing needs but also form the basis for BASEL II implementation. The Company is fully compliant to SBP's guidelines on BASEL II implementation.

Corporate Governance & Financial Reporting

The Directors declare that:

- These financial statements, prepared by the Management, present fairly its state of affairs, the result of its operations, cash flows, and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements except as disclosed in note 5.17 to the financial statement and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure from them has been appropriately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts regarding the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.

The Board of Directors of the Company held seven meetings during the year ended December 31, 2009 to discuss policy matters and to review operations. These were attended as follows:

Name of Director	Meetings Attended
H.E. Yahya Bin Said Bin Abdullah Al-Jabri	7
Mr. Ahmed S. Al-Wahaibi	-
Mr. Javed Mahmood	6
Mr. M. Zubair Motiwala	7
Mr. Mustafa Bin Ali Sulaiman	7
Mr. Agha Ahmed Shah	6
Mr. Hamed Sloom Mubarak Al Athobi	2
Mr. Muhammad Iqbal Awan	1
Mr. Zafar Iqbal	2

Chief Executive Officer

During the year Mr. Agha Ahmed Shah joined as Managing Director & Chief Executive Officer of the Company in place of Mr. Zafar Iqbal.

Directors

There were two changes in Board of Directors during the year. Mr. Ahmed S. Al-Wahaibi and Mr. Javed Mahmood resigned from the board and Mr. Hamed Sloom Mubarak Al Athobi and Mr. Muhammad Iqbal Awan joined as nominee of the Governments of Sultanate of Oman and Pakistan respectively.

Statement of Investments of Provident & Gratuity funds

Investments of Provident & Gratuity funds as at December 31, 2009 according to their un-audited financial statements were Rs 28.73 million and Rs 25.15 million respectively.

Auditors

The present Auditors, Anjum Asim Shahid Rahman, (a member firm of Grant Thornton) Chartered Accountants retire and being eligible, offer themselves for re-appointment. The Board of Directors, on the suggestion of the Audit Committee, recommended the appointment of Anjum Asim Shahid Rehman, Chartered Accountants as auditors of the Company for the year ending December 31, 2010.

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

Acknowledgements

Stakeholders

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

Regulators

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

Management

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

Agha Ahmed Shah
Managing Director & Chief Executive Officer

Muscat: March 02, 2010

Financial Summary

	2009	2008	2007
Balance Sheet			
Shareholders capital	6,150,000	6,150,000	6,150,000
Reserves & unappropriated profit	414,920	1,022,413	1,323,460
Lendings to financial institutions	2,846,936	3,137,180	3,706,071
Investments	10,775,046	6,996,478	9,063,700
Advances	5,514,114	5,740,174	6,878,787
Borrowing from financial institutions	8,895,096	7,491,561	11,776,222
Deposits and other accounts	4,562,089	3,023,121	2,168,358
Profit & Loss			
Mark up income	2,319,194	2,038,155	1,572,096
Mark up expense	1,636,815	1,318,404	1,063,943
(Loss) / Profit before tax	(653,819)	126,560	676,076
Investors information			
Basic and diluted (loss) / earning per share	(0.99)	0.01	1.22
(Loss) / Profit before tax ratio	(1.08)	19.61	1.29
Gross spread ratio	0.29	0.35	0.32
Return on Equity	(4.42%)	0.04%	9.66%
Income / Expense	0.75	1.07	1.49

Rupees in ‘000

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

Anjum Asim Shahid Rahman
Chartered Accountants

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

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and effectiveness of such internal controls.

Further, sub-Regulation (xiii)(a) of Listing Regulation 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company, for the year ended **December 31, 2009.**

Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

Karachi: March 02, 2010

Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2009

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

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

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

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

3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the Board during the year ended December 31, 2009.

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

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.

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

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

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

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

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

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

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

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

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

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

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

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

Yahya Bin Said Bin Abdullah Al-Jabri
Chairman

Agha Ahmed Shah
Managing Director & Chief Executive Officer

Muscat: March 02, 2010

Statement of Internal Controls
For the year ended December 31, 2009

REPORTING ON INTERNAL CONTROL SYSTEM

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

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

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

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

EVALUATION OF EXISTING INTERNAL CONTROL SYSTEMS

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

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

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

Further, recognizing it to be ongoing process, the management of Pak Oman is in the process of adopting an internationally accepted COSO (Internal Control – Integrated) Framework with the assistance of a reputable advisory firm in accordance with SBP Guidelines on Internal Controls. Pak Oman expects achieve external auditors' certification on internal controls over financial reporting in 2010.

Mohammad Jamal Nasir
Chief Financial Officer

S. Abdullah Jamal Ahmed
Head of Compliance

Mohammad Ahmer Siddiqui
Chief Internal Auditor

Muscat: March 02, 2010

Anjum Asim Shahid Rahman
Chartered Accountants

GrantThornton

Independent Auditors' Report
to the members

We have audited the annexed balance sheet of Pak Oman Investment Company Limited (the Company) as at December 31, 2009 and the related profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984.Our responsibility is to express an opinion on these statements based on our audit.

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

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes resulted on initial application of standards, amendments or an interpretation to existing standards, as stated in note 5.17, 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 balance sheet, profit and loss account, statement of other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and give a true and fair view of the state of the Company's affairs as at the December 31, 2009, and of the loss, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

Karachi: March 02, 2010

Balance Sheet
As at December 31, 2009

2009	2008		Note	2009	2008
US $ in '000				Rupees in '000	
		ASSETS			
880	577	Cash and balance with treasury banks	6	73,968	48,548
7,020	6,047	Balance with other banks	7	590,362	508,560
33,852	37,303	Lendings to financial institutions	8	2,846,936	3,137,180
128,122	83,192	Investments	9	10,775,046	6,996,478
65,566	68,254	Advances	10	5,514,114	5,740,174
744	798	Operating fixed assets	11	62,538	67,109
3,724	1,985	Deferred tax assets	12	313,222	166,922
4,619	8,652	Other assets	13	388,553	727,643
244,527	206,808			20,564,739	17,392,614
		LIABILITIES			
-	-	Bills payable		-	-
105,768	89,079	Borrowings from financial institutions	14	8,895,096	7,491,561
54,246	35,947	Deposits and other accounts	15	4,562,089	3,023,121
-	-	Sub-ordinated loans		-	-
168	179	Liabilities against assets subject to finance lease	16	14,168	15,027
-	-	Deferred tax liabilities		-	-
7,973	7,016	Other liabilities	17	670,485	590,082
168,155	132,221			14,141,838	11,119,791
76,372	74,587	**NET ASSETS**		6,422,901	6,272,823
		REPRESENTED BY			
73,127	73,127	Share capital	18	6,150,000	6,150,000
4,934	12,096	Reserves	19	414,920	1,017,251
-	61	Unappropriated profit		-	5,162
78,061	85,284			6,564,920	7,172,413
(1,689)	(10,697)	Deficit on revaluation of securities - net of tax	20	(142,019)	(899,590)
76,372	74,587			6,422,901	6,272,823
		Contingencies and commitments	21		

The annexed notes from 1 to 42 form an integral part of these financial statements.

Managing Director and Chief Executive Officer **Chairman**

Profit and Loss Account
For the year ended December 31, 2009

2009	2008		Note	2009	2008
US $ in '000				Rupees in '000	
27,577	24,235	Mark-up / Return / Interest earned	22	2,319,194	2,038,155
19,463	15,677	Mark-up / Return / Interest expensed	23	1,636,815	1,318,404
8,114	8,558	***Net mark-up / interest income***		682,379	719,751
7,040	2,394	Provision against non-performing loans and advances	10.5	592,044	201,345
1,637	620	Provision for diminution in the value of investments	9.3	137,630	52,151
-	-	Bad debts written off directly		-	-
8,677	3,014			729,674	253,496
(563)	5,544	***Net mark-up / interest income after provisions***		(47,295)	466,255
		NON MARK-UP / INTEREST INCOME			
187	612	Fee, commission and brokerage income		15,693	51,432
921	1,194	Dividend income		77,420	100,403
-	-	Income from dealing in foreign currencies		-	-
(844)	2,722	(Loss) / Gain on sale of investments	24	(70,968)	228,900
(4,520)	-	Provision for impairment in the value of investments		(380,132)	-
(23)	(5,285)	Unrealised loss on revaluation / re-classification of investments classified as held-for-trading		(1,952)	(444,460)
1	20	Other income	25	43	1,675
(4,278)	(737)	***Total non markup / interest income***		(359,896)	(62,050)
(4,841)	4,807			(407,191)	404,205
		NON MARK-UP / INTEREST EXPENSES			
2,789	3,042	Administrative expenses	26	234,559	255,846
-	-	Other provisions/write offs		-	-
144	259	Other charges	27	12,069	21,799
2,933	3,301	***Total non markup / interest expenses***		246,628	277,645
(7,774)	1,506			(653,819)	126,560
-	-	Extra ordinary/unusual items		-	-
(7,774)	1,506	**(LOSS) / PROFIT BEFORE TAXATION**		(653,819)	126,560
		Taxation	28		
1,418	3,238	current		119,278	272,282
-	-	prior years		-	-
(1,969)	(1,809)	deferred		(165,604)	(152,175)
(551)	1,429			(46,326)	120,107
(7,223)	77	**(LOSS) / PROFIT AFTER TAXATION**		(607,493)	6,453
61	4,740	Unappropriated profit brought forward		5,162	398,597
(7,162)	4,817	(Loss) / Profit available for appropriation		(602,331)	405,050
US $				Rupees	
(0.0117)	0.0001	Basic and diluted (loss) / earnings per share	29	(0.99)	0.01

The annexed notes from 1 to 42 form an integral part of these financial statements.

Managing Director and Chief Executive Officer **Chairman**

Statement of Other Comprehensive Income

For the year ended December 31, 2009

2009	2008		Note	2009	2008
US $ in '000				Rupees in '000	
(7,223)	77	**(LOSS) / PROFIT AFTER TAXATION**		(607,493)	6,453
9,238	(9,659)	Surplus / (Deficit) net on revaluation of securities		776,875	(812,299)
(230)	171	Deferred tax (liability) / asset on Government Securities		(19,304)	14,412
7	(58)	Actuarial gains / (losses) on define benefit plan	32.11	554	(4,843)
9,015	(9,546)	Other comprehensive income for the year net of tax		758,125	(802,730)
1,792	(9,469)	Total other comprehensive income for the year net of tax not transferred to equity		150,632	(796,277)

The annexed notes from 1 to 42 form an integral part of these financial statements.

Managing Director and Chief Executive Officer

Chairman

Cash Flow Statement
For the year ended December 31, 2009

2009	2008		Note	2009	2008
US $ in '000				Rupees in '000	
		CASH FLOW FROM OPERATING ACTIVITIES			
(7,774)	1,506	(Loss) / Profit before taxation		(653,819)	126,560
921	1,194	Less: Dividend income		77,420	100,403
(8,695)	312			(731,239)	26,157
		Adjustments for non-cash charges			
172	181	Depreciation	11.1	14,440	15,263
8	14	Amortization of intangible assets	11.2	635	1,199
23	5,285	Unrealised loss on revaluation / re-classification of investments classified as 'held-for-trading'		1,952	444,460
14	(20)	Loss / (Gain) on sale of operating fixed assets	27	1,150	(1,675)
7,040	2,394	Provision against non-performing loans and advances	10.5	592,044	201,345
4,520	-	Provision for impairment in the value of investments		380,132	-
1,637	620	Provision for diminution in the value of investments	9.3	137,630	52,151
25	26	Finance charges on leased assets	26	2,098	2,177
13,439	8,500			1,130,081	714,920
4,744	8,812			398,842	741,077
		(Increase) / Decrease in operating assets			
-	4,756	Balances with other banks		-	400,000
2,262	3,827	Lendings to financial institutions		190,244	321,891
(40,562)	22,331	Investment classified as 'Held-for-trading'		(3,411,250)	1,878,039
(4,352)	11,145	Advances		(365,984)	937,268
4,031	(3,351)	Other assets		338,931	(281,881)
(38,621)	38,708			(3,248,059)	3,255,317
		Increase / (Decrease) in operating liabilities			
-	-	Bills payable		-	-
16,689	(50,947)	Borrowings from financial institutions		1,403,535	(4,284,661)
18,299	10,164	Deposits and other accounts		1,538,968	854,763
1,374	339	Other liabilities		115,583	28,677
36,362	(40,444)			3,058,086	(3,401,221)
2,485	7,076			208,869	595,173
(25)	(25)	Finance charges paid on leased assets		(2,105)	(2,126)
(1,837)	(2,724)	Income tax paid		(154,451)	(229,069)
623	4,327	***Net cash from operating activities***		52,313	363,978
		CASH FLOW FROM INVESTING ACTIVITIES			
(762)	(12,664)	Net investments in 'available-for-sale' securities		(64,094)	(1,065,026)
86	2,487	Net investments in 'held-to-maturity' securities		7,204	209,164
(633)	(2,941)	Investments in associates		(53,267)	(247,312)
922	1,192	Dividend received		77,579	100,244
(49)	(43)	Investments in operating fixed assets		(4,095)	(3,653)
40	76	Sale proceeds of operating fixed assets disposed off		3,322	6,364
(396)	(11,893)	***Net cash used in investing activities***		(33,351)	(1,000,219)
		CASH FLOW FROM FINANCING ACTIVITIES			
(140)	(157)	Payments of lease obligations		(11,740)	(13,170)
-	(3,656)	Dividend paid		-	(307,500)
(140)	(3,813)	***Net cash used in financing activities***		(11,740)	(320,670)
87	(11,379)	Increase / (Decrease) in cash and cash equivalents		7,222	(956,911)
7,813	19,192	Cash and cash equivalents at beginning of the year		657,108	1,614,019
7,900	7,813	**Cash and cash equivalents at end of the year**	30	664,330	657,108

The annexed notes from 1 to 42 form an integral part of these financial statements.

Managing Director and Chief Executive Officer

Chairman

Statement of Changes in Equity

For the year ended December 31, 2009

	Issued, subscribed and paid up capital	Reserves - Capital: Statutory reserve	Reserves - Revenue: General reserve	Reserves - Revenue: Reserve for contingencies	Unappropriated profit	Total
	Rupees in '000					
Balance as at January 1, 2008	6,150,000	347,192	491,380	86,291	398,597	7,473,460
Dividend paid	-	-	-	-	(307,500)	(307,500)
Transfer to general reserve	-	-	84,375	-	(84,375)	-
Transfer to contingencies reserve relating to quarter ended December 2007	-	-	-	6,722	(6,722)	-
Profit for the year ended December 31, 2008	-	-	-	-	6,453	6,453
Transfer to statutory reserve	-	1,291	-	-	(1,291)	-
Balance as at December 31, 2008	**6,150,000**	**348,483**	**575,755**	**93,013**	**5,162**	**7,172,413**
Transfer to general reserve	-	-	5,162	-	(5,162)	-
Transfer from general reserve	-	-	(27,419)	-	-	(27,419)
Transfer to contingencies reserve relating to year ended December 31, 2008	-	-	-	27,419	-	27,419
Loss for the year ended December 31, 2009	-	-	-	-	(607,493)	(607,493)
Transfer from general reserve	-	-	(487,061)	-	487,061	-
Transfer from contingencies reserve	-	-	-	(120,432)	120,432	-
Balance as at December 31, 2009	**6,150,000**	**348,483**	**66,437**	**-**	**-**	**6,564,920**

The annexed notes from 1 to 42 form an integral part of these financial statements.

Managing Director and Chief Executive Officer **Chairman**

Notes to the Financial Statements

For the year ended December 31, 2009

1 LEGAL STATUS AND NATURE OF BUSINESS

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

2 STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984 (the Ordinance) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) including BSD circular No. 04 dated February 17, 2006. The approved accounting standards comprise such International Financial Reporting Standards as are notified under the provisions of the Companies Ordinance, 1984. However, wherever the requirements of the Ordinance or directives issued by SECP and the SBP differ with the requirements of approved standards, the requirements of the Ordinance or the directives of the SECP or SBP have been followed.

3 BASIS OF PRESENTATION

3.1 The SBP through its BSD circular No. 11 dated September 11, 2002 has deferred implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Bank Financial Institutions (NBFIs) in Pakistan. Accordingly, the requirements of those IASs have not been considered in preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

Separate financial statements

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

US Dollar equivalent

The US dollar amounts shown in the balance sheet, profit and loss account, statement of other comprehensive income and cash flow statement are stated as additional information solely for the convenience of the reader. For this purpose the amounts in Pakistan rupees have been converted at a rate of Rs. 84.1 = US dollar 1 for the years ended December 31, 2009 and December 31, 2008.

4 BASIS OF MEASUREMENT

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

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

Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

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

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

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

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

5.2 Revenue recognition

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

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

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

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

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

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

5.3 **Investments**

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

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

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

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

5.3.2 The Company values its investments as follows:

- Listed securities, excluding investments categorised as 'held-to-maturity' securities and investments in an associates, are stated at revalued amounts.
- Investment in quoted associate is stated at cost.
- Investments in unlisted associate and subsidiary are stated at cost less provision for impairment, if any. Unlisted equity securities other than investments in an associate and a subsidiary are stated at lower of cost or break-up value.
- Investments in securities categorised as 'held-to-maturity' are carried at amortised cost.

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

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

5.3.5 Premium paid/discount on acquisition of securities are amortised on a straight line basis over the term of respective securities.

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

5.3.7 The Company follows trade date accounting for investments in held-for-trading securities.

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

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**

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

5.5.2 Provision against non-performing advances

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

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

5.6 **Operating fixed assets**

5.6.1 **Owned**

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation is charged at rates stated in note 11.1. Capital work-in-progress is stated at cost less impairment losses, if any. These are transferred to specific assets as and to the assets are available for use.

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

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

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

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

5.6.2 **Leased**

Assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of the lower of fair value of assets and the present value of minimum lease payments. Finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

5.6.3 **Intangible assets**

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

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

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

5.7 **Securities under repurchase/resale agreements**

Securities sold subject to repurchase agreements (repo) are retained in the financial statements as investments and a counterparty liability is included in borrowings. Securities purchased under agreement to resell (reverse repo) are included in lendings. The difference between the sale and repurchase price is treated as mark-up or return expensed and earned respectively and is recognised on accrual basis.

5.8 **Taxation**

5.8.1 **Current**

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

5.8.2 **Deferred**

The Company accounts for deferred taxation using the balance sheet liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the applicable tax rates. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits will be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5.9 **Borrowings**

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

5.10 **Staff retirement benefits**

5.10.1 **Defined benefit plan**

The Company operates a funded-gratuity scheme for all its permanent employees. Contribution to the fund is made every year based on actuarial valuation. The scheme was established on November 1, 2002 and approved by the Commissioner of Income Tax with effect from January 31, 2003. The actuarial valuation was conducted as at December 31, 2009.

5.10.2 **Defined contribution plan**

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

5.11 **Compensated absences**

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

5.12 **Foreign currencies**

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

5.13 **Provisions**

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

5.14 **Offsetting**

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

5.15 **Dividend and reserves**

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

5.16 **Impairment**

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

5.17 **Standards, amendments and interpretations to published approved accounting standards effective in current year**

IAS-1 (Revised) 'Presentation of financial statements' (effective from January 01, 2009), was issued in September 2007. According to new standard, the items of income and expenses that are not recognized in the profit and loss and non-owners changes in equity should be recognized through statements of comprehensive income. The revised standard requires an entity to opt for presenting such items of income and expenses either in (a) single statement (a statement of comprehensive income) or (b) two statements (a separate income statement and a statement of comprehensive income). The Company has adopted IAS 1 (Revised) with effect from January 01, 2009 and presents two separate statements.

IAS 23 (amendment), 'Borrowing costs' (effective from January 01, 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The Company's current accounting policy is in compliance with this amendment, and there is no effect on the Company's financial statements.

There are other new standards and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after January 01, 2009, some which are changes in terminology only, and some of which are substantive but are considered not to be relevant but and have had no material effect on the Company's financial statements.

5.18 **Standards, amendments and interpretations to published approved accounting standards that are relevant but not yet effective**

The following standards, amendments and interpretations to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after January 01, 2010:

Certain amendments in IAS 1 “Presentation of Financial Statements” effective for annual periods beginning on or after January 01, 2010 resulting from April 2009 Annual Improvements to IAFRSs. Adoption of the above standard will only effect the presentation of financial statements.

IAS 7 "Statement of Cash Flows" effective for annual periods beginning on or after January 01, 2010. The application of the standard is not expected to have significant impact on the Company's financial statements.

IAS 24 "Related Party Disclosures" amended definition of related parties and effective for the annual periods beginning on or after January 01, 2011. The application of the standard is not expected to have significant impact on the Company's financial statements except for certain increase disclosures.

There are other amendments resulting from annual improvement project initiated by International Accounting Standards Board in April 2009 and November 2009, Specifically in IAS 17, "Leases", IAS 28 "Investment in Associates", IAS 36 "Impairment of Assets" and IAS 38 "Intangible Assets" that are considered relevant to the Company’s financial statements. The management is in the process of evaluating the impact of these changes on the Company's financial statements.

5.19 **Standards, amendments and interpretations to published approved accounting standards that are not relevant and not yet effective**

Standard, amendments or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 1 "First time Adoption of International Financial Reporting Standards"	January 01, 2010
IFRS 2 "Share-based Payments"	January 01, 2010
IFRS 3 "Business Combinations"	July 01, 2009
IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"	January 01, 2010
IFRS 8 "Operating Segments"	January 01, 2010
IFRS 9 "Financial Instruments - Classification and Measurement"	January 01, 2013
IAS 28 "Investment in Associates"	July 01, 2009
IAS 31 "Interests in Joint Ventures"	July 01, 2009
IAS 32 "Financial Instruments: Presentation"	February 01, 2010
IAS 39 "Financial Instruments- Recognition and Measurement"	January 01, 2010
IFRIC 17 "Distributions of Non-cash Assets to Owners"	July 01, 2009
IFRIC 18 "Transfer of Assets from Customers"	July 01, 2009

5.20 **Functional and presentation currency**

Items included in the financial statements are measured using the currency of primary economic environment in which the Company operates. These financial statements are presented in Pakistani rupees, which is the Company's functional and presentation currency.

5.21 **General**

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

	Note	2009	2008
		Rupees in '000	

6 CASH AND BALANCE WITH TREASURY BANKS

	Note	2009	2008
Cash in hand in local currency		65	166
Cheques in hand		8,101	-
Balances with State Bank of Pakistan (SBP) in local currency			
current accounts		2,402	382
cash reserve	6.1	63,400	48,000
		73,968	48,548

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

7 BALANCE WITH OTHER BANKS

	Note	2009	2008
In Pakistan			
current account		8,348	736
deposit accounts	7.1	580,397	506,529
		588,745	507,265
Outside Pakistan			
current accounts		1,617	1,295
		590,362	508,560

7.1 These include term deposit receipts (TDRs) aggregating Rs.500 million (2008: Rs. 460 million). The rate of return on these TDRs range from 13 to 13.25 percent per annum (2008: 16.5 to 22 percent per annum).

	Note	2009	2008
		Rupees in '000	

8 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2009	2008
Placements		-	100,000
Reverse repurchase agreement lendings	8.1	2,832,220	3,023,887
Certificate of investments (COIs)	8.4	14,716	13,293
		2,846,936	3,137,180

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

8.2 **Particulars of lending**

	2009	2008
In local currency	2,846,936	3,137,180
In foreign currency	-	-
	2,846,936	3,137,180

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

	Note	2009			2008		
		Held by the company	**Further given as collateral**	**Total**	Held by the company	Further given as collateral	Total
		Rupees in '000					
T-bills		619,376	595,502	1,214,878	259,121	989,690	1,248,811
PIBs		132,537	1,476,805	1,609,342	225,000	1,442,076	1,667,076
Others	8.3.1	8,000	-	8,000	108,000	-	108,000
		759,913	2,072,307	2,832,220	592,121	2,431,766	3,023,887

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

8.4 COIs aggregating Rs. 7.604 million (2008: Rs. 8.086 million) are due for maturity within a year. The rate of return on these COIs range from 7.25 to 14 percent per annum.

9 INVESTMENTS

	Note	2009			2008		
		Held by the company	**Given as collateral**	**Total**	Held by the company	Given as collateral	Total
		Rupees in '000					
9.1 **Investments by types**							
Held-for-trading securities							
Pakistan investment bonds		39,253	61,508	100,761	-	-	-
Market treasury bills (T-Bills)		257,364	2,785,262	3,042,626	-	-	-
Listed shares	9.8.2.1	205,987	-	205,987	199,098	-	199,098
Sukuk Certificates		142,419	-	142,419	-	-	-
Term finance certificates (TFCs)		61,449	-	61,449	93,510	-	93,510
		706,472	2,846,770	3,553,242	292,608	-	292,608
Available-for-sale securities							
Pakistan investment bonds		142,200	646,442	788,642	5,326	499,157	504,483
Market treasury bills		-	-	-	93,622	413,907	507,529
Listed shares	9.8.1.2	334,997	266,911	601,908	1,306,587	-	1,306,587
Unlisted shares	9.6	208,333	-	208,333	208,333	-	208,333
Mutual funds Units	9.8.1.1	257,083	-	257,083	245,234	-	245,234
Sukuk certificates	9.6 & 9.15	1,361,536	-	1,361,536	1,119,004	-	1,119,004
Commercial paper	9.14	93,112	-	93,112	56,261	-	56,261
Term finance certificates (TFCs)		3,178,185	30,130	3,208,315	2,461,065	46,339	2,507,404
		5,575,446	943,483	6,518,929	5,495,432	959,403	6,454,835
Held-to-maturity securities							
Pakistan investment bonds		268,052	-	268,052	275,256	-	275,256
Associates	9.12						
Japan Power Generation Limited	9.12.2	51,921	70,726	122,647	51,921	70,726	122,647
Pak Oman Bank of Punjab Advantage Plus Fund		159,874	-	159,874	159,874	-	159,874
Pak Oman Advantage Fund		262,828	-	262,828	262,828	-	262,828
Pak Oman Advantage Islamic Income Fund		92,667	-	92,667	100,000	-	100,000
Pak Oman Advantage Islamic Fund		92,414	-	92,414	100,000	-	100,000
Pak Oman Advantage Stock Fund		84,078	-	84,078	100,000	-	100,000
Pak Oman Microfinance Bank Limited		251,108	-	251,108	167,000	-	167,000
		994,890	70,726	1,065,616	941,623	70,726	1,012,349
Subsidiary							
Pak Oman Asset Management Company Limited	9.13	168,300	-	168,300	168,300	-	168,300
Investment at cost		7,713,160	3,860,979	11,574,139	7,173,219	1,030,129	8,203,348
Less: Provision for diminution in the value of investment	9.3	238,126	24,730	262,856	125,226	-	125,226
Less: Provision for impairment in the value of investment		268,024	112,108	380,132	-	-	-
Investment - net of provisions		7,207,010	3,724,141	10,931,151	7,047,993	1,030,129	8,078,122
(Deficit) / Surplus on revaluation of held-for-trading securities	9.7	(3,038)	1,086	(1,952)	(150,616)	-	(150,616)
(Deficit) on revaluation of available-for-sale securities	20	(112,917)	(41,236)	(154,153)	(841,622)	(89,406)	(931,028)
Total investments at market value		7,091,055	3,683,991	10,775,046	6,055,755	940,723	6,996,478

		Note	2009	2008
			Rupees in '000	
9.2	**Investments by segments**			
	Federal government securities			
	Pakistan investment bonds (PIBs)	9.4	1,157,455	779,739
	Market treasury bills (T-Bills)	9.5	3,042,626	507,529
			4,200,081	1,287,268
	Fully paid up ordinary shares/certificate/units			
	Listed	9.8	1,879,486	2,596,268
	Unlisted	9.9	627,741	543,633
			2,507,227	3,139,901
	Term finance certificates (TFCs)			
	Listed	9.10	2,796,819	2,319,615
	Unlisted	9.11	472,945	281,299
			3,269,764	2,600,914
	Commercial papers	9.14	93,112	56,261
	Sukuk certificates	9.15	1,503,955	1,119,004
	Total investments at cost		11,574,139	8,203,348
	Less: Provision for diminution in the value of investments	9.3	262,856	125,226
	Less: Provision for impairment in the value of investments		380,132	
	Investments (net of provisions)		10,931,151	8,078,122
	(Deficit) on revaluation of 'held-for-trading' securities		(1,952)	(150,616)
	(Deficit) on revaluation of 'available- for-sale' securities		(154,153)	(931,028)
	Total investments at market-value		10,775,046	6,996,478
9.3	**Particulars of provision for diminution in the value of investments**			
	Opening balance		125,226	73,075
	Charge for the year - net		137,630	52,151
	Closing balance	9.3.1	262,856	125,226
9.3.1	**Particulars of provision in respect of types and segments**			
	Available-for-sale securities			
	Fully paid-up ordinary shares - unlisted companies		262,856	125,226

9.4 The rate of return on these PIBs maturing between December 2010 to October 2026 (2008: December 2010 to October 2013), range from 9 to 14 (2008: 8 to 14) percent per annum. The market value of these PIBs as at December 31, 2009 aggregates Rs. 1,086.045 million (2008: Rs. 624.979 million).

9.5 The rates of return on these market treasury bills maturing between May 2010 to September 2010 (2008: February 2009), range from 12.25 to 12.30 (2008: 10.10) percent per annum. The market value of these T -bills as at December 31, 2009 aggregated Rs. 3,043.719 million (2008: Rs. 504.602 million).

Investee	2009 Market Value	2009 Rating	2008 Market Value	2008 Rating
	Rupees in '000	Securities	Rupees in '000	Securities
9.6 Quality of available-for-sale-securities/entities				
Pakistan investment bonds (PIBs)				
20 Year PIBs	21,145	Unrated	-	-
10 Year PIBs	636,196	Unrated	417,587	Unrated
7 Year PIBs	96,632	Unrated	-	-
	753,973		417,587	
Market treasury bills				
12-months T-bills	-	-	504,602	Unrated
		Entity		Entity
Mutual funds units / certificates				
Open-end mutual funds				
National Investment (Unit Trust)	137,038	AM2	135,358	5-Star
Closed-end mutual funds				
NAMCO Balance Fund	11,487	AM3-	22,998	AM3-
JS Value Fund	-	-	16	5-Star
Pakistan Premier Fund	-	-	5	4-Star
PICIC Growth Fund	-	-	8	AM3-
		Entity Long term/ short term		Entity Long term/ short term
Quoted shares				
Investment Banks/Companies/Securities				
First National Equities Limited	-	-	3	Unrated
Arif Habib Limited	-	-	74	A+/A-1
Arif Habib Securities Limited	-	-	360	A+/A-1
Dawood Equities Limited	-	-	2	AM4+
Jahangir Siddiqui Company Limited	-	-	36,725	AA+/A1+
Javed Omer Vohra Company Limited	-	-	2,779	BB+/B
JS Investment Limited	-	-	41	AA-/A1+
Pervaiz Ahmed Securities Limited	-	-	189	Unrated
Textile Composite				
Nishat Mills Limited	-	-	1,180	A+/A1
Azgard Nine Limited	-	-	5	A+/A1
Dawood Lawrencepur Limited	-	-	14	Unrated
Nishat Chunian Limited	-	-	18	Unrated
Textile Spinning				
D.S. Industries Limited	-	-	8	Unrated
Synthetic and Rayon				
Dewan Salman Fibers Limited	-	-	25	Unrated
Cement				
D.G.Khan Cement Company Limited	-	-	318	Unrated
Lucky Cement Limited	18,164	Unrated	1,410	Unrated
Maple Leaf Cement Limited	-	-	39	BBB+/A2
Al-Abbas Cement Industries Limited	-	-	5	Unrated
Dewan Cement Limited	-	-	5	BB/B
Fauji Cement Company Limited	-	-	62,119	Unrated
Pakistan Cement Company Limited	-	-	53	Unrated
Pioneer Cement Limited	-	-	50	BBB/A3

	2009		2008	
Investee	Market Value	Rating	Market Value	Rating
	Rupees in '000	Entity Long term/ short term	Rupees in '000	Entity Long term/ short term
Engineering				
Crescent Steel & Allied Products Limited	-	-	57	A+/A-1
Dost Steel Limited	-	-	23	Unrated
Oil and Gas Marketing /Exploration Companies				
Pakistan State Oil Company Limited	-	-	1,260	AAA/A1+
Attock Petroleum Limited	-	-	38,291	Unrated
Mari Gas Limited	-	-	1	Unrated
Oil & Gas Development Company Limited	-	-	8,381	AAA/A-1+
Pakistan Oil Fields Limited	-	-	3,012	Unrated
Pakistan Petroleum Limited	-	-	2,040	Unrated
Sui Northern Gas Pipelines Limited	-	-	45	AA/A1+
Sui Southern Gas Company Limited	-	-	22	AA-/A1+
Fertilizer				
Fauji Fertilizer Bin Qasim Limited	-	-	29,751	Unrated
Fauji Fertilizer Company Limited	-	-	943	Unrated
Automobile Assembler				
Al-Ghazi Tractor Limited	27,770	A/A2	45,710	A/A2
Honda Atlas Car Limited	-	-	81	Unrated
Indus Motors Company Limited	-	-	10	Unrated
Chemical				
ICI Pakistan Limited	-	-	14	Unrated
Nimir Resins Limited	-	-	-	-
BOC Pakistan Limited	-	-	6	Unrated
Engro Chemical (Pakistan) Limited	-	-	13,514	AA/A1+
Lotte Pakistan PTA Limited (formerly Pakistan PTA Limited)	-	-	22	Unrated
Sitara Peroxide Limited	-	-	63	Unrated
Ghani Gases Limited	8,158	Unrated	-	-
Commercial Banks				
National Bank of Pakistan	107,384	AAA/A-1+	30,771	AAA/A-1+
Silk Bank Limited	94,348	A-/A-3	107,506	A-/A-3
Habib Bank Limited	-	-	1,611	AA+/A-1+
NIB Bank Limited	10,383	AA-/A1+	13,677	AA-/A1+
United Bank Limited	-	-	2,032	AA+/A-1+
Arif Habib Bank Limited	-	-	107	A/A-2
Allied Bank Limited	11,911	AA/A1+	22,690	AA/A1+
Askari Bank Limited	-	-	80	AA/A1+
Bank Al-Habib Limited	-	-	109	AA/A1+
Bank Al-Falah Limited	-	-	183	AA/A1+
Bank Islami Pakistan Limited	-	-	7,567	A-/A2
The Bank of Punjab	-	-	130	AA-/A1+
Faysal Bank Limited	-	-	12	AA/A1+
JS Bank Limited	-	-	68	A-/A2
Meezan Bank Limited	-	-	6	A+/A-1
MCB Bank Limited	-	-	16,319	AA+/A1+
Soneri Bank Limited	-	-	27	AA-/A1+

Investee	2009 Market Value	2009 Rating	2008 Market Value	2008 Rating
	Rupees in '000	Entity Long term/ short term	Rupees in '000	Entity Long term/ short term
Insurance				
Adamjee Insurance Company Limited	-	-	2,297	AA
EFU General Insurance Limited	-	-	8,974	AA
EFU Life Assurance Limited	-	-	16,411	AA-
Pakistan Reinsurance Limited	-	-	2,425	Unrated
Technology & Communication				
Eye Television Network Limited	-	-	7	Unrated
Netsol Technologies Limited	-	-	28,912	Unrated
Pakistan Telecommunication Limited	-	-	138	Unrated
Telecard Limited	-	-	19	Unrated
TRG Pakistan Limited	-	-	43	BBB+/A2
Worldcall Telecom Limited	-	-	57	A+/A1
Transport				
Pakistan International Container Terminal	-	-	14	A-/A2
Power Generation & Distribution				
HUB Power Company Limited	-	-	98	Unrated
Kot Addu Power Company Limited	-	-	4	Unrated
Refinery				
National Refinery Limited	43,498	AAA/A1+	22,056	AAA/A1+
Byco Petroleum Pakistan Limited (formerly Bosicor Pakistan Limited)	-	-	125	Unrated
Attock Refinery Limited	-	-	32,900	AA/A1+
Pakistan Refinery Limited	-	-	218	Unrated
Cable & Electrical Goods				
Pak Elektron Limited	-	-	49	A/A1+
Paper & Board				
Packages Limited	-	-	31	AA/A1+
Pharmaceuticals				
Searle Pakistan Limited	-	-	6	BBB/A-3
Miscellaneous				
PACE (Pakistan) Limited	-	-	521	A+/A1
Tri-Pack Films Limited	-	-	86	A+/A1
	470,141		725,339	
Unlisted shares stated at cost				
Al-Hamra Avenue (Private) Limited	50,000	Unrated	50,000	Unrated
Systems Limited	10,000	Unrated	10,000	Unrated
Vision Network Television Limited	77,000	Unrated	77,000	Unrated
Pakistan Textile City Limited	50,000	Unrated	50,000	Unrated
Techlogix International Limited	21,333	Unrated	21,333	Unrated
	208,333		208,333	
Term Finance Certificates (TFCs)				
Modarbas				
Al Zamin Leasing Modarba II	14,695	A	29,147	A-

Investee	2009 Market Value	2009 Rating	2008 Market Value	2008 Rating
	Rupees in '000	Entity Long term/ short term	Rupees in '000	Entity Long term/ short term
Investment Banks / Companies / Securities				
Jahangir Siddiqui and Company Limited IV	99,210	AA+	97,421	AA+/A1+
Escort Investment Bank Limited	16,637	A+	20,763	A+
Commercial Banks				
Allied Bank Limited I	121,329	AA-	120,654	AA-
Allied Bank Limited II	62,480	A+	-	-
Askari Bank Limited II	4,794	AA-	-	-
Askari Bank Limited III	239,187	AA-	-	-
Bank Al-Falah Limited III	4,812	AA-	4,883	AA-
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited II)	59,553	AAA	81,566	AAA
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited III)	116,114	AAA	122,387	AAA
Faysal Bank Limited	84,429	AA-	89,854	AA-
NIB Bank Limited	176,415	A1+	106,009	AA/A1+
Bank Al Habib Limited	49,933	AA	52,127	AA/A1+
Bank Al Habib Limited-(unlisted stated at cost)	49,980	AA	-	-
Bank Al-Falah Limited-(unlisted stated at cost)	100,000	AA-	-	-
United Bank Limited-IV	110,152	AA	-	-
Technology and Communication				
Telecard Limited	115,975	BBB	133,584	BBB
Pakistan Mobile Communication Limited	130,191	AA-	165,622	AA-
Pakistan Mobile Communication Limited (unlisted stated at cost)	97,223	AA-	-	-
Worldcall Telecom Limited	511,851	AA-	550,825	AA-
Chemical				
Engro Chemicals (Pakistan) Limited	200,611	AA	163,466	AA
Engro Chemicals (Pakistan) Limited (unlisted stated at cost)	16,315	AA	-	-
Azgard Nine Limited	56,020	AA-	70,782	AA-
Azgard Nine Limited (unlisted stated at cost)	9,992	A1+	9,996	AA-
Textile Composite				
Kunjah Textile Mills Limited (unlisted stated at cost)	15,000	BBB	15,000	BBB
Fertilizer				
Pak American Fertilizers Limited (unlisted stated at cost)	99,920	A+/A1	99,960	A+/A1
Pak Arab Fertilizers Limited	46,921	AA	47,605	AA
Leasing Companies				
Saudi Pak Leasing Company Limited	111,180	BB+	143,555	A-
Security Leasing Corporation Limited (unlisted stated at cost)	22,500	BBB-/A-3	37,500	BBB+/A-3
Cement				
Gharibwal Cement Limited (unlisted stated at cost)	12,016	D	-	-

Investee	2009 Market Value	2009 Rating	2008 Market Value	2008 Rating
	Rupees in '000	Entity Long term/ short term	Rupees in '000	Entity Long term/ short term
Miscellaneous				
Pace (Pakistan) Limited	292,114	A/A1	304,642	A+/A1
Avari Hotels Limited (unlisted stated at cost)	50,000	A-	25,333	A-
	3,097,549		2,492,681	
Sukuk Certificates- unlisted stated at cost				
Amtex Limited	105,292	A-/A-2	72,638	A-/A-2
Karachi Shipyard & Engineering Works Limited-II	200	Unrated	29,000	Unrated
Security Leasing Corporation Limited	31,250	BBB-/A-3	43,750	BBB/A-3
Security Leasing Corporation Limited II	37,711	BBB-/A-3	50,288	BBB/A-3
Orix Leasing Pakistan Limited	62,500	AA(p)	75,000	AA(p)
Sitara Energy Limited	119,074	Unrated	159,235	Unrated
Sui Southern Gas Company Limited	502,922	AA-/A1+	604,093	AA-/A1+
Al-Razi Healthcare (Private) Limited	100,000	Unrated	-	-
Century Papers & Board Mills Limited	44,592	A+	-	-
House Building Finance Corporation Limited	149,814	A-/A1	-	-
Liberty Power Tech (Private) Limited	123,181	Unrated	-	-
New Allied Electronic Industries (Private) Limited	85,000	D	85,000	D
	1,361,536		1,119,004	
Commercial Papers - unlisted stated at cost				
Pakistan Elektron Limited	93,112	A+	-	-
Pak American Fertilizer Company Limited	-	-	56,261	A/A1
	93,112		56,261	
	5,984,644		5,523,807	

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

	2009	2008
	Rupees in '000	
Pakistan investment bonds	(583)	-
Market treasury bills	1,093	-
Term finance certificates (TFCs)	(268)	-
Quoted shares / units	(2,194)	(150,616)
	(1,952)	(150,616)

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

9.8.1 **Available For Sale**

Investee	2009 Number of Units	2008 Number of Units	2009 Cost Rupees in '000	2008 Cost Rupees in '000
9.8.1.1 **Mutual Funds Units**				
Open-end mutual funds				
National Investment Unit Trust	4,530,184	4,058,709	232,746	220,874
Close-end mutual funds				
NAMCO Balance Fund	2,433,667	2,433,667	24,337	24,337
JS Value Fund	-	3,499	-	10
Pakistan Premier Fund	-	2,707	-	4
PICIC Growth Fund	-	1,348	-	9
			257,083	245,234
9.8.1.2 **Shares**	Number of shares			
Investment Banks/Companies/Securities				
Arif Habib Securities Limited	-	8,555	-	386
Javed Omer Vohra and Company Limited	-	306,418	-	39,780
First National Equities Limited	-	54	-	3
Arif Habib Limited	-	863	-	64
Dawood Equities Limited	-	200	-	2
Invest & Finance Securities Limited	-	62	-	-
Jahangir Siddique Company Limited	-	702,458	-	67,482
JS Investment Limited	-	936	-	37
Pervaiz Ahmed Securities Limited	-	52,318	-	348
Commercial Banks				
Arif Habib Bank Limited	-	19,301	-	67
NIB Bank Limited	2,163,100	2,928,652	18,226	24,677
United Bank Limited	-	55,043	-	2,182
Habib Bank Limited	-	21,516	-	1,730
The Bank of Punjab	-	9,811	-	148
MCB Bank Limited	-	129,708	-	28,415
National Bank of Pakistan	1,443,920	611,515	168,819	109,854
Silk Bank Limited	19,904,576	21,458,252	248,795	272,326
Allied Bank Limited	202,809	724,450	10,747	42,228
Askari Bank Limited	-	5,442	-	88
Bank Al-Habib Limited	-	4,401	-	107
Bank Al-Falah Limited	-	10,925	-	198
Bank Islami Pakistan Limited	-	1,043,770	-	11,177
Faysal Bank Limited	-	1,025	-	14
JS Bank Limited	-	11,853	-	42
Meezan Bank Limited	-	301	-	7
Soneri Bank Limited	-	2,445	-	21
Insurance				
Adamjee Insurance Company Limited	-	22,554	-	2,467
EFU General Insurance Limited	-	67,470	-	7,674
EFU Life Assurance Limited	-	46,000	-	11,394
Pakistan Reinsurance Limited	-	102,358	-	4,024
Textile Composite				
Nishat Mills Limited	-	52,201	-	1,146
Azgard Nine Limited	-	289	-	5
Dawood Lawrencepur Limited	-	283	-	12
Nishat Chunian Limited	-	1,896	-	14

Investee	Number of shares 2009	Number of shares 2008	Cost Rupees in '000 2009	Cost Rupees in '000 2008
Textile Spinning				
D.S. Industries Limited	-	510	-	7
Synthetic and Rayon				
Dewan Salman Fibre Limited	-	17,686	-	16
Engineering				
Crescent Steel and Allied Products Limited	-	3,358	-	58
Dost Steel Limited	-	2,893	-	24
Cable & Electrical Goods				
Pak Elektron Limited	-	2,147	-	52
Paper & Board				
Packages Limited	-	382	-	31
Cement				
D.G. Khan Cement Company Limited	-	14,971	-	342
Maple Leaf Cement Limited	-	9,551	-	26
Lucky Cement Limited	274,212	45,100	20,614	1,514
Al-Abbas Cement Industries Limited	-	1,255	-	4
Dewan Cement Limited	-	1,807	-	6
Fauji Cement Limited	-	13,216,911	-	211,312
Pakistan Cement Company Limited	-	16,643	-	33
Pioneer Cement Limited	-	2,091	-	44
Thatta Cement Limited	-	24	-	
Refinery				
National Refinery Limited	246,000	231,804	93,759	91,138
Pakistan Refinery Limited	-	2,218	-	191
Byco Petroleum Pakistan Limited (formerly Bosicor Pakistan Limited)	-	26,857	-	89
Attock Refinery Limited	-	549,355	-	61,286
Power Generation and Distribution				
HUB Power Company Limited	-	6,954	-	81
Kot Addu Power Company Limited	-	135	-	3
Oil and Gas Marketing/Exploration Companies				
Pakistan State Oil Company Limited	-	8,717	-	1,354
Pakistan Oil Field Limited	-	29,389	-	3,235
Pakistan Petroleum Limited	-	20,278	-	2,191
Oil and Gas Development Company Limited	-	167,656	-	9,000
Attock Petroleum Limited	-	265,263	-	124,733
Mari Gas Limited	-	7	-	1
Sui Northern Gas Piplines Limited	-	2,074	-	34
Sui Southern Gas Company Limited	-	2,056	-	24
Technology and Communication				
Eye Television Network Limited	-	190	-	5
Netsol Technologies Limited	-	1,144,173	-	36,164
Pakistan Telecommunication Limited	-	8,147	-	149
Telecard Limited	-	9,743	-	13
TRG Pakistan Limited	-	24,245	-	30
Worldcall Telecom Limited	-	19,226	-	54

Investee	2009 Number of Shares/Units	2008 Number of Shares/Units	2009 Cost Rupees in '000	2008 Cost Rupees in '000
Transport				
Pakistan International Container Terminal	-	303	-	13
Fertilizer				
Fauji Fertilizer Company Limited	-	16,060	-	895
Fauji Fertilizer Bin Qasim Limited	-	2,306,257	-	52,474
Automobile Assembler				
Al-Ghazi Tractors Limited	116,660	209,200	32,790	58,799
Honda Atlas Car Limited	-	7,032	-	95
Indus Motors Company Limited	-	79	-	9
Chemical				
ICI Pakistan Limited	-	208	-	15
BOC Pakistan Limited	-	56	-	7
Engro Chemical Pakistan Limited	-	140,101	-	22,106
Lotte Pakistan PTA Limited (formerly Pakistan PTA Limited)	-	13,610	-	16
Sitara Peroxide Limited	-	3,456	-	56
Ghani Gases Limited	582,738	-	8,158	-
Pharmaceuticals				
Searle Pakistan Limited	-	88	-	5
Miscellaneous				
PACE (Pakistan) Limited	-	60,285	-	646
Tri-Pack Films Limited	-	693	-	88
			601,908	1,306,587
Total investment classified as available for sale			858,991	1,551,821
9.8.1.3 **Associates**				
Units				
Open-end mutual funds				
Pak Oman Bank of Punjab Advantage Plus Fund	3,014,544	3,003,542	159,874	159,874
Pak Oman Advantage Islamic Income Fund	2,000,000	2,000,000	92,667	100,000
Pak Oman Advantage Islamic Fund	2,000,000	2,000,000	92,414	100,000
Pak Oman Advantage Stock Fund	2,000,000	2,000,000	84,078	100,000
Close-end mutual funds				
Pak Oman Advantage Fund	27,109,000	27,109,000	262,828	262,828
			691,861	722,702
Shares				
Power generation and distribution				
Japan Power Generation Limited	30,560,189	30,560,189	122,647	122,647
Total investment in associates			814,508	845,349

9.8.2 **Held for trading**

Investee	2009 Number of shares	2008 Number of shares	2009 Cost Rupees in '000	2008 Cost Rupees in '000
9.8.2.1 ***Shares***				
Investment Bank / Companies / Securities				
Jahangir Siddique Company Limited	-	128,916	-	26,843
Commercial Banks				
Arif Habib Bank Limited	-	277,775	-	6,927
United Bank Limited	-	30,000	-	4,694
National Bank of Pakistan	-	100,000	-	21,095
Silk Bank Limited	-	720,680	-	14,508
Bank Al-Falah Limited	-	100,000	-	5,462
Allied Bank Limited	557,863	-	33,432	-
Askari Bank Limited	852,015	-	22,320	-
Habib Bank Limited	61,432	-	7,748	-
Textile Composite				
Nishat Mills Limited	-	275,000	-	33,454
Azgard Nine Limited	-	210,000	-	16,054
Cement				
Lucky Cement Limited	345,645	125,000	25,058	17,158
Refinery				
National Refinery Limited	-	14,200	-	5,222
Attock Refinery Limited	-	30,000	-	7,366
Oil and Gas Marketing / Exploration Companies				
Pakistan Oilfield Limited	145,673	60,000	32,963	21,560
Pakistan Petroleum Limited	175,000	-	33,281	-
Pakistan State Oil Company Limited	25,000	-	7,390	-
Oil and Gas Development Company Limited	306,450	-	34,265	-
Fertilizer				
Engro Chemical (Pakistan) Limited	50,000	29,900	9,530	9,230
Fauji Fertilizer Company Limited	-	25,000	-	3,707
Chemical				
Lotte Pakistan PTA Limited (formerly Pakistan PTA Limited)	-	1,000,000	-	5,818
Total investment classified as held for trading			205,987	199,098
Total investments in listed shares			1,879,486	2,596,268

9.8.3 The market value of these shares / certificates / units aggregated Rs. 1,500.139 million (2008: Rs. 1470.663 million).

9.9 **Particulars of investments held in shares of unlisted companies**

Investee	Note	Number of shares 2009	Number of shares 2008	Cost Rupees in '000 2009	Cost Rupees in '000 2008	Percentage of holding %	Break-up value per share Rupees	Latest available financial statements	Name of the chief executive
Ordinary Shares									
Shareholding more than 10%									
Pak Oman Asset Management Company Limited	9.9.1 and 9.9.2	16,830,000	16,830,000	168,300	168,300	51.00	5.97	December 31, 2009 ****	Ms. Hina Ghazanfar
Pak Oman Microfinance Bank Limited	9.9.1 and 9.9.3	25,110,788	16,700,000	251,108	167,000	33.40	8.98	December 31, 2009 **	Mr. Munawar Suleman
Shareholding up to 10%									
AL Hamra Avenue (Private) Limited		5,000,000	5,000,000	50,000	50,000	3.12	9.54	June 30, 2009 *	Mr. Habib Ahmed
Systems Limited		622,702	518,918	10,000	10,000	2.40	15.35	December 31 2008 **	Mr. Ashraf Kapadia
Vision Network Television Limited		4,400,000	4,400,000	77,000	77,000	4.80	0.98	June 30 2009 **	Mr. Zafar Siddiqui
Pakistan Textile City Limited	9.9.1	5,000,000	5,000,000	50,000	50,000	4.55	8.95	June 30 2009 **	Mr. Zaheer A. Hussain
Techlogix International Limited		1,872,197	1,872,197	21,333	21,333	1.84	2.58	December 31 2008 ***	Mr. Kewan Qadre Khawaja
				627,741	543,633				

* Unaudited financial statements

** Audited financial statements

*** Audited consolidated financial statements

**** Half yearly unaudited financial statements

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

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

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

9.10 **Particulars of investments held in listed TFCs**

Investee	2009	2008	2009	2008
	Number of certificates		Cost Rupees in '000	
Modarabas				
Al-Zamin Leasing Modaraba II	8,902	8,902	14,923	29,544
Investment Banks/Companies/Securities				
Escort Investment Bank Limited	4,031	4,031	16,782	20,143
Jahangir Siddiqui and Company Limited	19,397	19,397	96,868	96,907
Commercial Banks				
Askari Bank Limited I	800	-	3,891	-
Askari Bank Limited II	1,000	-	4,587	-
Askari Bank Limited III	49,136	-	245,680	-
NIB Bank Limited	50,967	23,000	241,272	114,977
Faysal Bank Limited	17,681	17,681	88,229	88,327
Bank Al-Habib Limited	10,900	10,900	52,445	51,512
Allied Bank Limited I	25,078	25,078	126,589	126,913
Allied Bank Limited II	13,962	-	69,809	-
Bank Al-Falah Limited III	1,000	1,000	4,999	5,003
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited II)	17,392	17,392	59,967	80,843
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited III)	23,240	23,240	117,032	117,400
United Bank Limited	25,000	-	113,061	-
Leasing Companies				
Saudi Pak Leasing Company Limited	28,469	28,469	124,502	142,317
Technology and Communication				
Telecard Limited	56,716	56,716	129,227	164,108
Pakistan Mobile Communication Limited -I	26,000	31,000	129,818	154,845
Worldcall Telecom Limited	108,623	108,623	542,896	543,113
Chemicals				
Engro Chemical (Pakistan) Limited	43,177	33,970	207,103	163,884
Azgard Nine Limited	15,000	15,000	56,199	68,700
Fertilizer				
Pak Arab Fertilizer Limited	10,000	10,000	49,970	49,990
Miscellaneous				
Pace Pakistan Limited	60,230	60,230	300,969	301,089
			2,796,818	2,319,615

9.10.1 The face value of each certificate held in listed TFCs is Rs. 5,000 (2008: Rs. 5,000) per certificate as at December 31, 2009.

9.10.2 The market value of these TFCs aggregated Rs. 2,685.785 million (2008: Rs. 2,304.892 million).

9.10.3 The rate of return on these TFCs maturing between May 2010 (2008: May 2010) to November 2019 (2008: November 2015) ranges from 9.5 (2008: 9.5) to 16.16 (2008: 19.4) percent per annum.

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

Investee	Number of certificates 2009	Number of certificates 2008	Cost Rupees in '000 2009	Cost Rupees in '000 2008	Name of the chief executive
Avari Hotels Limited	10,000	5,067	50,000	25,333	Mr. Byram D. Avari
Security Leasing Corporation Limited	12,000	12,000	22,500	37,500	Mr. Muhammad Khalid Ali
Pak American Fertilizer Limited	20,000	20,000	99,920	99,960	Mr. Ahmed Jaudet Bilal
Kunjah Textile Mills Limited	3,000	3,000	15,000	15,000	Mr. Manzur Ahmad Mir
Azgard Nine Limited	2,000	2,000	9,992	9,996	Mr. Ahmed H. Shaikh
Bank Al-Habib Limited	10,000	-	49,980	-	Mr. Abbas D.Habib
Engro Chemical (Pakistan) Limited	3,700	-	16,315	-	Mr. Asad Umar
Gharibwal Cement Limited	2,406	-	12,016	-	Mr. Muhammad Tousif Paracha
Bank Al-Falah Limited	20,000	-	100,000	-	Mr. Sirajuddin Aziz
Pakistan Mobile Communication Limited	20,000	20,000	97,222	93,510	Mr. Rashid Khan
			472,945	281,299	

9.11.1 The rate of return on these TFCs maturing between October 2010 (2008: October 2010) to March 2018 (2008:November 2014) ranges from 13.91 (2008: 15.82) to 16.10 (2008: 18.35) percent per annum.

9.12 **Associates**

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

Name of the Investee company	Number of shares / units 2009	Number of shares / units 2008	Cost Rupees in '000 2009	Cost Rupees in '000 2008	Percentage of holding %	Break-up value per share (Rupees)	Latest available financial statements	Name of the chief executive
Quoted								
Japan Power Generation Limited (JPGL)	30,560,189	30,560,189	122,647	122,647	19.59%	(4.31)	December 31, 2009**	Mr. Khan Ahmed Saleem
Pak Oman Advantage Fund	27,109,000	27,109,000	262,828	262,828	27.11%	10.60	December 31, 2009**	Ms. Hina Ghazanfar
Pak Oman Bank of Punjab Advantage Plus Fund	3,014,544	3,003,542	159,874	159,874	17.34%	46.40	December 31, 2009**	Ms. Hina Ghazanfar
Pak Oman Advantage Islamic Income Fund	2,000,000	2,000,000	92,667	100,000	58.60%	49.28	December 31, 2009**	Ms. Hina Ghazanfar
Pak Oman Advantage Islamic Fund	2,000,000	2,000,000	92,414	100,000	93.78%	51.07	December 31, 2009**	Ms. Hina Ghazanfar
Pak Oman Advantage Stock Fund	2,000,000	2,000,000	84,078	100,000	72.26%	55.43	December 31, 2009**	Ms. Hina Ghazanfar
Unquoted								
Pak Oman Microfinance Bank Limited	25,110,788	16,700,000	251,108	167,000	33.40%	8.98	December 31, 2009*	Mr. Munawar Suleman
			1,065,616	1,012,349				

* Audited financial statements

** Half yearly unaudited financial statements.

9.12.1 The above associates are incorporated in Pakistan.

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

9.13 **Subsidiary**

Name of the Investee company	Number of shares 2009	Number of shares 2008	Rupees in '000 2009	Rupees in '000 2008	Percentage of holding %	Break-up value per share (Rupees)	Latest available financial statements	Name of the chief executive
Pak Oman Asset Management Company Limited (Ordinary shares)	16,830,000	16,830,000	168,300	168,300	51	5.97	December 31, 2009*	Ms. Hina Ghazanfar

* Based on half yearly unaudited financial statements.

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

9.14 The rate of return on these commercial papers maturing in March 2010 (2008: March 2009 to May 2009) range 15 (2008: 16.05 to 16.55) percent per annum.

9.15 The rate of return on these sukuk certificates maturing between May 2012 to March 2021 (2008: May 2012 to February 2013) range from 12.40 to 16.85 (2008: 15.98 to 17.65) percent per annum.

10 ADVANCES

	Note	2009	2008
		Rupees in '000	
In Pakistan			
Loans		4,547,230	4,353,495
Net investment in finance leases	10.2	1,300,338	1,004,985
LTF EOP scheme under State Bank of Pakistan for export oriented projects	14.3	357,144	387,412
Long term finance facility under State Bank of Pakistan's scheme for export oriented projects	14.3	117,971	71,798
Financing in respect of continuous funding system		-	149,462
Staff loans	10.3	117,446	106,993
		6,440,129	6,074,145
Less: Provision for non-performing loans and advances	10.5	926,015	333,971
		5,514,114	5,740,174

10.1 **Particulars of advances**

		Note	2009	2008
10.1.1	In local currency	10.1.3	5,514,114	5,740,174
10.1.2	In foreign currency		-	-
10.1.3	Short term (for upto one year)		1,732,029	2,447,981
	Long term (for over one year)		3,782,085	3,292,193
			5,514,114	5,740,174

10.1.4 Included in advances are amounts aggregating Rs. 1,322 million (2008: Rs. 661 million) against which provision of Rs. 468 million (2008: Rs 199 million) has been made which are outstanding for a period exceeding three years.

		Note	2009	2008
10.1.5	Considered good		5,297,622	5,458,982
	Considered doubtful		1,142,507	615,163
			6,440,129	6,074,145
	Less: Provision for non-performing loans and advances	10.5	926,015	333,971
			5,514,114	5,740,174

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

	2009				2008			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	584,736	773,059	-	1,357,795	545,588	438,843	-	984,431
Residual value	80,748	126,146		206,894	85,387	106,422	-	191,809
Minimum lease payments	665,484	899,205	-	1,564,689	630,975	545,265	-	1,176,240
Financial charges for future periods	(132,725)	(131,626)	-	(264,351)	(94,710)	(76,545)	-	(171,255)
Present value of minimum lease payments	532,759	767,579	-	1,300,338	536,265	468,720	-	1,004,985

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

10.2.2 In respect of the aforementioned finance leases the company holds an aggregate sum of Rs. 198.826 million (2008: Rs. 180.117 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (note 17).

10.2.3 The Company has entered into lease agreements of various vehicles and plant and machinery. The amount recoverable under these arrangements are receivable by the year 2014 and are subject to finance income at rates ranging between 8.79 (2008: 6.50) to 20.90 (2008: 21.40) percent per annum.

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

10.3 Staff loans include personal loans and house loans advanced to employees in accordance with their terms of appointment. House loans carry mark-up at a rate of 5 (2008: 5) percent per annum, while No mark-up is charged on personal loans.

10.3.1 Staff loans include an amount of Rs. 11.714 million (2008: Rs.7.345 million) advanced to the Company's chief executive.

10.4 **Particulars of classification**

Advances include Rs. 1,142.507 million (2008: Rs. 615.163 million), which have been placed under the non-performing status as detailed below:

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

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

	Note	2009			2008		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		333,971	-	333,971	132,888	-	132,888
Charge during the year		602,284	-	602,284	225,090	-	225,090
Reversal during the year		(10,240)	-	(10,240)	(23,745)	-	(23,745)
Net charge		592,044	-	592,044	201,345	-	201,345
Less: Amounts written off during the year	10.6	-	-	-	(262)	-	(262)
Closing balance		926,015	-	926,015	333,971	-	333,971

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

In local currency	926,015	-	926,015	333,971	-	333,971
In foreign currencies	-	-	-	-	-	-
	926,015	-	926,015	333,971	-	333,971

		2009	2008
		Rupees in '000	
10.6	**Particulars of write offs**		
	Against provisions	-	262
	Directly charged to profit and loss account	-	-
		-	262
10.6.1	Write offs of Rs. 500,000 and above	-	-
	Write offs of below Rs 500,000	-	262
		-	262

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

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

	2009	2008
Balance at beginning of the year	106,993	47,030
Loans granted during the year	46,062	94,120
Repayments	(35,609)	(34,157)
Balance at end of the year	117,446	106,993

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

	2009	2008
Balance at beginning of the year	-	-
Loans granted during the year	-	-
Repayments	-	-
Balance at end of the year	-	-

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

	2009	2008
Balance at beginning of the year	82,426	4,772
Loans granted during the year	-	79,414
Repayments	(8,163)	(1,760)
Balance at end of the year	74,263	82,426
	191,709	189,419

10.8 Maximum total amount of advances including temporary advances granted during the year amounts to Rs. 192.391 (2008: Rs. 206.89) million. The maximum amount has been calculated by reference to month end balance.

11 OPERATING FIXED ASSET

	Note	2009	2008
Property and equipment	11.1	62,218	66,154
Intangible	11.2	320	955
		62,538	67,109

11.1 Property and equipment

Tangible fixed assets	Cost			Depreciation			Net Book Value	
	As at January 1, 2009	Addition (deletion) during the year	As at December 31, 2009	As at January 1, 2009	During the year/ (on disposals)	As at December 31, 2009	As at December 31, 2009	Rate %
	Rupees in '000							
Owned								
Office premises on leasehold land *	42,126	-	42,126	9,127	2,106	11,233	30,893	5
Improvement	7,772	131	7,903	4,154	1,224	5,378	2,525	20
Office equipment	6,775	1,555 (44)	8,286	3,972	1,322 (12)	5,282	3,004	20
Computer equipment	10,617	1,510 (270)	11,857	8,994	1,239 (219)	10,014	1,843	33.33
Furniture and fixtures	12,194	899 (2,120)	10,973	7,082	1,657 (1,406)	7,333	3,640	20
Vehicles	2,291	-	2,291	1,563	458	2,021	270	20
Assets subject to finance lease								
Vehicles	33,568	10,881 (10,700)	33,749	14,297	6,434 (7,025)	13,706	20,043	20
2009	115,343	14,976 (13,134)	117,185	49,189	14,440 (8,662)	54,967	62,218	
2008	110,663	13,883 (9,203)	115,343	38,440	15,263 (4,514)	49,189	66,154	

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

11.1.1 Reconciliation of net book values

	Office premises on lease hold land	Improv- ement	Office equipment	Computer equipment	Furniture & fixtures	Vehicles	Asset subject to finance lease	Total
	Rupees in '000							
As at January 1, 2008								
Cost	42,126	6,518	6,537	10,434	11,956	2,299	30,793	110,663
Depreciation	(7,021)	(2,976)	(2,780)	(7,676)	(5,659)	(1,157)	(11,171)	(38,440)
Net book value	35,105	3,542	3,757	2,758	6,297	1,142	19,622	72,223
Year ended December 31, 2008								
Additions	-	1,254	238	556	1,055	50	10,730	13,883
Net book of value of disposals	-	-	-	-	(430)	-	(4,259)	(4,689)
Depreciation charge	(2,106)	(1,178)	(1,192)	(1,691)	(1,810)	(464)	(6,822)	(15,263)
Net book value	32,999	3,618	2,803	1,623	5,112	728	19,271	66,154
Year ended December 31, 2009								
Additions	-	131	1,555	1,510	899	-	10,881	14,976
Net book of value of disposals	-	-	(32)	(51)	(714)	-	(3,675)	(4,472)
Depreciation charge	(2,106)	(1,224)	(1,322)	(1,239)	(1,657)	(458)	(6,434)	(14,440)
Net book value as at December 31, 2009	30,893	2,525	3,004	1,843	3,640	270	20,043	62,218

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

Description	Cost	Accumulated Depreciation	Net book Value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in '000					
Furniture and fixtures	1,970	1,306	664	-	As per BOD approval	Mr. Zafar Iqbal (Former CEO)
- do-	150	100	50	50	Company Policy	Syed Zia-ul-Hassan (Former Executive)
	2,120	1,406	714	50		
Vehicles on finance lease						
Toyota Corolla	939	845	94	94	As per BOD approval	Mr. Zafar Iqbal (Former CEO)
Mercedes Benz	5,750	3,546	2,204	1,104	As per BOD approval	Mr. Zafar Iqbal (Former CEO)
Honda Civic	949	622	327	327	Company policy	Syed Zia-ul-Hassan (Former Executive)
Honda City	700	199	501	717	Company policy	Mr. Noaman Majid (Former Executive)
Suzuki Cultus	700	163	537	630	Company policy	Ms. Gulfishan Shaikh (Former Executive)
Suzuki Baleno	700	688	12	117	Company policy	Mr. Mohammad Shoaib (Executive)
Honda Civic	962	962	-	283	Company policy	Mr. Mohammad Jamal Nasir (Executive)
	10,700	7,025	3,675	3,272		
Others	314	231	83	-	As per BOD approval	Mr. Zafar Iqbal (Former CEO)
	13,134	8,662	4,472	3,322		

11.2 Intangible assets

	Cost			Amortization			Net Book Value	
	As at January 1, 2009	Addition during the year	As at December 31, 2009	As at January 1, 2009	Addition during the year	As at December 31, 2009	As at December 31, 2009	Rate %
	Rupees in '000							
Software licences	4,153	-	4,153	3,198	635	3,833	320	33.33
2009	4,153	-	4,153	3,198	635	3,833	320	
2008	3,653	500	4,153	1,999	1,199	3,198	955	

11.2.1 Reconciliation of net book value

	Year Ended December 31, 2009				**Year Ended December 31, 2008**			
	Net book value as at January 1, 2009	**Addition**	**Amortization charge for the year**	**Net book value as at December 31, 2009**	Net book value as at January 1, 2008	Addition	Amortization charge for the year	Net book value as at December 31, 2008
	Rupees in '000							
Computer software	955	-	635	320	1654	500	1199	955

	Note	2009	2008
		Rupees in '000	

12 DEFERRED TAX ASSETS

	Note	2009	2008
Deferred (credit)/debit arising from:			
- Accelerated tax depreciation allowances		(1,225)	(1,792)
- Assets subject to finance leases		2,056	1,485
- Net investment in finance leases		(160,292)	(73,699)
- Amortization of premium		59,632	48,786
- Deficit on revaluation of available-for-sale government securities (net)	20	12,134	31,438
- Provision for diminution in the value of investments		76,990	43,830
- Provision against non-performing loans and advances		324,105	116,890
- Others		(178)	(16)
		313,222	166,922

13 OTHER ASSETS

	2009	2008
Mark-up/Return/Interest receivable in local currency		
- PLS accounts	2,763	356
- PIBs	22,466	8,397
- Listed TFCs	95,936	82,505
- Unlisted TFCs	9,583	8,081
- Sukuk certificates	27,316	19,528
- Commercial paper	3,750	4,268
- COIs	1,321	1,914
- Placements	-	1,151
- Lending to financial institutions - Reverse repo	58,270	39,891
- Advances	118,967	149,968
- Net investment in finance leases	11,889	5,605
- Continuous funding system	-	9,492
Dividend income receivable	-	159
Mark-up/profit receivable on purchase of securities	15,525	2,122
Security deposits	3,350	4,380
Prepayments	4,282	3,842
Receivable against sale of investments	12,417	150,000
Others	718	235,984
	388,553	727,643

13.1 The above balances include an aggregate amount of Rs. 385.203 million (2008: Rs. 723.263 million) due within a year.

14 BORROWINGS FROM FINANCIAL INSTITUTIONS

	2009	2008
In Pakistan	8,895,096	7,491,561
Outside Pakistan	-	-
	8,895,096	7,491,561

		Note	2009	2008
14.1	**Particulars of borrowings with respect to currencies**		Rupees in '000	
	In local currency		8,895,096	7,491,561
	In foreign currencies		-	-
			8,895,096	7,491,561
14.2	**Particulars of borrowings**			
	Secured			
	Borrowings from the State Bank of Pakistan under LTF-EOP	14.3	353,810	380,104
	Borrowings from the State Bank of Pakistan under LTFF	14.3	117,970	50,257
	Repurchase agreement borrowings	14.4	5,528,353	3,329,958
	Long term borrowings	14.5	866,667	1,525,000
	Short term borrowings	14.6	800,000	480,000
	Short term running finance		3,296	-
	Unsecured			
	Placements	14.7	1,225,000	1,726,242
			8,895,096	7,491,561

14.3 The Company has entered into agreements for financing with the SBP for long term finance for export oriented projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the date of maturity of the finances by directly debiting the current account maintained by the Company with the SBP. The rate of return ranges from 5 to 9 (2008: 4 to 7) percent per annum.

14.4 The rate of return on these repurchase agreement borrowings, maturing between January 2010 to February 2010 (2008: January 2009), ranges between 11.90 to 12.30 (2008: 12 to 15) percent per annum. Securities having cost of Rs 5.566 million (2008: Rs 3.345 million) have been pledged against these borrowings.

14.5 The rate of return on borrowings maturing between September 2011 to November 2012 (2008: February 2009 to November 2012) range from 12.82 to 14.32 (2008: 14.51 to 17.50) percent per annum. These loans are secured by way of hypothecation on specific leased assets together with related lease rentals, loans receivable and TFCs amounting to Rs. 2,488 million (2008 : Rs. 3,239 million).

14.6 The rate of return on short term borrowings maturing between January 2010 to November 2010 (2008: January 2009). The rate of return is 12 to 13.48 (2008:14.90) percent per annum.

14.7 The rates of return on these placements maturing between January 2010 to February 2010 (2008: January 2009 to November 2009) range from 12.25 to 12.85 (2008:14.90 to 20) to percent per annum.

15 DEPOSITS AND OTHER ACCOUNTS

	2009	2008
Certificates of investment - remunerative (in local currency)		
Financial institutions	964,361	652,352
Others	3,597,728	2,370,769
	4,562,089	3,023,121

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009			2008		
	Minimum lease Payments	Financial charges for future periods	Principal outstanding	Minimum lease Payments	Financial charges for future periods	Principal outstanding
	Rupees in '000					
Not later than one year	9,707	1,552	8,155	9,812	1,456	8,356
Later than one year but not later than five years	6,612	599	6,013	7,300	629	6,671
	16,319	2,151	14,168	17,112	2,085	15,027

16.1 The mark-up rate on these liabilities against assets subject to finance leases range from 8.35 to 16 (2008: 7.5 to 13.5) percent per annum.

17 OTHER LIABILITIES

	2009	2008
	Rupees in '000	
Mark-up/Return/Interest payable in local currency on		
- repurchase agreement borrowings - secured	23,089	21,748
- long-term borrowing - secured	3,920	20,008
- clean borrowings - unsecured	7,776	28,472
- COIs - unsecured	164,085	91,331
- short-term borrowings - secured	16,916	16,459
Accrued expenses	48,252	57,233
Security deposits against investment in finance leases	198,826	180,117
Provision for staff gratuity	-	8,658
Payable against purchase of investments	54,576	-
Taxation	119,685	154,858
Others	33,360	11,198
	670,485	590,082

18 SHARE CAPITAL

Authorised, issued, subscribed and paid-up capital

A summary of the movement in ordinary share capital is given below:

	Ordinary shares			
	Number		Amount Rupees in '000	
	2009	2008	2009	2008
Authorised capital				
As at January 1,	1,000,000,000	1,000,000,000	10,000,000	10,000,000
Increase during the year	-	-	-	-
As at December 31,	1,000,000,000	1,000,000,000	10,000,000	10,000,000
Issued, subscribed and paid-up capital				
As at January 1,	615,000,000	615,000,000	6,150,000	6,150,000
Right issue during the year	-	-	-	-
Bonus issue during the year	-	-	-	-
As at December 31, - fully paid in cash	615,000,000	615,000,000	6,150,000	6,150,000

18.1 The Ministry of Finance on behalf of the Government of Pakistan and the Sultanate of Oman through its Ministry of Finance each holds 307,495,900 (2008: 307,495,900) ordinary shares of the holding company. While 4,100 (2008: 4,100) ordinary shares each are held by the Secretary - Economic Affairs Division, Government of Pakistan and Ministry of Commerce and Industry, Sultanate of Oman.

18.2 **Capital management policies and procedures**

The Company's objectives when managing capital are:

- to comply with the capital requirements set by the regulators of the Company;

- to safeguard company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- to acquire, develop and maintain a strong capital base to support the development of its business.

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

SBP requires each development financial institution to: (a) hold the minimum level of the regulatory capital of Rs. 6 billion by December 31, 2009, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset as per the CAMELS Rating assigned to the institution or above the minimum prescribed level of 10%.

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

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

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

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

The table refer to in note 38, summarizes the composition of regulatory capital and the ratios of the Company for the year ended December 31, 2009.

	Note	2009	2008
		Rupees in '000	

19 RESERVES

	Note	2009	2008
Statutory reserve	19.1		
As at January 1		348,483	347,192
Add: Appropriation of profit		-	1,291
		348,483	348,483
General reserve			
As at January 1		575,755	491,380
Add: (Transfer to un-appropriate of profit) / appropriation of profit		(509,318)	84,375
		66,437	575,755
Contingencies reserve	19.2		
As at January 1		93,013	86,291
Add: (Transfer to un-appropriate of profit) / appropriation of profit		(93,013)	6,722
		-	93,013
		414,920	1,017,251

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

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

20 DEFICIT ON REVALUATION OF SECURITIES (NET OF TAX)

	Note	2009	2008
Government securities - (deficit)		(34,669)	(89,823)
Less: Deferred tax asset	12	12,134	31,438
		(22,535)	(58,385)
Listed TFCs - (deficit)/surplus		(110,766)	(14,723)
Shares/Units - (deficit)		(8,718)	(826,482)
		(142,019)	(899,590)

21 CONTINGENCIES AND COMMITMENTS

	Note	2009	2008
Transaction related contingent liability:			
- guarantees		24,301	200,000
- import letters of credit		168,590	-
Pledge of shares on behalf of associate company	21.1	70,726	70,726
Commitments for:			
- purchase of government securities		-	300,201
- sale of government securities		477,710	290,850
- purchase of Term Finance Certificates		30,627	-
- sale of Term Finance Certificates		102,089	-
- repurchase agreement borrowing		67,000	-
Commitments for loans and advances and			
- net investment in finance leases		193,910	508,370
Underwriting commitments		-	70,000

21.1 Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 (2008: 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).

	2009	2008
	Rupees in '000	

22 MARK-UP / RETURN / INTEREST EARNED

	2009	2008
On loans and advances to		
- customers	752,922	697,622
- financial institutions	19,791	33,512
On investments in		
- available-for-sale-securities	681,746	529,093
- held-to-maturity	17,796	19,562
- held for trading	378,268	67,967
Securities purchased under resale agreements	413,191	397,185
Deposit accounts	47,134	110,303
Placements	5,078	34,309
COIs	1,807	39,783
Financing in respect of CFS	1,461	108,819
	2,319,194	2,038,155

23 MARK-UP / RETURN / INTEREST EXPENSED

	2009	2008
On secured borrowings		
Repurchase agreement borrowings	666,613	369,172
Long-term borrowings	206,104	214,566
Short-term borrowings	74,268	54,990
On un-secured borrowings		
Placements	155,979	237,621
COIs	533,851	442,055
	1,636,815	1,318,404

24 (LOSS) / GAIN ON SALE OF INVESTMENTS

	2009	2008
PIBs	41,647	20,328
T-bills	(5,766)	1,343
Listed shares/units	(119,179)	199,238
TFCs	12,330	7,991
	(70,968)	228,900

25 OTHER INCOME

	2009	2008
Gain on sale of operating fixed assets	-	1,675
Exchange gain on revaluation	43	-
	43	1,675

	Note	2009	2008
		Rupees in '000	

26 ADMINISTRATIVE EXPENSES

	Note	2009	2008
Salaries, allowances and employees' benefits		91,954	114,540
Contribution to defined contribution plan		5,474	4,131
Charge for defined benefit plan	32.10	7,552	12,409
Non-executive directors' fee	34	212	167
Chief executive's remuneration	34	34,700	33,990
Board meeting expenses		12,413	10,870
Traveling and accommodation		11,694	13,655
Rent, rates and taxes		9,689	7,743
Utilities		986	1,007
Communication		5,511	5,808
Professional training		1,107	869
Advertisement and business promotion		1,459	2,473
Membership and subscriptions		1,468	1,301
Printing, stationery and periodicals		2,465	3,426
Depreciation	11.1	14,440	15,263
Amortization of intangible assets	11.2	635	1,199
Auditors' remuneration	26.1	936	865
Legal and professional charges		10,095	3,969
Repairs and maintenance		5,171	5,090
Transportation		6,950	8,308
Insurance		2,939	2,838
Finance charges on leased assets		2,098	2,177
Entertainment and canteen expenses		2,160	1,650
Donation	26.2	936	455
Others		1,515	1,643
		234,559	255,846

26.1 **Auditors' remuneration**

	2009	2008
Audit fee	319	290
Special certifications and others	446	430
Out of pocket expenses	171	145
	936	865

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

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

	Rs. in '000'
Prime Minister fund for IDPs	600
Burns Centre	105
	705

	Note	2009	2008
		Rupees in '000	

27 OTHER CHARGES

	Note	2009	2008
Penalty	27.1	-	479
Fees and commission		10,919	21,320
Loss on sale of fixed assets		1,150	-
		12,069	21,799

27.1 This represents penalty imposed by the State Bank of Pakistan.

28 TAXATION

		2009	2008
Current			
- for the year		119,278	272,282
- for prior year		-	-
Deferred		(165,604)	(152,175)
		(46,326)	120,107

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

	2009	2008
(Loss) / Profit before taxation	(653,819)	126,560
Tax at the applicable rate of 35 %	(228,837)	44,296
Tax effect of income taxed at different rate	(19,355)	(25,887)
Tax effect of exempt capital gain / loss	59,131	110,286
Tax effect of exempt provision for impairment in the value of investments	133,046	-
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge	9,689	(8,588)
Tax charge for the year	(46,326)	120,107
Tax charge for the current year	119,278	272,282
Deferred tax	(165,604)	(152,175)
Total tax charge	(46,326)	120,107

29 (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

	Note	2009	2008
(Loss) / Profit after taxation		(607,493)	6,543
Weighted average number of ordinary shares in issue (numbers in thousands)	29.1	615,000	615,000
(Loss) / Basic earnings per share (Rupees)		(0.99)	0.01
(Loss) / Diluted earnings per share (Rupees)		(0.99)	0.01

29.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2009 and 2008.

	Note	2009	2008
		Rupees in '000	

30 CASH AND CASH EQUIVALENTS

	Note	2009	2008
Cash and balances with treasury banks	6	73,968	48,548
Balances with other banks	7	590,362	508,560
Placements	8	-	100,000
		664,330	657,108

31 STAFF STRENGTH

	2009	2008
	Number	
Permanent	61	62
Temporary/on contractual basis	22	24
Daily wagers	-	-
Company's own staff strength at end of the year	83	86
Outsourced	14	1 3
Total staff strength	97	99

32 DEFINED BENEFIT PLAN

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

Principal actuarial assumptions

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

	2009	2008
	Percent per annum	
Discount rate	14	15
Expected rate of increase in salary levels	14	15
Expected rate of return on plan assets	14	15

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

The disclosures made in notes 32.1 to 32.14 are based on the information included in the actuarial valuation as of December 31, 2009.

32.2 **Mortality rate**

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

32.3 **Expected return on plan assets**

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

	Note	2009	2008
		Rupees in '000	

32.4 Reconciliation of amount payable to defined benefit plan

	Note	2009	2008
Present value of defined benefit obligation	32.5	25,514	26,408
Fair value of plan assets	32.7	(25,262)	(16,139)
		252	10,269
Net unrecognised actuarial (losses)/ gains	32.12	-	-
Non vested past service cost		(805)	(1,611)
Unrecognised transitional liability		-	-
Recognised (asset)/liability		(553)	8,658

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

		2009	2008
Present value of obligation as at January 1		26,408	14,220
Current service cost		5,759	2,848
Interest cost		3,962	1,422
Benefits paid		(9,391)	(3,388)
Vested past service cost		-	4,280
Non vested past service cost		-	1,611
Actuarial (gain)/loss on obligation		(1,224)	5,415
Present value of obligation as at December 31		25,514	26,408

32.6 Movement in payable to defined benefit plan

	Note	2009	2008
Opening liability		8,658	4,385
Expense for the year	32.10	7,552	12,409
Contributions to the fund		(16,763)	(8,136)
Closing (asset)/liability		(553)	8,658

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

	Note	2009	2008
Fair value of plan assets as at January 1		16,139	9,835
Expected return on plan assets		2,421	984
Contributions		16,763	8,136
Benefits paid		(9,391)	(3,388)
Actuarial (loss)/gain on plan assets		(670)	572
Fair value of plan assets as at December 31	32.9	25,262	16,139

32.8 Actual return on plan assets during the year was Rs. 1.751 million (2008: Rs.1.556 million).

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

Particulars	2009 Rupees in '000	2009 %	2008 Rupees in '000	2008 %
Equity instruments	-	-	823	5.10
Debt instruments	24,564	97.24	14,727	91.25
Bank balances and other assets	698	2.76	589	3.65
	25,262	100.00	16,139	100.00

	Note	2009 Rupees in '000	2008 Rupees in '000
32.10 The amount recognised in the income statement is as follows:			
Current service cost		5,759	2,848
Interest cost		3,962	1,422
Expected return on plan assets		(2,421)	(984)
Vested past service cost		806	4,280
Actuarial (gain)/loss recognised	32.11	(554)	4,843
		7,552	12,409
32.11 Actuarial gain / (loss) to be recognised			
Actuarial gain / (loss) to be recognised		554	(4,843)
32.12 Net unrecognised actuarial (losses)/gains			
Net unrecognised actuarial gains/(losses) as at January 1		-	-
Actuarial gain/(loss) on obligation		1,224	(5,415)
Actuarial (loss)/gain on plan assets		(670)	572
		554	(4,843)
Actuarial (gain) / loss recognised for the year		(554)	4,843
Net unrecognised actuarial (losses)/gains as at December 31		-	-

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

	Note	2009	2008	2007	2006	2005
		Rupees in '000				
Present value of defined benefit obligation	32.5	25,514	26,408	14,220	9,641	3,936
Fair value of plan assets	32.7	(25,262)	(16,139)	(9,835)	(6,476)	(4,348)
Deficit/(Surplus)		252	10,269	4,385	3,165	(412)
Experience adjustments on defined benefit obligation	32.5	(1,224)	5,415	1,955	3,223	(302)
Experience adjustments on assets	32.7	670	(572)	(496)	375	(214)

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

The expected gratuity expense for the next year ending December 31, 2010 works out to Rs. 6.697 million.

33 DEFINED CONTRIBUTION PLAN

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

	2009	2008
	Rupees in '000	
33.2 Contribution to the fund made during the year		
Contribution from the Company	6,374	5,131
Contribution from employees	6,374	5,131
	12,748	10,262

34 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	Chief Executive		Directors		Executives	
		2009	2008	2009	2008	2009	2008
		Rupees in '000					
Fees		-	-	212	167	-	-
Managerial remuneration		33,127	32,200	-	-	74,739	78,219
Charge for defined benefit plan		965	1,109	-	-	5,978	10,257
Contribution to defined contribution plan		900	1,000	-	-	4,811	3,226
Medical		226	160	-	-	-	-
Utilities		392	599	-	-	-	-
Membership fee		55	31	-	-	-	-
	34.1	35,665	35,099	212	167	85,528	91,702
Number of persons		2	1	5	5	40	32

34.1 This includes an amount of Rs 24.164 million being compensation package in addition to the remuneration paid till Feb 2009 to outgoing Chief Executive Officer.

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

35 FAIR VALUE OF FINANCIAL INSTRUMENTS

35.1 **On-balance sheet financial instruments**

	2009		2008	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
Assets				
Cash and balances with treasury banks	73,968	73,968	48,548	48,548
Balances with other banks	590,362	590,362	508,560	508,560
Lendings to financial institutions	2,846,936	2,846,936	3,137,180	3,137,180
Investments	10,775,046	10,785,876	6,996,478	6,779,461
Advances	5,514,114	5,514,114	5,740,174	5,740,174
Other assets	384,271	384,271	723,801	723,801
	20,184,697	20,195,527	17,154,741	16,937,724
Liabilities				
Borrowings from financial institutions	8,895,096	8,895,096	7,491,561	7,491,561
Deposits and other accounts	4,562,089	4,562,089	3,023,121	3,023,121
Liabilities against assets subject to finance lease	14,168	14,168	15,027	15,027
Other liabilities	550,800	550,800	435,224	435,224
	14,022,153	14,022,153	10,964,933	10,964,933
	6,162,544	6,173,374	6,189,808	5,972,791

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

35.3 **Off-balance sheet financial instruments**

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

36 SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Others
2009	Rupees in '000								
Total income	12,551	1,552,630	-	774,249	-	-	-	-	-
Total expenses	37,720	1,790,010	-	1,165,519	-	-	-	-	-
Net income / (loss)	(25,169)	(237,380)	-	(391,270)	-	-	-	-	-
Segment assets (gross)	-	14,995,765	-	6,757,845	-	-	-	-	-
Segment non-performing loans	-	-	-	1,142,507	-	-	-	-	-
Investments provided for	-	442,995	-	-	-	-	-	-	-
Segment provision required *	-	262,856	-	926,015	-	-	-	-	-
Segment liabilities	-	9,727,605	-	4,414,233	-	-	-	-	-
Segment return on net assets (%)	-	(4.74%)	-	(27.60%)	-	-	-	-	-
Segment return on assets (ROA) (%)	-	(1.61%)	-	(6.71%)	-	-	-	-	-
Segment cost of funds (%)	-	8.89%	-	8.58%	-	-	-	-	-
2008									
Total income	40,194	1,201,450	-	734,461	-	-	-	-	-
Total expenses	47,405	1,088,928	-	713,212	-	-	-	-	-
Net income / (loss)	(7,211)	112,522	-	21,249	-	-	-	-	-
Segment assets (gross)	-	11,565,928	-	6,285,883	-	-	-	-	-
Segment non-performing loans	-	-	-	615,163	-	-	-	-	-
Investments provided for	-	293,333	-	-	-	-	-	-	-
Segment provision required*	-	125,226	-	333,971	-	-	-	-	-
Segment liabilities	-	6,973,786	-	4,146,005	-	-	-	-	-
Segment return on net assets (%)	-	2.52%	-	1.18%	-	-	-	-	-
Segment return on assets (ROA) (%)	-	0.98%	-	0.36%	-	-	-	-	-
Segment cost of funds (%)	-	6.99%	-	6.84%	-	-	-	-	-

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

37 RELATED PARTY TRANSACTIONS

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

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

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

37.4 **Associates**
Pak Oman Microfinance Bank Limited
Japan Power Generation Limited
Pak Oman Bank of Punjab Advantage Plus Fund
Pak Oman Advantage Fund
Pak Oman Advantage Islamic Income Fund
Pak Oman Advantage Islamic Fund
Pak Oman Advantage Stock Fund

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

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

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

	Total		Subsidiary		Associates		Key management personnel		Other related parties	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	Rupees in '000									
Advances / Investments										
At January 01,	1,320,769	962,571	175,726	173,072	1,087,349	765,037	57,694	24,462	-	-
Disbursed during the year	101,733	1,141,893	-	4,414	84,108	1,091,970	17,625	45,509	-	-
Received during the year	(60,693)	(783,695)	(1,363)	(1,760)	(37,641)	(769,658)	(21,689)	(12,277)	-	-
At December 31,	1,361,809	1,320,769	174,363	175,726	1,133,816	1,087,349	53,630	57,694	-	-
Deposits										
At January 01,	213,893	304,722	882	510	213,011	304,212	-	-	-	-
Deposited during the year	446,515	1,090,720	-	442	446,515	1,090,278	-	-	-	-
Repaid during the year	(447,665)	(1,181,549)	-	(70)	(447,665)	(1,181,479)	-	-	-	-
At December 31,	212,743	213,893	882	882	211,861	213,011	-	-	-	-
Balances										
Other receivables	132	150,000	-	-	132	150,000	-	-	-	-
Transactions, income and expenses										
Markup income	3,810	18,567	943	824	696	15,269	2,171	2,474	-	-
Mark up expense	30,910	28,372	-	-	30,910	28,372	-	-	-	-
Dividend income	26,038	42,452	-	-	26,038	42,452	-	-	-	-
Capital gain	7,147	460	-	-	7,147	460	-	-	-	-
Outright sale of PIBs	-	20,901	-	20,901	-	-	-	-	-	-
Salaries and short term benefits paid	61,722	69,078	-	-	-	-	61,722	69,078	-	-
Staff retirement benefits	5,415	6,336	-	-	-	-	5,415	6,336	-	-
Fee income	650	2,000	650	2,000	-	-	-	-	-	-
Brokerage expense	-	1,786	-	1,786	-	-	-	-	-	-

38 CAPITAL ADEQUACY

The State Bank of Pakistan through its BSD Circular No. 19 dated September 05, 2008 requires the minimum paid up capital (net of losses) for all DFIs to be raised to Rs 6 billion by the year ending on December 31, 2009. The paid up capital of the holding company for the year ended December 31, 2009 stands at Rs. 6.15 billion and is in compliance with above said circular. The Company's CAR as at December 31, 2009 was 36.22% of its risk weighted exposure.

The calculation of capital adequacy enables the DFIs to assess the long term soundness. Pak Oman has successfully managed in the past and will in the future its Capital requirements/ needs. Based on the directives of the Board, the Company has built a health portfolio of assets and liabilities focusing on quality. CAR of 36.22% of demonstrates that the Company is geared to absorb major risks / shocks in the present market scenario. The Company meets its capital needs through clean placements (LOP & COI) and short and long term lines from commercial institutions.

The risk weighted assets to capital ratio, calculated (as per standardized approach of Basel II) in accordance with SBP's guidelines on capital adequacy was as follows:

	2009	2008
	Rupees in '000	
Regulatory Capital Base		
Tier I Capital		
Share capital	6,150,000	6,150,000
Reserves	414,920	924,238
Unappropriated profit	-	5,162
	6,564,920	7,079,400
Deductions:		
Book value of intangibles	320	955
Shortfall in provisions required against classifies assets irrespective of any relaxation allowed by SBP	-	-
Deficit on account of revaluation of available for sale investment (net of tax)	142,019	899,590
Investments in TFCs of other banks exceeding the prescribed limit	635,252	-
	777,591	900,545
Total eligible Tier I Capital	5,787,329	6,178,855
Supplementary Capital		
Tier II Capital		
Subordinated debt (up to 50% of total Tier 1 Capital)	-	-
General provision or general reserves for loan losses up to maximum of 1.25% of risk weighted assets.	-	93,013
Revaluation reserve (up to 45%)	-	-
Total Eligible Tier II Capital	-	93,013
Eligible Tier III Capital	-	-
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier I Capital)		
Total Eligible Capital	5,787,329	6,271,868

	2009	2008
	Rupees in '000	
Risk Weighted Amounts		
Total Credit Risk Weighted Amount	7,747,822	7,835,831
Total Market Risk Weighted Amount	6,690,558	6,151,754
Total Operational Risk Weighted Amount	1,541,744	1,379,414
Total Risk Weighted Amount	15,980,124	15,366,999
Capital Adequacy Ratios		
Credit Risk Capital Adequacy Ratio	74.70%	80.04%
Tier 1 Capital to Total Risk Weighted Amount	36.22%	40.21%
Total Capital Adequacy Ratio	36.22%	40.81%

39 RISK MANAGEMENT

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

Risk management organisation

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

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

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

39.1 Credit risk

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

A multi-tiered approach is being followed in the management of credit risk with the organizational structure, roles and responsibilities clearly outlined in the Credit Policy Manual. The Board is responsible for final approval of overall risk tolerance, limits for sectors and pricing strategies.

Various business units responsible for undertaking risks are expected to comply with the credit policy and adhere to the independent risk management function. This is ensured through the implementation of a credit approval and documentation process adopted by the Company.

Out of the total financial assets of Rs. 20,184.697 million (2008: Rs. 17,154.741 million), the financial assets which were subject to credit risk amounted to Rs. 15,922.341 million (2008: Rs. 15,900.351 million). The major credit risk in respect of advances is concentrated in sectors such as textile, transportation and communication and financial institutions. The Company manages its exposure to credit risk through portfolio diversification and adequate collateral, wherever, applicable. The emphasis is to provide short to medium term financing to a target customer base. The Company has developed systems to monitor problem accounts so that instant instructions based on early warning signals are passed on to the departments to deal with potential problem accounts.

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

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

Credit Exposures subject to Standardised approach

		2009			2008		
Exposures	Rating Category	**Amount Outstanding**	**Deduction CRM***	**Net amount**	Amount Outstanding	Deduction CRM*	Net amount
		Rupees in '000					
Corporate	0	-	-	-	-	-	-
	1	21,809	773,062	794,871	24,774	785,875	810,649
	2	196,833	-	196,833	395,261	-	395,261
	3-4	494,922	(86,000)	408,922	223,877	-	223,877
	5-6	90,000	-	90,000	-	-	-
	Unrated	5,148,105	(687,062)	4,461,043	5,507,246	(785,875)	4,721,371
		5,951,669	-	5,951,669	6,151,158	-	6,151,158
Banks	0	-	-	-	-	-	-
	1	1,069,462	1,198,093	2,267,555	1,058,560	1,168,762	2,227,322
	2-3	772,787	(549,787)	223,000	893,937	(785,937)	108,000
	Unrated	648,306	(648,306)	-	382,825	(382,825)	-
		2,490,555	-	2,490,555	2,335,322	-	2,335,322

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

	2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Financial institution	63,149	0.98	964,361	21.14	199,716	17.60
Textile	1,344,756	20.88	-	-	-	-
Transportation and communication	410,479	6.37	193,450	4.24	25,000	2.20
Power (electricity), gas, water	1,339,208	20.79	100,000	2.19	260,117	22.92
Electronics	206,724	3.21	-	-	-	
Food and beverage	225,696	3.50	-	-	37,140	3.27
Services	345,499	5.36	-	-	9,380	0.83
Engineering and allied products	247,973	3.85	11,203	0.25	50,000	4.41
Chemical and pharmaceuticals	313,428	4.87	100,000	2.19	41,140	3.62
Automobiles	315,833	4.90	-	-	-	
Fuel and energy	191,774	2.98	-	-	3,500	0.31
Construction	410,505	6.37	70,000	1.53	20,170	1.78
Cement	103,333	1.60	-	-	-	-
Sugar	619,722	9.62	-	-	-	-
Paper and board/packaging	70,266	1.09	195,500	4.29	-	-
Healthcare	31,365	0.49	-	-	11,080	0.98
Individual	117,446	1.82	360,505	7.90	3,810	0.34
Others	82,973	1.32	2,567,070	56.27	473,900	41.74
	6,440,129	100.00	4,562,089	100.00	1,134,953	100.00

39.2.2 Segment by sector

Public/Government	8,504	0.13	3,318,755	72.75	540,900	47.66
Private	6,431,625	99.87	1,243,334	27.25	594,053	52.34
	6,440,129	100.00	4,562,089	100.00	1,134,953	100.00

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

	2009		2008	
	Classified advances	**Specific provisions held**	Classified advances	Specific provisions held
	Rupees in '000			
Automobile	315,833	262,087	115,833	57,917
Cement	70,000	70,000	70,000	35,000
Textile	153,129	126,056	131,612	88,242
Chemical and pharmaceuticals	129,075	124,871	135,278	71,947
Construction	78,911	55,646	73,493	27,293
Engineering and allied products	90,664	64,789	24,750	12,375
Electronics	48,775	48,775	-	-
Fuel and energy	121,723	60,144	45,000	22,500
Food and beverages	19,197	18,697	19,197	18,697
Financial institution	20,000	5,000	-	-
Power	68,200	68,200	-	-
Sugar	20,000	20,000	-	-
Transportation & communication	7,000	1,750	-	-
	1,142,507	926,015	615,163	333,971

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

	2009		2008	
	Classified advances	**Specific provisions held**	Classified advances	Specific provisions held
	Rupees in '000			
Public/Government	-	-	-	-
Private	1,142,507	926,015	615,163	333,971
	1,142,507	926,015	615,163	333,971

39.2.5 **Geographical segment analysis**

	(Loss) before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	(653,819)	20,562,464	6,422,901	1,134,953
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	2,275	-	-
Africa	-	-	-	-
	(653,819)	20,564,739	6,422,901	1,134,953

39.3 **Market risk**

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

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

39.3.1 **Interest rate risk**

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

39.3.2 **Foreign currency risk**

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

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupees	20,563,069	14,141,838	-	6,421,231
United States Dollar	137	-	-	137
Omani Riyal	1,533	-	-	1,533
	20,564,739	14,141,838	-	6,422,901

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**

	2009											
			Exposed to yield / interest risk									
	Effective yield/ interest rate	Total	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		73,968	-	-	-	-	-	-	-	-	-	73,968
Balances with other banks	12.99%	590,362	580,397	-	-	-	-	-	-	-	-	9,965
Lending to financial institutions	13.02%	2,846,936	1,778,908	1,057,354	1,332	2,230	4,211	2,901	-	-	-	-
Investments	10.79%	10,775,046	40,788	187,273	1,966,781	1,731,855	1,092,316	1,359,826	904,628	1,492,772	33,464	1,965,343
Advances	15.26%	5,514,114	105,912	190,855	591,274	840,190	1,040,482	895,988	908,634	913,555	22,606	4,618
Other assets		384,271	-	-	-	-	-	-	-	-	-	384,271
		20,184,697	2,506,005	1,435,482	2,559,387	2,574,275	2,137,009	2,258,715	1,813,262	2,406,327	56,070	2,438,165
Liabilities												
Borrowings from financial institutions	12.36%	8,895,096	6,423,458	850,665	311,823	530,861	547,282	88,048	115,667	27,292	-	-
Deposits and other accounts	13.71%	4,562,089	473,028	1,710,402	1,777,048	600,111	1,500	-	-	-	-	-
Liabilities against assets subject to finance lease	14.24%	14,168	873	1,328	1,961	3,993	5,129	884	-	-	-	-
Other liabilities		550,800	-	-	-	-	-	-	-	-	-	550,800
		14,022,153	6,897,359	2,562,395	2,090,832	1,134,965	553,911	88,932	115,667	27,292	-	550,800
On-balance sheet gap		6,162,544	(4,391,354)	(1,126,913)	468,555	1,439,310	1,583,098	2,169,783	1,697,595	2,379,035	56,070	1,887,365
Non-financial assets		380,042										
Non-financial liability		119,685										
Total net asset		6,422,901										
Total yield/profit risk sensitivity gap			(4,391,354)	(1,126,913)	468,555	1,439,310	1,583,098	2,169,783	1,697,595	2,379,035	56,070	
Cumulative yield/profit risk sensitivity gap			(4,391,354)	(5,518,267)	(5,049,712)	(3,610,402)	(2,027,304)	142,479	1,840,074	4,219,109	4,275,179	

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

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

39.4 Operational risk

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

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

The objectives of internal controls include the safeguarding of assets from inappropriate use or from loss and fraud, ensuring that liabilities are identified and managed and that the quality of internal and external reporting is maintained.

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

39.4.1 Maturities of assets and liabilities

Maturities of assets and liabilities as at December 31, 2009

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

Maturities of assets and liabilities as at December 31, 2008

	Total	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	48,548	548	48,000	-	-	-	-	-	-	-
Balances with other banks	508,560	508,560	-	-	-	-	-	-	-	-
Lending to financial institutions	3,137,180	2,229,010	752,909	47,119	2,935	104,376	831	-	-	-
Investments	6,996,478	68,596	593,480	50,083	1,694,261	863,091	1,238,687	2,066,655	421,625	-
Advances	5,740,174	839,067	225,227	691,331	692,356	1,137,479	687,200	707,753	639,908	119,853
Other assets	727,643	-	723,263	-	-	-	-	4,380	-	-
Operating fixed assets	67,109	1,629	3,258	4,741	7,577	14,626	8,598	4,212	10,532	11,936
Deferred tax assets	166,922	-	-	-	-	-	-	166,922	-	-
	17,392,614	3,647,410	2,346,137	793,274	2,397,129	2,119,572	1,935,316	2,949,922	1,072,065	131,789
Liabilities										
Borrowings from financial institutions	7,491,561	4,713,484	840,937	399,581	340,937	531,893	506,653	125,735	32,341	-
Deposits and other accounts	3,023,121	888,710	1,277,444	745,706	104,261	7,000	-	-	-	-
Liabilities against assets subject to finance leases	15,027	1,221	1,109	2,450	3,576	5,345	1,326	-	-	-
Others Liabilities	590,082	34,611	420,784	18,181	16,612	51,699	29,276	18,919	-	-
Deferred taxation	-	-	-	-	-	-	-	-	-	-
	11,119,791	5,638,026	2,540,274	1,165,918	465,386	595,937	537,255	144,654	32,341	-
Net assets	6,272,823	(1,990,616)	(194,137)	(372,644)	1,931,743	1,523,635	1,398,061	2,805,268	1,039,724	131,789
Share capital	6,150,000									
Reserves	1,017,251									
Unappropriated profit	5,162									
	7,172,413									
Deficit on revaluation of securities - net of tax	(899,590)									
	6,272,823									

40 ASSOCIATES - KEY INFORMATION

Particulars	Pak Oman Bank of Punjab Advantage Plus Fund	Pak Oman Advantage Fund	Pak Oman Advantage Islamic Income Fund	Pak Oman Advantage Islamic Fund	Pak Oman Advantage Stock Fund	Japan Power Generation Limited	Pak Oman Micro-finance Bank Limited	Total
Assets	815,576	1,068,971	173,000	110,908	157,896	6,620,774	720,826	9,667,951
Liabilities	8,720	8,806	4,827	1,982	4,459	6,822,722	42,367	6,893,883
Profit / (loss) before taxation	44,185	148,805	12,194	14,823	31,237	(259,775)	(8,218)	(16,749)
Profit / (loss) after taxation	44,185	148,805	12,194	14,823	31,237	(259,929)	(6,797)	(15,482)

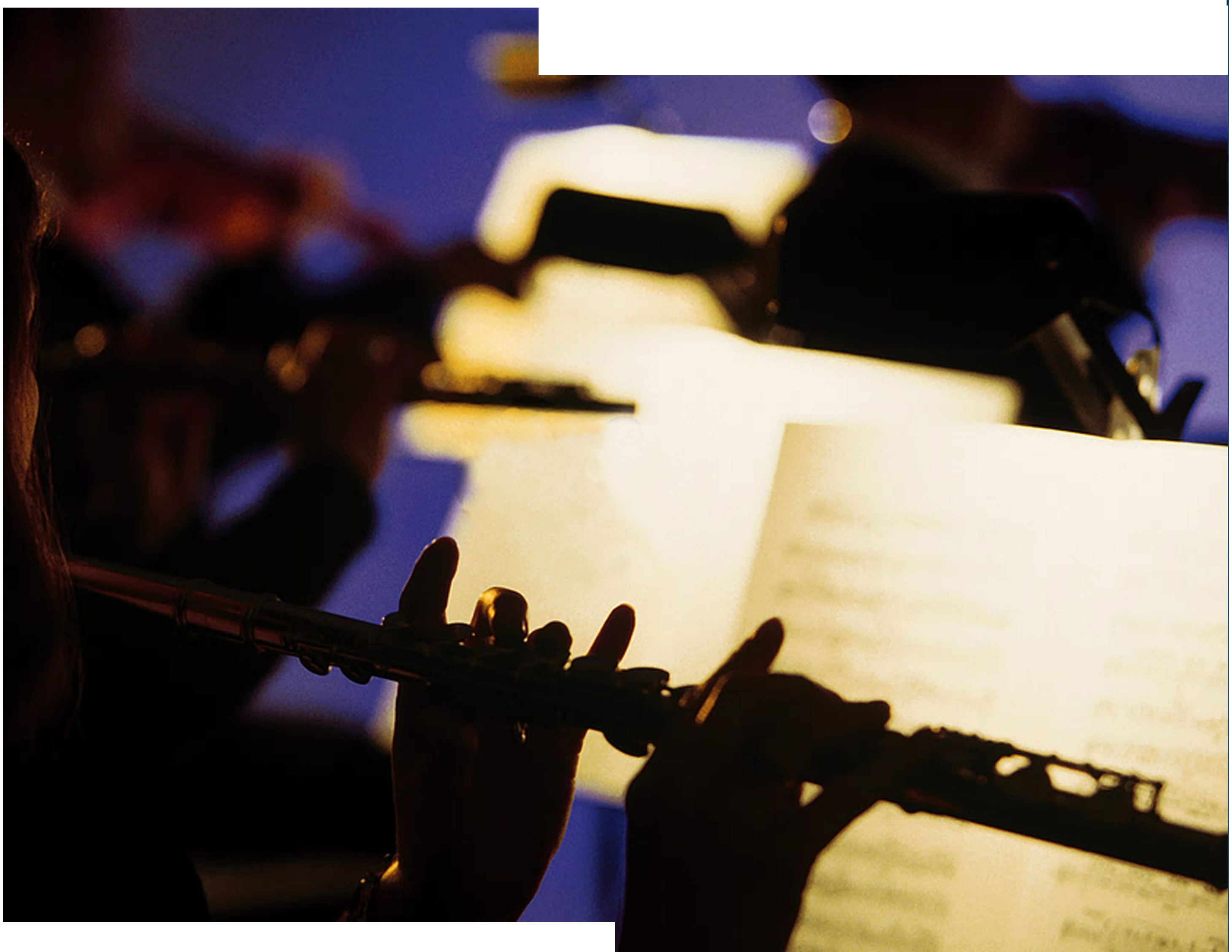
41 GENERAL

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

42 DATE OF AUTHORISATION

These financial statements were authorised on March 02, 2010 by the board of directors of the Company.

Managing Director and Chief Executive Officer **Chairman**



Consolidated Financial Statements

Anjum Asim Shahid Rahman
Chartered Accountants

Grant Thornton

Independent Auditors' Report
to the members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pak Oman Investment Company Limited (the holding company) and its subsidiary company (together 'the Group') as at December 31, 2009 the related consolidated profit and loss account, consolidated statement of other comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the holding company. The interim financial statements of the subsidiary company covering period from January 1, 2009 to December 31, 2009 have been reviewed by us and our opinion in so far as it relates to amounts included for the subsidiary company, is based on our review of those interim financial statements.

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

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

In our opinion, the consolidated Financial Statements present fairly the financial position of Pak Oman Investment Company Limited and its subsidiary company as at December 31, 2009 and the results of their operations for the year then ended.

Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

Karachi: March 02, 2010

Consolidated Balance Sheet
As at December 31, 2009

2009	2008		Note	2009	2008
US $ in '000				Rupees in '000	
		ASSETS			
881	579	Cash and balance with treasury banks	6	74,119	48,710
7,625	6,682	Balance with other banks	7	641,256	561,986
34,203	37,850	Lendings to financial institutions	8	2,876,508	3,183,180
126,287	79,693	Investments	9	10,620,720	6,702,149
65,494	68,166	Advances	10	5,508,051	5,732,748
966	1,139	Operating fixed assets	11	81,202	95,824
3,849	2,109	Deferred tax assets	12	323,703	177,403
4,892	8,968	Other assets	13	411,466	754,322
244,197	205,186			20,537,025	17,256,322
		LIABILITIES			
-	-	Bills payable		-	-
105,768	89,079	Borrowings from financial institutions	14	8,895,096	7,491,561
54,246	35,947	Deposits and other accounts	15	4,562,089	3,023,121
-	-	Sub-ordinated loans		-	-
179	194	Liabilities against assets subject to finance lease	16	15,014	16,333
-	-	Deferred tax liabilities		-	-
7,984	7,023	Other liabilities	17	671,491	590,742
168,177	132,243			14,143,690	11,121,757
76,020	72,943	**NET ASSETS**		6,393,335	6,134,565
		REPRESENTED BY			
73,127	73,127	Share capital	18	6,150,000	6,150,000
4,934	12,096	Reserves	19	414,920	1,017,251
(1,499)	(2,733)	Accumulated loss		(126,035)	(229,835)
76,562	82,490			6,438,885	6,937,416
1,147	1,150	Non controlling interest	20	96,469	96,739
77,709	83,640			6,535,354	7,034,155
(1,689)	(10,697)	Deficit on revaluation of securities - net of tax	21	(142,019)	(899,590)
76,020	72,943			6,393,335	6,134,565
		Contingencies and commitments	22		

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

Managing Director and Chief Executive Officer **Chairman**

Consolidated Profit and Loss Account

For the year ended December 31, 2009

2009 US $ in '000	2008 US $ in '000		Note	2009 Rupees in '000	2008 Rupees in '000
27,705	24,471	Mark-up/Return/Interest earned	23	2,329,974	2,057,978
19,463	15,677	Mark-up/Return/Interest expensed	24	1,636,815	1,318,404
8,242	8,794	**Net mark-up/interest income**		693,159	739,574
7,040	2,394	Provision against non-performing loans and advances	10.5	592,044	201,345
1,127	620	Provision for diminution in the value of investments	9.3	94,745	52,151
-	-	Bad debts written off directly		-	-
8,167	3,014			686,789	253,496
75	5,780	Net mark-up/interest income after provisions		6,370	486,078
		NON MARK-UP/INTEREST INCOME			
767	1,155	Fee, commission and brokerage income		64,531	97,135
641	683	Dividend income		53,910	57,412
-	-	Income from dealing in foreign currencies		-	-
(772)	2,915	(Loss) / Gain on sale of investments	25	(64,931)	245,155
(4,520)	-	Provision for impairment in the value of investments		(380,132)	-
339	(6,738)	Unrealised gain / (loss) on revaluation/re-classification of investments classified as held-for-trading		28,471	(566,627)
1,105	(1,081)	Share of gain / (loss) from associates before taxation		92,908	(90,884)
1	15	Other income	26	43	1,289
(2,439)	(3,051)	**Total non markup/interest income**		(205,200)	(256,520)
(2,364)	2,729			(198,830)	229,558
		NON MARK-UP/INTEREST EXPENSES			
3,851	4,136	Administrative expenses	27	323,886	347,826
-	-	Other provisions/write offs		-	-
271	335	Other charges	28	22,762	28,166
4,122	4,471	**Total non markup/interest expenses**		346,648	375,992
(6,486)	(1,742)			(545,478)	(146,434)
-	-	Extra ordinary/Unusual items		-	-
(6,486)	(1,742)	**LOSS BEFORE TAXATION**		(545,478)	(146,434)
		Taxation	29		
1,421	3,240	current		119,530	272,501
-	(1)	prior years		-	(98)
(1,976)	(1,864)	deferred		(166,207)	(156,762)
(555)	1,375			(46,677)	115,641
(5,931)	(3,117)	**LOSS AFTER TAXATION**		(498,801)	(262,075)
3	770	Loss attributable to non controlling interest		270	64,790
(5,928)	(2,347)	Loss attributable to shareholders of the holding company		(498,531)	(197,285)
(2,733)	4,368	Unappropriated (loss) / profit brought forward		(229,835)	367,338
(8,661)	2,021	(Loss) / Profit available for appropriation		(728,366)	170,053
US $				Rupees	
(0.0096)	(0.0038)	Loss per share for the year attributable to the shareholders of the holding company - basic and diluted	30	(0.81)	(0.32)

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

Managing Director and Chief Executive Officer **Chairman**

Consolidated Statement of Other Comprehensive Income

For the year ended December 31, 2009

2009	2008		Note	2009	2008
US $ in '000				Rupees in '000	
(5,931)	(3,117)	**LOSS AFTER TAXATION**		(498,801)	(262,075)
9,238	(9,659)	Surplus/(Deficit) net on revaluation of securities		776,875	(812,299)
(230)	171	Deferred tax on Government Securities		(19,304)	14,412
7	(58)	Actuarial gains/(losses) on define benefit plan	33.11	554	(4,843)
98	(180)	Share of other comprehensive income of associates		8,244	(15,180)
9,113	(9,726)	Other comprehensive income/(loss) for the year net of tax		766,369	(817,910)
3,182	(12,843)	Total other comprehensive income/(loss) for the year net of tax not transferred to equity		267,568	(1,079,985)

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

Managing Director and Chief Executive Officer **Chairman**

Consolidated Cash Flow Statement
For the year ended December 31, 2009

2009	2008		Note	2009	2008
US $ in '000				Rupees in '000	
		CASH FLOWS FROM OPERATING ACTIVITIES			
(6,486)	(1,742)	Loss before taxation		(545,478)	(146,434)
641	683	Less: Dividend income		53,910	57,412
(7,127)	(2,425)			(599,388)	(203,846)
		Adjustments for non-cash charges			
262	259	Depreciation	11.1	22,062	21,792
41	44	Amortization of intangible assets	11.2	3,420	3,670
(339)	6,738	Unrealised (loss)/gain on revaluation / re-classification of investments classified as 'held-for-trading'		(28,471)	566,627
9	(15)	Loss / (Gain) on sale of operating fixed assets	28	797	(1,289)
(1,105)	1,081	Share of (gain) / loss from associates before taxation		(92,908)	90,884
7,040	2,394	Provision against non-performing loans and advances-net	10.5	592,044	201,345
1,127	620	Provision for diminution in the value of investments	9.3	94,745	52,151
4,520	-	Provision for impairment in the value of investment		380,132	-
29	32	Finance charges on leased assets	27	2,429	2,710
11,584	11,153			974,250	937,890
4,457	8,728			374,862	734,044
		(Increase)/Decrease in operating assets			
-	4,756	Balances with other banks		-	400,000
2,262	3,827	Lendings to financial institutions		190,244	321,891
(40,562)	20,806	Investment classified as 'held-for-trading'		(3,411,251)	1,749,755
(4,368)	11,176	Advances		(367,347)	939,922
4,075	(3,161)	Other assets		342,697	(265,891)
(38,593)	37,404			(3,245,657)	3,145,677
		Increase/(Decrease) in operating liabilities			
-	-	Bills payable		-	-
16,689	(50,947)	Borrowings from financial institutions		1,403,535	(4,284,661)
18,299	10,164	Deposits and other accounts		1,538,968	854,763
1,412	379	Other liabilities		118,801	31,907
36,400	(40,404)			3,061,304	(3,397,991)
2,264	5,728			190,509	481,730
(29)	(32)	Finance charges paid on leased assets		(2,436)	(2,659)
(1,874)	(2,786)	Income tax paid		(157,575)	(234,338)
361	2,910	**Net cash from operating activities**		30,498	244,733
		CASH FLOWS FROM INVESTING ACTIVITIES			
(757)	(12,646)	Net investments in 'available-for-sale' securities		(63,684)	(1,063,560)
86	2,487	Net investments in 'held-to-maturity' securities		7,204	209,164
(319)	(2,393)	Investments in associates		(26,860)	(201,247)
643	681	Dividend received		54,069	57,253
(53)	(244)	Investments in operating fixed assets		(4,448)	(20,548)
54	90	Sale proceeds of operating fixed assets disposed off		4,522	7,603
(346)	(12,025)	**Net cash used in investing activities**		(29,197)	(1,011,335)
		CASH FLOWS FROM FINANCING ACTIVITIES			
(155)	(175)	Payments of lease obligations		(13,050)	(14,698)
-	(3,656)	Dividend paid		-	(307,500)
(155)	(3,831)	**Net cash used in financing activities**		(13,050)	(322,198)
(140)	(12,946)	**Decrease in cash and cash equivalents**		(11,749)	(1,088,800)
8,998	21,944	Cash and cash equivalents at beginning of the year		756,696	1,845,496
8,858	8,998	**Cash and cash equivalents at end of the year**	31	744,947	756,696

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

Managing Director and Chief Executive Officer **Chairman**

Consolidated Statement of Changes in Equity
For the year ended December 31, 2009

	Issued, subscribed and paid up capital	Reserves			Un-appropriated Profit / (Loss)	Sub total	Non controlling interest	Total
		Capital	Revenue					
		Statutory reserve	General reserve	Reserve for contingencies				
	Rupees in '000							
Balance as at January 1, 2008	6,150,000	347,192	491,380	86,291	367,338	7,442,201	161,529	7,603,730
Dividend paid	-	-	-	-	(307,500)	(307,500)	-	(307,500)
Transfer to general reserve	-	-	84,375	-	(84,375)	-	-	-
Transfer to contingencies reserve relating to quarter ended December 2007	-	-	-	6,722	(6,722)	-	-	-
Loss for the year ended December 31, 2008	-	-	-	-	(262,075)	(262,075)	-	(262,075)
Share of loss attributable to non controlling interest					64,790	64,790	(64,790)	-
Transfer to statutory reserve	-	1,291	-	-	(1,291)	-	-	-
Balance as at December 31, 2008	**6,150,000**	**348,483**	**575,755**	**93,013**	**(229,835)**	**6,937,416**	**96,739**	**7,034,155**
Transfer to general reserve	-		5,162	-	(5,162)	-	-	-
Transfer from general reserve	-	-	(27,419)	-	-	(27,419)	-	(27,419)
Transfer to Transfer to contingencies reserve relating to year ended December 31, 2008	-	-		27,419	-	27,419	-	27,419
Loss for the year ended December 31, 2009	-	-	-	-	(498,801)	(498,801)	-	(498,801)
Share of loss attributable to non controlling interest	-	-	-	-	270	270	(270)	-
Transfer from contingencies reserve	-	-	-	(120,432)	120,432	-	-	-
Transfer from general reverse	-	-	(487,061)	-	487,061	-	-	-
Balance as at December 31, 2009	**6,150,000**	**348,483**	**66,437**	**-**	**(126,035)**	**6,438,885**	**96,469**	**6,535,354**

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

Managing Director and Chief Executive Officer **Chairman**

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

1 LEGAL STATUS AND NATURE OF BUSINESS

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

The Group's Associates are as follows:

Entity	Country of incorporation	Nature of business	Holding percentage %	
			2009	2008
Japan Power Generation Limited	Pakistan	Incorporated under the Companies Ordinance, 1984 and is engaged in generation of power and its supply to WAPDA.	19.59	19.59
Pak Oman Microfinance Bank Limited	Pakistan	Incorporated under the Companies Ordinance, 1984 and is engaged in providing microfinance services to the poor and underserved segment of the society.	33.40	33.40
Pak Oman Advantage Fund	Pakistan	Established as an closed-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	27.11	27.11
Pak Oman Bank of Punjab Advantage Plus Fund	Pakistan	Established as a open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	17.34	12.46
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.	58.60	50.41
Pak Oman Advantage Islamic Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	93.78	68.97
Pak Oman Advantage Stock Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	72.26	69.69

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

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

2 BASIS OF PRESENTATION AND CONSOLIDATION

2.1 Basis of presentation

2.1.1 These consolidated financial statements have been prepared from the information available in the audited financial statements of the holding company for the year ended December 31, 2009 and the condensed interim financial statements of subsidiary POAMCL as on and for the half year ended December 31, 2009 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, 2009. The accounting policies used by POAMCL and associates in preparation of their respective financial statements are consistent with that of the holding company except for the accounting policy for investments.

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

Entity	Source of information
Japan Power Generation Limited	Audited financial statements for the year ended June 30, 2009 and condensed interim financial statements as on and for the half year ended December 31, 2009.
Pak Oman Microfinance Bank Limited	Audited financial statements for the year ended December 31, 2009.
Pak Oman Bank of Punjab Advantage Plus Fund	Condensed interim financial statements as on and for the half year ended December 31, 2009.
Pak Oman Advantage Fund	Condensed interim financial statements as on and for the half year ended December 31, 2009.
Pak Oman Advantage Islamic Income Fund	Condensed interim financial statements as on and for the half year ended December 31, 2009.
Pak Oman Advantage Islamic Fund	Condensed interim financial statements as on and for the half year ended December 31, 2009.
Pak Oman Advantage stock fund	Condensed interim financial statements as on and for the half year ended December 31, 2009.

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

US Dollar equivalent

The US dollar amounts shown in the balance sheet, profit and loss account, statement of other comprehensive income and cash flow statement are stated as additional information solely for the convenience of the reader. For this purpose the amounts in Pakistan rupees have been converted at a rate of Rs. 84.1 = US dollar 1 for the years ended December 31, 2009 and December 31, 2008.

2.2 **Basis of consolidation**

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

Subsidiaries are those enterprises in which the holding company directly or indirectly controls, beneficially owns or holds more than 50 percent of its voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of the subsidiary company have been consolidated on a line-by-line basis and the carrying value of investment held by the Company is eliminated against the subsidiary shareholder's equity. The Group applies uniform accounting policies for like transactions and events in similar circumstances except where specified otherwise.

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

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

3 STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance, 1984 (the Ordinance) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) including BSD circular No. 04 dated February 17, 2006. The approved accounting standards comprise such International Financial Reporting Standards as are notified under the provisions of the Companies Ordinance, 1984. However, wherever the requirements of the Ordinance or directives issued by SECP and the SBP differ with the requirements of approved standards, the requirements of the Ordinance or the directives of the SECP or SBP shall prevail.

3.2 The SBP through its BSD circular No. 11 dated September 11, 2002 has deferred implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Bank Financial Institutions (NBFIs) in Pakistan. Accordingly, the requirements of those IASs have not been considered in preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

4 BASIS OF MEASUREMENT

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

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

Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

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

(b) Assumption and estimation in recognition of taxation and deferred taxation (notes 5.9 and 29).

(c) Actuarial assumptions and estimations in recognition of defined benefit obligation and calculation of charge for defined benefit plan (note 5.11 and 33).

(d) Useful life of operating fixed assets (note 5.7 and 11).

(e) Provision against investments (note 5.15).

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

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

5.2 Revenue recognition

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

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

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

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

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

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

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

5.3 **Investments**

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

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

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

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

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

Investment in quoted associate is stated at cost.

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

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

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

Investments 'at fair value through profit or loss':

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

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

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

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

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

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

Subsidiary company values its investments as follows:

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

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

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

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

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

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

5.3.5 Premium paid/discount on acquisition of securities are amortised on a straight line basis over the term of respective securities.

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

5.3.7 The Group follows trade date accounting for investments.

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

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 value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

5.5 **Derecognition**

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

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

5.6 **Advances**

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

5.6.2 **Provision against non-performing advances**

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

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

5.7 **Operating fixed assets**

5.7.1 **Owned**

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life. Depreciation is charged at rates stated in note 11.1. Capital work-in-progress is stated at cost less impairment losses, if any. These are transferred to specific assets when the assets are available for use.

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

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

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

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

5.7.2 **Leased**

Assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of the lower of fair value of assets and the present value of minimum lease payments. Finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on a basis similar to that of owned assets.

5.7.3 **Intangible assets**

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

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

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

5.8 **Securities under repurchase / resale agreements**

Securities sold subject to repurchase agreements (repo) are retained in the financial statements as investments and a counterparty liability is included in borrowings. Securities purchased under agreement to resell (reverse repo) are included in lendings. The difference between the sale and repurchase price is treated as mark-up or return expensed and earned respectively and is recognised on accrual basis.

5.9 **Taxation**

5.9.1 **Current**

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

5.9.2 **Deferred**

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

5.10 **Borrowings**

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

5.11 **Staff retirement benefits**

5.11.1 **Defined benefit plan**

Holding company operates a funded-gratuity scheme for all its permanent employees. Contribution to the fund is made every year based on actuarial valuation. The scheme was established on November 1, 2002 and approved by the Commissioner of Income Tax with effect from January 31, 2003. The actuarial valuation was conducted as at December 31, 2009.

5.11.2 **Defined contribution plan**

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

5.12 **Compensated absences**

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

5.13 **Foreign currencies**

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

5.14 **Provisions**

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

5.15 **Impairment**

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

5.16 **Offsetting**

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

5.17 **Non controlling interest**

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

5.18 **Dividend and reserves**

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

5.19 **Standards, amendments and interpretations to published approved accounting standards effective in current year**

IAS-1 (Revised) 'Presentation of financial statements' (effective from January 01, 2009), was issued in September 2007. According to new standard, the items of income and expenses that are not recognized in the profit and loss and non-owners changes in equity should be recognized through statements of comprehensive income. The revised standard requires an entity to opt for presenting such items of income and expenses either in (a) single statement (a statement of comprehensive income) or (b) two statements (a separate income statement and a statement of comprehensive income). the Company has adopted IAS 1 (Revised) with effect from January 01, 2009 and presents two separate statements.

IAS 23 (amendment), 'Borrowing costs' (effective from January 01, 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The Company's current accounting policy is in compliance with this amendment, and there is no effect on the Company's financial statements.

There are other new standards and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after January 01, 2009, some of which are changes in terminology only, and some of which are substantive but are considered not to be relevant but and have had no material effect on the Company's financial statements.

5.20 **Standards, amendments and interpretations to published approved accounting standards that are not relevant and not yet effective**

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 1 "First time Adoption of International Financial Reporting Standards"	January 01, 2010
IFRS 2 "Share-based Payments"	January 01, 2010
IFRS 3 "Business Combinations"	July 01, 2009
IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"	January 01, 2010
IFRS 8 "Operating Segments"	January 01, 2010
IFRS 9 "Financial Instruments - Classification and Measurement"	January 01, 2013
IAS 28 "Investment in Associates"	July 01, 2009
IAS 31 "Interests in Joint Ventures"	July 01, 2009
IAS 32 "Financial Instruments: Presentation"	February 01, 2010
IAS 39 "Financial Instruments- Recognition and Measurement"	January 01, 2010
IFRIC 17 "Distributions of Non-cash Assets to Owners"	July 01, 2009
IFRIC 18 "Transfer of Assets from Customers"	July 01, 2009

5.21 **Functional and presentation currency**

Items included in the consolidated financial statements are measured using the currency of primary economic environment in which the Group operates. These consolidated financial statements are presented in Pakistani rupees, which is the Group’s functional and presentation currency.

5.22 **General**

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

	Note	2009	2008
		Rupees in ‘000	
6 CASH AND BALANCE WITH TREASURY BANKS			
Cash in hand			
local currency		97	234
foreign currency		119	94
cheques in hand		8,101	-
Balances with State Bank of Pakistan (SBP) in local currency			
current accounts		2,402	382
cash reserve	6.1	63,400	48,000
		74,119	48,710

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

	Note	2009	2008
		Rupees in '000	

7 BALANCE WITH OTHER BANKS

	Note	2009	2008
In Pakistan			
current account		8,348	746
deposit accounts	7.1	631,291	559,945
		639,639	560,691
Outside Pakistan			
current accounts		1,617	1,295
		641,256	561,986

7.1 These include term deposit receipts (TDRs) aggregating Rs.500 million (2008: Rs. 460 million). The rate of return on these TDRs maturing in March 2010 (2008: January 2009) range from 13 to 13.25 percent per annum (2008: 16.5 to 22 percent per annum).

8 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2009	2008
Placements		29,572	146,000
Reverse repurchase agreement lendings	8.1	2,832,220	3,023,887
Certificate of investments (COIs)	8.4	14,716	13,293
		2,876,508	3,183,180

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

8.2 **Particulars of lending**

	2009	2008
In local currency	2,876,508	3,183,180
In foreign currency	-	-
	2,876,508	3,183,180

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

	Note	2009			2008		
		Held by the Group	Further given as collateral	Total	Held by the Group	Further given as collateral	Total
		Rupees in '000					
T-bills		619,376	595,502	1,214,878	259,121	989,690	1,248,811
PIBs		132,537	1,476,805	1,609,342	225,000	1,442,076	1,667,076
Others	8.3.1	8,000	-	8,000	108,000	-	108,000
		759,913	2,072,307	2,832,220	592,121	2,431,766	3,023,887

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

8.4 COIs aggregating Rs. 7.604 million (2008: Rs. 8.086 million) are due for maturity within a year. The rate of return on these COIs range from 7.25 to 14 percent per annum.

	Note	2009 Held by the Group	2009 Given as collateral	2009 Total	2008 Held by the Group	2008 Given as collateral	2008 Total
		Rupees in '000					

9 INVESTMENTS

9.1 Investments by types

	Note	2009 Held by the Group	2009 Given as collateral	2009 Total	2008 Held by the Group	2008 Given as collateral	2008 Total
Held-for-trading securities							
Pakistan investment bonds		39,253	61,508	100,761	-	-	-
Market treasury bills (T-Bills)		257,364	2,785,262	3,042,626	-	-	-
Listed shares	9.8.2.1	370,081	-	370,081	363,191	-	363,191
Sukuk Certificates		142,419	-	142,419	-	-	-
Term finance certificates (TFCs)		61,449	-	61,449	93,510	-	93,510
		870,566	2,846,770	3,717,336	456,701	-	456,701
Available-for-sale securities							
Pakistan investment bonds		142,200	646,442	788,642	5,326	499,157	504,483
Market treasury bills		-	-	-	93,622	413,907	507,529
Listed shares	9.8.1.2	334,997	266,911	601,908	1,306,587	-	1,306,587
Unlisted shares	9.6	208,333	-	208,333	208,333	-	208,333
Mutual funds Units / Certificates	9.8.1.1	257,083	-	257,083	245,644	-	245,644
Commercial paper	9.13	93,112	-	93,112	56,261	-	56,261
Sukuk certificates	9.6 & 9.14	1,361,536	-	1,361,536	1,119,004	-	1,119,004
Term finance certificates (TFCs)		3,178,185	30,130	3,208,315	2,461,065	46,339	2,507,404
		5,575,446	943,483	6,518,929	5,495,842	959,403	6,455,245
Held-to-maturity securities							
Pakistan investment bonds		268,052	-	268,052	275,256	-	275,256
Associates	9.12						
Japan Power Generation Limited	9.12.2	-	-	-	-	-	-
Pak Oman Bank of Punjab Advantage Plus Fund		139,875	-	139,875	137,492	-	137,492
Pak Oman Advantage Fund		289,871	-	289,871	262,099	-	262,099
Pak Oman Advantage Islamic Income Fund		98,557	-	98,557	100,811	-	100,811
Pak Oman Advantage Islamic Fund		102,148	-	102,148	99,500	-	99,500
Pak Oman Advantage Stock Fund		110,869	-	110,869	102,920	-	102,920
Pak Oman Microfinance Bank Limited		225,894	-	225,894	144,021	-	144,021
		967,214	-	967,214	846,843	-	846,843
Investments at cost		7,681,278	3,790,253	11,471,531	7,074,642	959,403	8,034,045
Less: Provision for diminution in the value of investment	9.3	219,971	-	219,971	125,226	-	125,226
Less: Provision for impairment in the value of investment		268,024	112,108	380,132	-	-	-
Investments - net of provisions		7,193,283	3,678,145	10,871,428	6,949,416	959,403	7,908,819
(Deficit)/Surplus on revaluation of held-for-trading securities	9.7	(97,641)	1,086	(96,555)	(275,642)	-	(275,642)
(Deficit) on revaluation of available - for-sale securities	21	(112,917)	(41,236)	(154,153)	(841,622)	(89,406)	(931,028)
Total investments at market value		6,982,725	3,637,995	10,620,720	5,832,152	869,997	6,702,149

	Note	2009	2008
		Rupees in '000	
9.2 Investments by segments			
Federal government securities			
Pakistan investment bonds (PIBs)	9.4	1,157,455	779,739
Market treasury bills	9.5	3,042,626	507,529
		4,200,081	1,287,268
Fully paid up ordinary shares / certificates / units			
Listed	9.8	1,229,072	1,915,422
Unlisted	9.9	208,333	208,333
		1,437,405	2,123,755
Term finance certificates (TFCs)			
Listed	9.10	2,796,819	2,319,615
Unlisted	9.11	472,945	281,299
		3,269,764	2,600,914
Commercial papers	9.13	93,112	56,261
Sukuk certificates	9.14	1,503,955	1,119,004
Associates		967,214	846,843
Total investments at cost		11,471,531	8,034,045
Less: Provision for diminution in the value of investments	9.3	219,971	125,226
Less: Provision for diminution in the value of impairment		380,132	-
Investments (net of provisions)		10,871,428	7,908,819
(Deficit) on revaluation of 'held-for-trading' securities		(96,555)	(275,642)
(Deficit) on revaluation of 'available- for-sale' securities		(154,153)	(931,028)
Total investments at market-value		10,620,720	6,702,149

	Note	2009	2008
9.3 Particulars of provision for diminution in the value of investments			
Opening balance		125,226	73,075
Charge for the year - net		94,745	52,151
Closing balance	9.3.1	219,971	125,226
9.3.1 Particulars of provision in respect of types and segments			
Available-for-sale securities			
Fully paid-up ordinary shares - unlisted companies		219,971	125,226

9.4 The rate of return on these PIBs maturing between December 2010 to October 2026 (2008: December 2010 to October 2013), range from 9 to 14 (2008: 8 to 14) percent per annum. The market value of these PIBs as at December 31, 2009 aggregates Rs. 1,086.045 million (2008: Rs. 624.979 million).

9.5 The rates of return on these market treasury bills maturing in May 2010 to September 2010 (2008: February 2009), range from 12.25 to 12.30 (2008: 10.10) percent per annum. The market value of these T -bills as at December 31, 2009 aggregated Rs. 3,043.719 million (2008: Rs. 504.602 million).

Investee	2009 Market Value	2009 Rating	2008 Market Value	2008 Rating
	Rupees in '000	Securities	Rupees in '000	Securities
9.6 **Quality of available-for-sale-securities / entities**				
Pakistan investment bonds (PIBs)				
20 Year PIBs	21,145	Unrated	-	-
10 Year PIBs	636,196	Unrated	417,587	Unrated
7 Year PIBs	96,632	Unrated	-	-
	753,973		417,587	
Market treasury bills				
12-months T-bills	-	-	504,602	Unrated
Mutual funds units / certificates		Entity		Entity
Open-end mutual funds				
National Investment (Unit) Trust	137,038	AM2	135,358	5-Star
Closed-end mutual funds				
NAMCO Balance Fund	11,487	AM3-	22,998	AM3-
JS Value Fund	-	-	16	5-Star
Pakistan Premier Fund	-	-	5	4-Star
PICIC Growth Fund	-	-	8	AM3-
Certificates				
First Habib Modarba	-	-	410	AA-/A1+
		Entity Long term/ short term		Entity Long term/ short term
Quoted shares				
Investment Banks / Companies / Securities				
First National Equities Limited	-	-	3	Unrated
Arif Habib Limited	-	-	74	A+/A-1
Arif Habib Securities Limited	-	-	360	A+/A-1
Dawood Equities Limited	-	-	2	AM4+
Jahangir Siddiqui Company Limited	-	-	36,725	AA+/A1+
Javed Omer Vohra Company Limited	-	-	2,779	BB+/B
JS Investment Limited	-	-	41	AA-/A1+
Pervaiz Ahmed Securities Limited	-	-	189	Unrated
Textile Composite				
Nishat Mills Limited	-	-	1,180	A+/A1
Azgard Nine Limited	-	-	5	A+/A1
Dawood Lawrencepur Limited	-	-	14	Unrated
Nishat Chunian Limited	-	-	18	Unrated
Textile Spinning				
D.S. Industries Limited	-	-	8	Unrated
Synthetic and Rayon				
Dewan Salman Fibers Limited	-	-	25	Unrated

Investee	2009 Market Value	2009 Rating	2008 Market Value	2008 Rating
	Rupees in '000	Entity Long term/ short term	Rupees in '000	Entity Long term/ short term
Cement				
D.G.Khan Cement Company Limited	-	-	318	Unrated
Lucky Cement Limited	18,164	Unrated	1,410	Unrated
Maple Leaf Cement Limited	-	-	39	BBB+/A2
Al-Abbas Cement Industries Limited	-	-	5	Unrated
Dewan Cement Limited	-	-	5	BB/B
Fauji Cement Company Limited	-	-	62,119	Unrated
Pakistan Cement Company Limited	-	-	53	Unrated
Pioneer Cement Limited	-	-	50	BBB/A3
Engineering				
Crescent Steel & Allied Products Limited	-	-	57	A+/A-1
Dost Steel Limited	-	-	23	Unrated
Oil and Gas Marketing / Exploration Companies				
Pakistan State Oil Company Limited	-	-	1,260	AAA/A1+
Attock Petroleum Limited	-	-	38,291	Unrated
Mari Gas Limited	-	-	1	Unrated
Oil & Gas Development Company Limited	-	-	8,381	AAA/A-1+
Pakistan Oil Fields Limited	-	-	3,012	Unrated
Pakistan Petroleum Limited	-	-	2,040	Unrated
Sui Northern Gas Pipelines Limited	-	-	45	AA/A1+
Sui Southern Gas Company Limited	-	-	22	AA-/A1+
Fertilizer				
Fauji Fertilizer Bin Qasim Limited	-	-	29,751	Unrated
Fauji Fertilizer Company Limited	-	-	943	Unrated
Automobile Assembler				
Al-Ghazi Tractor Limited	27,770	A/A2	45,710	A/A2
Honda Atlas Car Limited	-	-	81	Unrated
Indus Motors Company Limited	-	-	10	Unrated
Chemical				
ICI Pakistan Limited	-	-	14	Unrated
BOC Pakistan Limited	-	-	6	Unrated
Engro Chemical (Pakistan) Limited	-	-	13,514	AA/A1+
Lotte Pakistan PTA Limited (formerly Pakistan PTA Limited)	-	-	22	Unrated
Sitara Peroxide Limited	-	-	63	Unrated
Ghani Gases Limited	8,158	Unrated	-	-

Investee	2009 Market Value	2009 Rating	2008 Market Value	2008 Rating
	Rupees in '000	Entity Long term/ short term	Rupees in '000	Entity Long term/ short term
Commercial Banks				
National Bank of Pakistan	107,384	AAA/A-1+	30,771	AAA/A-1+
Silk Bank Limited	94,348	A-/A-3	107,506	A-/A-3
Habib Bank Limited	-	-	1,611	AA+/A-1+
NIB Bank Limited	10,383	AA-/A1+	13,677	AA-/A1+
United Bank Limited	-	-	2,032	AA+/A-1+
Arif Habib Bank Limited	-	-	107	A/A-2
Allied Bank Limited	11,911	AA/A1+	22,690	AA/A1+
Askari Bank Limited	-	-	80	AA/A1+
Bank Al-Habib Limited	-	-	109	AA/A1+
Bank Al-Falah Limited	-	-	183	AA/A1+
Bank Islami Pakistan Limited	-	-	7,567	A-/A2
The Bank of Punjab	-	-	130	AA-/A1+
Faysal Bank Limited	-	-	12	AA/A1+
JS Bank Limited	-	-	68	A-/A2
Meezan Bank Limited	-	-	6	A+/A-1
MCB Bank Limited	-	-	16,319	AA+/A1+
Soneri Bank Limited	-	-	27	AA-/A1+
Insurance				
Adamjee Insurance Company Limited	-	-	2,297	AA
EFU General Insurance Limited	-	-	8,974	AA
EFU Life Assurance Limited	-	-	16,411	AA-
Pakistan Reinsurance Limited	-	-	2,425	Unrated
Technology & Communication				
Eye Television Network Limited	-	-	7	Unrated
Netsol Technologies Limited	-	-	28,912	Unrated
Pakistan Telecommunication Limited	-	-	138	Unrated
Telecard Limited	-	-	19	Unrated
TRG Pakistan Limited	-	-	43	BBB+/A2
Worldcall Telecom Limited	-	-	57	A+/A1
Transport				
Pakistan International Container Terminal	-	-	14	A-/A2
Power Generation & Distribution				
HUB Power Company Limited	-	-	98	Unrated
Kot Addu Power Company Limited	-	-	4	Unrated
Refinery				
National Refinery Limited	43,498	AAA/A1+	22,056	AAA/A1+
Byco Petroleum Pakistan Limited (formerly Bosicor Pakistan Limited)	-	-	125	Unrated
Attock Refinery Limited	-	-	32,900	AA/A1+
Pakistan Refinery Limited	-	-	218	Unrated

Investee	2009 Market Value	2009 Rating	2008 Market Value	2008 Rating
	Rupees in '000	Entity Long term/ short term	Rupees in '000	Entity Long term/ short term
Cable & Electrical Goods				
Pak Elektron Limited	-	-	49	A/A1+
Paper & Board				
Packages Limited	-	-	31	AA/A1+
Pharmaceuticals				
Searle Pakistan Limited	-	-	6	BBB/A-3
Miscellaneous				
PACE (Pakistan) Limited	-	-	521	A+/A1
Tri-Pack Films Limited	-	-	86	A+/A1
	470,141		725,749	
Unlisted shares stated at cost				
Al-Hamra Avenue (Private) Limited	50,000	Unrated	50,000	Unrated
Systems Limited	10,000	Unrated	10,000	Unrated
Vision Network Television Limited	77,000	Unrated	77,000	Unrated
Pakistan Textile City Limited	50,000	Unrated	50,000	Unrated
Techlogix International Limited	21,333	Unrated	21,333	Unrated
	208,333		208,333	
Listed Term Finance Certificates (TFCs)				
Modarbas				
Al Zamin Leasing Modarba II	14,695	A	29,147	A-
Investment Banks / Companies / Securities				
Jahangir Siddiqui and Company Limited	99,210	AA+	97,421	AA+/A1+
Escort Investment Bank Limited	16,637	A+	20,763	A+
Commercial Banks				
Allied Bank Limited II	62,480	A+	-	-
Allied Bank Limited I	121,329	AA-	120,654	AA-
Askari Bank Limited II	4,794	AA-	-	-
Askari Bank Limited III	239,187	AA-	-	-
Bank Al-Falah Limited III	4,812	AA-	4,883	AA-
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited II)	59,553	AAA	81,566	AAA
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited III)	116,114	AAA	122,387	AAA
Faysal Bank Limited	84,429	AA-	89,854	AA-
NIB Bank Limited	176,415	A1+	106,009	AA/A1+
Bank Al Habib Limited	49,933	AA	52,127	AA/A1+
Bank Al Habib Limited-(unlisted stated at cost)	49,980	AA	-	-
Bank Al-Falah Limited -(unlisted stated at cost)	100,000	AA-	-	-
United Bank Limited-IV	110,152	AA	-	-

Investee	2009 Market Value	2009 Rating	2008 Market Value	2008 Rating
	Rupees in '000	Entity Long term/ short term	Rupees in '000	Entity Long term/ short term
Technology and Communication				
Telecard Limited	115,975	BBB	133,584	BBB
Pakistan Mobile Communication Limited	130,191	AA-	165,622	AA-
Pakistan Mobile Communication Limited (unlisted stated at cost)	97,223	AA-	-	-
Worldcall Telecom Limited	511,851	AA-	550,825	AA-
Chemical				
Engro Chemicals Pakistan Limited	200,611	AA	163,466	AA
Engro Chemicals Pakistan Limited (unlisted stated at cost)	16,315	AA	-	-
Azgard Nine Limited	56,020	AA-	70,782	AA-
Azgard Nine Limited (unlisted stated at cost)	9,992	A1+	9,996	AA-
Textile Composite				
Kunjah Textile Mills Limited (unlisted stated at cost)	15,000	BBB	15,000	BBB
Fertilizer				
Pak American Fertilizer Limited (unlisted stated at cost)	99,920	A+/A1	99,960	A+/A1
Pak Arab Fertilizer Limited	46,921	AA	47,605	AA
Leasing Companies				
Saudi Pak Leasing Company Limited	111,180	BB+	143,555	A-
Security Leasing Corporation Limited (unlisted stated at cost)	22,500	BBB-/A-3	37,500	BBB+/A-3
Cement				
Gharibwal Cement Limited	12,016	D	-	-
Miscellaneous				
Pace Pakistan Limited	292,114	A+/A1	304,642	A+/A1
Avari Hotels Limited (unlisted stated at cost)	50,000	A-	25,333	A-
	3,097,549		2,492,681	
Sukuk Certificates- unlisted stated at cost				
Amtex Limited	105,292	A-/A-2	72,638	A-/A-2
Karachi Shipyard & Engineering Works Limited-II	200	Unrated	29,000	Unrated
Security Leasing Corporation Limited	31,250	BBB-/A-3	43,750	BBB/A-3
Security Leasing Corporation Limited II	37,711	BBB-/A-3	50,288	BBB/A-3
Orix Leasing Pakistan Limited	62,500	AA(p)	75,000	AA(p)
Sitara Energy Limited	119,074	Unrated	159,235	Unrated
Sui Southern Gas Company Limited	502,922	AA-/A1+	604,093	AA-/A1+
Al-Razi Healthcare (Private) Limited	100,000	Unrated	-	-
Century Papers & Board Mills Limited	44,592	A+	-	-
House Building Finance Corporation Limited	149,814	A-/A1	-	-
Liberty Power Tech (Private) Limited	123,181	Unrated	-	-
New Allied Electronic Industries (Private) Limited	85,000	D	85,000	D
	1,361,536		1,119,004	
Commercial Papers - unlisted stated at cost				
Pakistan Elektron Limited	93,112	A+	-	-
Pak American Fertilizer Company Limited	-	-	56,261	A/A1
	93,112		56,261	
	5,984,644		5,524,217	

	2009	2008
	Rupees in '000	

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

	2009	2008
Pakistan investment bonds	(583)	-
Market treasury bills	1,093	-
Term finance certificates (TFCs)	(268)	-
Quoted shares/units	(96,797)	(275,642)
	(96,555)	(275,642)

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

9.8.1 Available For Sale

Investee	2009 Number of Units	2008 Number of Units	2009 Cost Rupees in '000	2008 Cost Rupees in '000
9.8.1.1 Mutual Funds Units / Certificates				
Open-end mutual funds				
National Investment (Unit) Trust	4,530,184	4,058,709	232,746	220,874
Close-end mutual funds				
NAMCO Balance Fund	2,433,667	2,433,667	24,337	24,337
JS Value Fund	-	3,499	-	10
Pakistan Premier Fund	-	2,707	-	4
PICIC Growth Fund	-	1,348	-	9
Certificates				
First Habib Modarba	-	2	-	410
			257,083	245,644
9.8.1.2 Shares	Number of shares			
Investment Banks / Companies / Securities				
Arif Habib Securities Limited	-	8,555	-	386
Javed Omer Vohra and Company Limited	-	306,418	-	39,780
First National Equities Limited	-	54	-	3
Arif Habib Limited	-	863	-	64
Dawood Equities Limited	-	200	-	2
Invest & Finance Securities Limited	-	62	-	-
Jahangir Siddique Company Limited	-	702,458	-	67,482
JS Investment Limited	-	936	-	37
Pervaiz Ahmed Securities Limited	-	52,318	-	348
Commercial Banks				
Arif Habib Bank Limited	-	19,301	-	67
NIB Bank Limited	2,163,100	2,928,652	18,226	24,677
United Bank Limited	-	55,043	-	2,182
Habib Bank Limited	-	21,516	-	1,730
The Bank of Punjab	-	9,811	-	148
MCB Bank Limited	-	129,708	-	28,415
National Bank of Pakistan	1,443,920	611,515	168,819	109,854
Silk Bank Limited	19,904,576	21,458,252	248,795	272,326
Allied Bank Limited	202,809	724,450	10,747	42,228

Investee	Number of shares 2009	Number of shares 2008	Cost Rupees in '000 2009	Cost Rupees in '000 2008
Askari Bank Limited	-	5,442	-	88
Bank Al-Habib Limited	-	4,401	-	107
Bank Al-Falah Limited	-	10,925	-	198
Bank Islami Pakistan Limited	-	1,043,770	-	11,177
Faysal Bank Limited	-	1,025	-	14
JS Bank Limited	-	11,853	-	42
Meezan Bank Limited	-	301	-	7
Soneri Bank Limited	-	2,445	-	21
Insurance				
Adamjee Insurance Company Limited	-	22,554	-	2,467
EFU General Insurance Limited	-	67,470	-	7,674
EFU Life Assurance Limited	-	46,000	-	11,394
Pakistan Reinsurance Limited	-	102,358	-	4,024
Textile Composite				
Nishat Mills Limited	-	52,201	-	1,146
Azgard Nine Limited	-	289	-	5
Dawood Lawrencepur Limited	-	283	-	12
Nishat Chunian Limited	-	1,896	-	14
Textile Spinning				
D.S. Industries Limited	-	510	-	7
Synthetic and Rayon				
Dewan Salman Fibre Limited	-	17,686	-	16
Engineering				
Crescent Steel and Allied Products Limited	-	3,358	-	58
Dost Steel Limited	-	2,893	-	24
Cable & Electrical Goods				
Pak Elektron Limited	-	2,147	-	52
Paper & Board				
Packages Limited	-	382	-	31
Cement				
D.G. Khan Cement Company Limited	-	14,971	-	342
Maple Leaf Cement Limited	-	9,551	-	26
Lucky Cement Limited	274,212	45,100	20,614	1,514
Al-Abbas Cement Industries Limited	-	1,255	-	4
Dewan Cement Limited	-	1,807	-	6
Fauji Cement Limited	-	13,216,911	-	211,312
Pakistan Cement Company Limited	-	16,643	-	33
Pioneer Cement Limited	-	2,091	-	44
Thatta Cement Limited	-	24	-	-
Refinery				
National Refinery Limited	246,000	231,804	93,759	91,138
Pakistan Refinery Limited	-	2,218	-	191
Byco Petroleum Pakistan Limited (formerly Bosicor Pakistan Limited)	-	26,857	-	89
Attock Refinery Limited	-	549,355	-	61,286
Power Generation and Distribution				
HUB Power Company Limited	-	6,954	-	81
Kot Addu Power Company Limited	-	135	-	3

Investee	Number of shares 2009	Number of shares 2008	Cost Rupees in '000 2009	Cost Rupees in '000 2008
Oil and Gas Marketing / Exploration Companies				
Pakistan State Oil Company Limited	-	8,717	-	1,354
Pakistan Oilfield Limited	-	29,389	-	3,235
Pakistan Petroleum Limited	-	20,278	-	2,191
Oil and Gas Development Company Limited	-	167,656	-	9,000
Attock Petroleum Limited	-	265,263	-	124,733
Mari Gas Limited	-	7	-	1
Sui Northern Gas Pipelines Limited	-	2,074	-	34
Sui Southern Gas Company Limited	-	2,056	-	24
Technology and Communication				
Eye Television Network Limited	-	190	-	5
Netsol Technologies Limited	-	1,144,173	-	36,164
Pakistan Telecommunication Limited	-	8,147	-	149
Telecard Limited	-	9,743	-	13
TRG Pakistan Limited	-	24,245	-	30
Worldcall Telecom Limited	-	19,226	-	54
Transport				
Pakistan International Container Terminal	-	303	-	13
Fertilizer				
Fauji Fertilizer Company Limited	-	16,060	-	895
Fauji Fertilizer Bin Qasim Limited	-	2,306,257	-	52,474
Automobile Assembler				
Al-Ghazi Tractors Limited	116,660	209,200	32,790	58,799
Honda Atlas Car Limited	-	7,032	-	95
Indus Motors Company Limited	-	79	-	9
Chemical				
ICI Pakistan Limited	-	208	-	15
BOC Pakistan Limited	-	56	-	7
Engro Chemical Limited	-	140,101	-	22,106
Lotte Pakistan PTA Limited (formerly Pakistan PTA Limited)	-	13,610	-	16
Sitara Peroxide Limited	-	3,456	-	56
Ghani Gases Limited	582,738	-	8,158	-
Pharmaceuticals				
Searle Pakistan Limited	-	88	-	5
Miscellaneous				
PACE (Pakistan) Limited	-	60,285	-	646
Tri-Pack Films Limited	-	693	-	88
			601,908	1,306,587
Total investments classified as available for sale			858,991	1,552,231

9.8.2 **Held for trading**

Investee	2009 Number of shares	2008 Number of shares	2009 Cost Rupees in '000	2008 Cost Rupees in '000
9.8.2.1 **Shares**				
Investment Banks / Companies / Securities				
Jahangir Siddique Company Limited	128,916	257,832	26,523	53,366
Arif Habib Securities Limited	-	12,500	-	1,954
Commercial Banks				
Arif Habib Bank Limited	12,500	277,775	1,954	6,927
United Bank Limited	-	30,000	-	4,694
National Bank of Pakistan	300,000	350,000	59,369	80,464
Silk Bank Limited	801,268	1,521,948	16,174	30,682
Bank Al-Falah Limited	-	100,000	-	5,462
Allied Bank Limited	557,863	-	33,432	-
Askari Bank Limited	852,015	-	22,320	-
Habib Bank Limited	61,432	-	7,748	-
Bank Islami Pakistan Limited	9,218	9,218	167	167
Textile Composite				
Nishat Mills Limited	-	275,000	-	33,454
Azgard Nine Limited	-	210,000	-	16,054
Cement				
Lucky Cement Limited	520,645	300,000	48,407	40,507
Refinery				
National Refinery Limited	-	14,200	-	5,222
Attock Refinery Limited	91,200	121,200	21,160	28,526
Oil and Gas Marketing / Exploration Companies				
Pakistan Oilfield Limited	145,673	60,000	32,963	21,560
Mari Gas Company limited	45,600	22,800	8,143	8,143
Pakistan Petroleum Limited	175,000	-	33,281	-
Oil & Gas Development Company Limited	306,450	-	34,265	-
Pakistan State Oil Company Limited	25,000	-	7,390	-
Fertilizer				
Engro Chemical Pakistan Limited	50,000	29,900	9,530	9,230
Fauji Fertilizer Company Limited	-	25,000	-	3,707
Chemical				
Lotte Pakistan PTA Limited (formerly Pakistan PTA Limited)	1,000,000	2,000,000	5,775	11,593
Glass and Ceramics				
Tariq Glass Industries Limited	53,000	53,000	1,480	1,479
Total investments classified as held for trading			370,081	363,191
Total investments in listed shares			1,229,072	1,915,422

9.8.3 The market value of these shares/certificates/units aggregated Rs. 768.774 million (2008: Rs. 813.298 million).

9.9 Particulars of Investments held in shares of unlisted companies

Investee	Note	Number of shares held 2009	2008	Cost Rupees in '000 2009	2008	Percentage of holding %	Break-up value per share Rupees	Latest available financial statements	Name of the chief executive
Ordinary Shares									
AL Hamra Avenue (Private) Limited		5,000,000	5,000,000	50,000	50,000	3.12	9.54	June 30, 2009*	Mr. Habib Ahmed
Systems Limited		622,702	518,918	10,000	10,000	2.40	15.35	December 31, 2008**	Mr. Ashraf
Vision Network Television Limited		4,400,000	4,400,000	77,000	77,000	4.80	0.98	June 30, 2009**	Mr. Zafar Siddiqui
Pakistan Textile City Limited	9.9.1	5,000,000	5,000,000	50,000	50,000	4.55	8.95	June 30, 2009**	Mr. Zaheer A. Hussain
Techlogix International Limited		1,872,197	1,872,197	21,333	21,333	1.84	2.58	December 31,2008***	Mr. Kewan Qadre Khawaja
				208,333	208,333				

* Unaudited financial statements

** Audited financial statements

*** Audited consolidated financial statements

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

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

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

9.10 **Particulars of investments held in listed TFCs**

Investee	2009 Number of certificates	2008 Number of certificates	2009 Cost Rupees in '000	2008 Cost Rupees in '000
Modarabas				
Al-Zamin Leasing Modaraba II	8,902	8,902	14,923	29,544
Investment Banks/Companies/Securities				
Escort Investment Bank Limited	4,031	4,031	16,782	20,143
Jahangir Siddiqui and Company Limited	19,397	19,397	96,868	96,907
Commercial Banks				
Askari Bank Limited I	800	-	3,891	-
Askari Bank Limited II	1,000	-	4,587	-
Askari Bank Limited III	49,136	-	245,680	-
NIB Bank Limited	50,967	23,000	241,272	114,977
Faysal Bank Limited	17,681	17,681	88,229	88,327
Bank Al-Habib Limited	10,900	10,900	52,445	51,512
Allied Bank Limited II	13,962	-	69,809	-
Allied Bank Limited I	25,078	25,078	126,589	126,913
Bank Al-Falah Limited III	1,000	1,000	4,999	5,003
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited II)	17,392	17,392	59,967	80,843
Standard Chartered Bank (Pakistan) Limited (originally issued by Union Bank Limited III)	23,240	23,240	117,032	117,400
United Bank Limited	25,000	-	113,061	-
Leasing Companies				
Saudi Pak Leasing Company Limited	28,469	28,469	124,502	142,317
Technology and Communication				
Telecard Limited	56,716	56,716	129,227	164,108
Pakistan Mobile Communication Limited -I	26,000	31,000	129,818	154,845
Worldcall Telecom Limited	108,623	108,623	542,896	543,113
Chemicals				
Engro Chemical Pakistan Limited	43,177	33,970	207,103	163,884
Azgard Nine Limited	15,000	15,000	56,199	68,700
Fertilizer				
Pak Arab Fertilizer Limited	10,000	10,000	49,970	49,990
Miscellaneous				
Pace Pakistan Limited	60,230	60,230	300,970	301,089
			2,796,819	2,319,615

9.10.1 The face value of each certificate held in listed TFCs is Rs. 5,000 (2008: Rs. 5,000) per certificate as at December 31, 2009.

9.10.2 The market value of these TFCs aggregated Rs. 2,685.785 million (2008: Rs. 2,304.892 million).

9.10.3 The rate of return on these TFCs maturing between May 2010 (2008: May 2010) to November 2019 (2008: November 2015) ranges from 9.5 (2008: 9.5) to 16.16 (2008: 19.4) percent per annum.

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

Investee	2009 Number of certificates held	2008 Number of certificates held	2009 Cost	2008 Cost	Name of the chief executive
	Rupees in '000				
Avari Hotels Limited	10,000	5,067	50,000	25,333	Mr. Byram D.Avari
Security Leasing Corporation Limited	12,000	12,000	22,500	37,500	Mr. Muhammad Khalid Ali
Pak American Fertilizer Limited	20,000	20,000	99,920	99,960	Mr. Ahmed Jaudet Bilal
Kunjah Textile Mills Limited	3,000	3,000	15,000	15,000	Mr. Manzur Ahmad Mir
Azgard Nine Limited	2,000	2,000	9,992	9,996	Mr. Ahmed H. Shaikh
Bank Al-Habib Limited	10,000	-	49,980	-	Mr. Abbas D.Habib
Engro Chemical Pakistan Limited	3,700	-	16,315	-	Mr. Asad Umar
Gharibwal Cement Limited	2,406	-	12,016	-	Mr. Muhammad Tousif Paracha
Bank Al-Falah Limited	20,000	-	100,000	-	Mr. Sirajuddin Aziz
Pakistan Mobile Communication Limited	20,000	20,000	97,222	93,510	Mr. Rashid Khan
			472,945	281,299	

9.11.1 The rate of return on these TFCs maturing between October 2010 (2008: October 2010) to March 2018 (2008:November 2014) ranges from 13.91 (2008: 15.82) to 16.10 (2008: 18.35) percent per annum.

9.12 **Associates**

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

Name of the investee company	2009 Number of shares / units	2008 Number of shares / units	2009 Cost Rupees in '000	2008 Cost Rupees in '000	Percentage of holding %	Break-up value per share (Rupees)	Latest available financial statements	Name of the chief executive
Quoted								
Japan Power Generation Limited (JPGL)	30,560,189	30,560,189	-	-	19.59	(4.31)	December 31, 2009*	Mr. Khan Ahmed Saleem
Pak Oman Advantage Fund	27,359,000	27,359,000	289,871	262,099	27.11	10.60	December 31, 2009*	Ms. Hina Ghazanfar
Pak Oman Bank of Punjab Advantage Plus Fund	3,014,544	3,003,542	139,875	137,492	17.34	46.40	December 31, 2009*	Ms. Hina Ghazanfar
Pak Oman Advantage Islamic Income Fund	2,000,000	2,000,000	98,557	100,811	58.60	49.28	December 31, 2009*	Ms. Hina Ghazanfar
Pak Oman Advantage Islamic Fund	2,000,000	2,000,000	102,148	99,500	93.78	51.07	December 31, 2009*	Ms. Hina Ghazanfar
Pak Oman Advantage Stock Fund	2,000,000	2,000,000	110,869	102,920	72.26	55.43	December 31, 2009*	Ms. Hina Ghazanfar
Unquoted								
Pak Oman Microfinance Bank Limited	25,110,788	16,700,000	225,894	144,021	33.40	8.49	December 31, 2009**	Mr. Munawar Suleman
			967,214	846,843				

* Unaudited financial statements
** Audited financial statements.

9.12.1 The above associates are incorporated in Pakistan.

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

9.13 The rate of return on these commercial papers maturing in March 2010 (2008: March 2009 to May 2009) range 15 (2008: 16.05 to 16.55) percent per annum.

9.14 The rate of return on these sukuk certificates maturing between May 2012 to March 2021 (2008: May 2012 to February 2013) range from 12.40 to 16.85 (2008: 15.98 to 17.65) percent per annum.

	Note	2009	2008
		Rupees in '000	

10 ADVANCES

	Note	2009	2008
In Pakistan			
Loans		4,547,230	4,353,495
Net investment in finance leases	10.2	1,294,275	997,559
LTF EOP scheme under State Bank of Pakistan for export oriented projects	14.3	357,144	387,412
Long term finance facility (LTFF) under State Bank of Pakistan's scheme for export oriented projects	14.3	117,971	71,798
Financing in respect of continuous funding system		-	149,462
Staff loans	10.3	117,446	106,993
		6,434,066	6,066,719
Less: Provision for non-performing loans and advances	10.5	926,015	333,971
		5,508,051	5,732,748

10.1 **Particulars of advances**

	Note	2009	2008
10.1.1 In local currency	10.1.3	5,508,051	5,732,748
10.1.2 Short term (upto one year)		1,730,444	2,446,634
Long term (over one year)		3,777,607	3,286,114
		5,508,051	5,732,748

10.1.3 Included in advances are amounts aggregating Rs. 1,322 million (2008: Rs. 661 million) against which provision of Rs. 468 million (2008: Rs 199 million) has been made which are outstanding for a period exceeding three years.

	2009	2008
10.1.4 Considered good	5,291,559	5,451,556
Considered doubtful	1,142,507	615,163
	6,434,066	6,066,719
Less: Provision for non-performing loans and advances	926,015	333,971
	5,508,051	5,732,748

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

	2009				2008			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	582,471	768,754	-	1,351,225	543,244	432,007	-	975,251
Residual value	80,748	125,264	-	206,012	85,387	105,540	-	190,927
Minimum lease payments	663,219	894,018	-	1,557,237	628,631	537,547	-	1,166,178
Financial charges for future periods	(132,045)	(130,917)	-	(262,962)	(93,713)	(74,906)	-	(168,619)
Present value of minimum lease payments	531,174	763,101	-	1,294,275	534,918	462,641	-	997,559

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

10.2.2 In respect of the aforementioned finance leases the group holds an aggregate sum of Rs. 197.944 million (2008: Rs. 179.235 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (note 17).

10.2.3 The Group has entered into lease agreements of various vehicles and plant and machinery. The amount recoverable under these arrangements are receivable by the year 2014 and are subject to finance income at rates ranging between 8.79 (2008: 6.50) to 20.90 (2008: 21.40) percent per annum.

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

10.3 Staff loans include personal loans and house loans advanced to employees in accordance with their terms of appointment. House loans carry mark-up at a rate of 5 (2008: 5) percent per annum, while No mark-up is charged on personal loans.

10.3.1 Staff loans include an amount of Rs.11.714 million (2008: Rs.7.345 million) advanced to the holding company's chief executive.

10.4 **Particulars of classification**

Advances include Rs. 1,142.507 million (2008: Rs. 615.163 million), which have been placed under the non-performing status as detailed below:

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

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

	Note	2009			2008		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		333,971	-	333,971	132,888	-	132,888
Charge for the year		602,284	-	602,284	225,090	-	225,090
Reversal		(10,240)	-	(10,240)	(23,745)	-	(23,745)
Net charge		592,044	-	592,044	201,345	-	201,345
Less: Amounts written off	10.6	-	-	-	(262)	-	(262)
Closing balance		926,015	-	926,015	333,971	-	333,971

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

In local currency	926,015	-	926,015	333,971	-	333,971
In foreign currencies	-	-	-	-	-	-
	926,015	-	926,015	333,971	-	333,971

	2009	2008
	Rupees in '000	

10.6 **Particulars of write offs**

	2009	2008
Against provisions	-	262
Directly charged to profit and loss account	-	-
	-	262

10.6.1

	2009	2008
Write offs of Rs. 500,000 and above	-	-
Write offs of below Rs 500,000	-	262
	-	262

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

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

	2009	2008
Balance at beginning of the year	106,993	47,030
Loans granted during the year	46,062	94,120
Repayments	(35,609)	(34,157)
Balance at end of the year	117,446	106,993

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

	2009	2008
Balance at beginning of the year	-	-
Loans granted during the year	-	-
Repayments	-	-
Balance at end of the year	-	-

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

	2009	2008
Balance at beginning of the year	82,426	4,772
Loans granted during the year	-	79,414
Repayments	(8,163)	(1,760)
Balance at end of the year	74,263	82,426
	191,709	189,419

10.8 Maximum total amount of advances including temporary advances granted during the year amounts to Rs. 192.391 (2008: Rs. 206.89) million. The maximum amount has been calculated by reference to month end balance.

11 OPERATING FIXED ASSETS

	Note	2009	2008
Property and equipment	11.1	78,800	90,140
Intangible	11.2	2,402	5,684
		81,202	95,824

11.1 **Property and equipment**

Tangible fixed assets	Cost			Depreciation			Net Book Value	
	As at January 1, 2009	Addition (deletion) during the year	As at December 31, 2009	As at January 1, 2009	During the year/ (on disposals)	As at December 31, 2009	As at December 31, 2009	Rate %
	Rupees in '000							
Owned								
Office premises on leasehold land *	42,126		42,126	9,127	2,106	11,233	30,893	5
Improvement	16,849	131	16,980	6,878	3,041	9,919	7,061	
Office equipment	10,342	1,690 (44)	11,988	4,714	2,041 (12)	6,743	5,245	20
Computer equipment	17,190	1,554 (270)	18,474	11,808	3,413 (219)	15,002	3,472	33.33
Furniture and fixtures	15,654	935 (2,120)	14,469	7,678	2,350 (1,406)	8,622	5,847	20
Vehicles	11,180	-	11,180	3,527	2,235	5,762	5,418	20
Asset subject to finance lease								
Vehicles	35,781	11,731 (12,408)	35,104	15,250	6,876 (7,886)	14,240	20,864	20
2009	149,122	16,041 (14,842)	150,321	58,982	22,062 (9,523)	71,521	78,800	
2008	132,026	28,506 (11,410)	149,122	42,286	21,792 (5,096)	58,982	90,140	

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

11.1.1 **Reconciliation of net book values**

	Office premises on lease hold land	Improv-ement	Office equipment	Computer equipment	Furniture & fixtures	Vehicles	Asset subject to finance lease	Total
	Rupees in '000							
As at January 1, 2008								
Cost	42,126	12,546	7,926	14,811	12,492	7,438	34,687	132,026
Depreciation	(7,021)	(4,301)	(2,999)	(8,598)	(5,728)	(1,635)	(12,004)	(42,286)
Net book value	35,105	8,245	4,927	6,213	6,764	5,803	22,683	89,740
Year ended December 31, 2008								
Additions	-	4,701	2,544	2,752	3,979	3,800	10,730	28,506
Net book of value of disposals	-	(279)	(100)	-	(430)	-	(5,505)	(6,314)
Depreciation charge	(2,106)	(2,696)	(1,743)	(3,583)	(2,337)	(1,950)	(7,377)	(21,792)
Net book value	32,999	9,971	5,628	5,382	7,976	7,653	20,531	90,140
Year ended December 31, 2009								
Additions	-	131	1,690	1,554	935	-	11,731	16,041
Net book of value of disposals	-	-	(32)	(51)	(714)	-	(4,522)	(5,319)
Depreciation charge	(2,106)	(3,041)	(2,041)	(3,413)	(2,350)	(2,235)	(6,876)	(22,062)
Net book value as at December 31, 2009	30,893	7,061	5,245	3,472	5,847	5,418	20,864	78,800

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

Description	Cost	Accumulated Depreciation	Net book Value	Sale proceeds	Mode of disposal	Particulars of purchaser
	Rupees in '000					
Furniture and fixtures	1,970	1,306	664	-	As per BOD approval	Mr. Zafar Iqbal (Former CEO)
Furniture and fixtures	150	100	50	50	Company policy	Syed Zia-ul-Hassan (Former Executive)
	2,120	1,406	714	50		
Vehicles on finance lease						
Toyota Corolla	939	845	94	94	As per BOD approval	Mr. Zafar Iqbal (Former CEO)
Mercedes Benz	5,750	3,546	2,204	1,104	As per BOD approval	Mr. Zafar Iqbal (Former CEO)
Honda Civic	949	622	327	327	Company policy	Syed Zia-ul-Hassan (Former Executive)
Honda City	700	199	501	717	Company policy	Mr. Noaman Majid (Former Executive)
Suzuki Cultus	700	163	537	630	Company policy	Ms. Gulfishan Shaikh (Former Executive)
Suzuki Baleno	700	688	12	117	Company policy	Mr. Mohammad Shoaib (Executive)
Honda Civic	962	962	-	283	Company policy	Mr. Mohammad Jamal Nasir (Executive)
Suzuki Cultus	604	272	332	450	Company policy	Mr. Ahsen Kamal (Former Executive)
Honda Civic	1,104	589	515	750	Company policy	Mr. Shahzad Afgan (Former Executive)
	12,408	7,886	4,522	4,472		
Others	314	231	83	-	As per BOD approval	Mr. Zafar Iqbal (Former CEO)
	14,842	9,523	5,319	4,522		

11.2 Intangible assets

	Cost			Amortization			Net Book Value	
	As at January 1, 2009	Addition / (deletions) during the year	As at December 31, 2009	As at January 1, 2009	Addition / (deletions) during the year	As at December 31, 2009	As at December 31, 2009	Rate %
	Rupees in '000							
Computer software	12,426	138	12,564	6,742	3,420	10,162	2,402	33.33
2009	12,426	138	12,564	6,742	3,420	10,162	2,402	
2008	8,724	3,702	12,426	3,072	3,670	6,742	5,684	

11.2.1 Reconcilation of net book value

	Year Ended December 31, 2009				Year Ended December 31, 2008			
	Net book value as at January 1, 2009	**Addition**	**Amortization charge for the year**	**Net book value as at December 31, 2009**	Net book value as at January 1, 2008	Addition	Amortization charge for the year	Net book value as at December 31, 2008
	Rupees in '000							
Computer software	5,684	138	3,420	2,402	5,652	3,702	3,670	5,684

	Note	2009	2008
		Rupees in '000	

12 DEFERRED TAX ASSETS

	Note	2009	2008
Deferred (credit)/debit arising from:			
- Accelerated tax depreciation allowances		(1,225)	(1,792)
- Assets subject to finance leases		2,056	1,485
- Net investment in finance leases		(160,292)	(73,699)
- Amortization of premium		59,632	48,786
- Deficit on revaluation of available-for-sale government securities (net)	21	12,134	31,438
- Provision for diminution in the value of investments		76,990	43,830
- Provision against non-performing loans and advances		324,105	116,890
- Unassessed tax losses		10,481	10,481
- Others		(178)	(16)
		323,703	177,403

13 OTHER ASSETS

	2009	2008
Mark-up/Return/Interest receivable in local currency		
- PLS accounts	2,763	364
- PIBs	22,466	8,397
- Listed TFCs	95,936	82,505
- Unlisted TFCs	9,583	8,081
- Sukuk certificates	27,316	19,528
- Commercial paper	3,750	4,268
- COIs	1,321	1,914
- Placements	825	1,199
- Lendings to financial institutions - reverse repo	58,270	39,891
- Advances	118,967	149,968
- Net investment in finance leases	11,889	5,605
- Continuous Funding System	-	9,492
- Certificate of Musharikas (COMs)	-	112
Dividend income receivable	-	159
Mark-up/Profit receivable on purchase of securities	15,525	2,122
Security deposits	6,259	8,149
Prepayments	7,841	6,168
Receivable against sale of investments	12,417	150,000
Receivable from funds	15,620	20,406
Others	718	235,994
	411,466	754,322

13.1 The above balances include an aggregate amount of Rs. 405.207 million (2008: Rs. 746.173 million) due within a year.

	Note	2009	2008
		Rupees in '000	

14 BORROWINGS FROM FINANCIAL INSTITUTIONS

In Pakistan		8,895,096	7,491,561
Outside Pakistan		-	-
		8,895,096	7,491,561

14.1 Particulars of borrowings with respect to currencies

In local currency		8,895,096	7,491,561
In foreign currency		-	-
		8,895,096	7,491,561

14.2 Particulars of borrowings from financial institutions

Secured			
Borrowings from the State Bank of Pakistan under LTF-EOP	14.3	353,810	380,104
Borrowings from the State Bank of Pakistan under LTFF	14.3	117,970	50,257
Repurchase agreement borrowing	14.4	5,528,353	3,329,958
Long term borrowings	14.5	866,667	1,525,000
Short term borrowings	14.6	800,000	480,000
Short term running finance		3,296	-
Unsecured			
Placements	14.7	1,225,000	1,726,242
		8,895,096	7,491,561

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 SBP. The rate of return ranges from 5 to 9 (2008: 4 to 7) percent per annum.

14.4 The rate of return on these repurchase agreement borrowings, maturing between January 2010 to February 2010 (2008: January 2009), ranges from 11.90 to 12.30 (2008: 12 to 15) percent per annum. Securities having cost of Rs 5.566 million (2008: Rs 3.345 million) have been pledged against these borrowings.

14.5 The rate of return on borrowings maturing between September 2011 to November 2012 (2008: February 2009 to November 2012) range from 12.82 to 14.32 (2008: 14.51 to 17.50) percent per annum. These loans are secured by way of hypothecation on specific leased assets together with related lease rentals, loans receivable and TFCs amounting to Rs. 2,488 million (2008 : Rs. 3,239 million).

14.6 The rate of return on short term borrowings maturing between January 2010 to November 2010 (2008: January 2009). The rate of return is 12 to 13.48 (2008:14.90) percent per annum.

14.7 The rates of return on these placements maturing between January 2010 to February 2010 (2008: January 2009 to November 2009) range from 12.25 to 12.85 (2008:14.90 to 20) to percent per annum.

	2009	2008
	Rupees in '000	

15 DEPOSITS AND OTHER ACCOUNTS

Certificates of investment - Remunerative (in local currency)		
Financial institutions	964,361	652,352
Others	3,597,728	2,370,769
	4,562,089	3,023,121

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009			2008		
	Minimum lease Payments	Financial charges for future periods	Principal outstanding	Minimum lease Payments	Financial charges for future periods	Principal outstanding
	Rupees in '000					
Not later than one year	10,089	1,695	8,394	9,839	1,030	8,809
Later than one year but not later than five years	7,316	696	6,620	7,849	325	7,524
	17,405	2,391	15,014	17,688	1,355	16,333

16.1 The mark-up rate on these liabilities against assets subject to finance leases range from 8.35 to 16 (2008: 7.5 to 13.5) percent per annum.

	Note	2009	2008
		Rupees in '000	

17 OTHER LIABILITIES

	Note	2009	2008
Mark-up/Return/Interest payable in local currency on			
- repurchase agreement borrowings - secured		23,089	21,748
- long-term borrowing - secured		3,920	20,008
- clean borrowings - unsecured		7,776	28,472
- COIs - unsecured		164,085	91,331
- short-term borrowings - secured		16,916	16,459
Accrued expenses		48,252	57,233
Security deposits against investment in finance leases		197,944	179,235
Provision for staff gratuity	33.4	-	8,658
Payable against purchase of investments		54,576	-
Taxation - net		110,505	148,550
Others		44,428	19,048
		671,491	590,742

18 SHARE CAPITAL

Authorised, issued, subscribed and paid-up capital

A summary of the movement in ordinary share capital is given below:

	Ordinary shares			
	Number		Amount Rupees in '000	
	2009	2008	2009	2008
Authorised capital				
As at January 1,	1,000,000,000	1,000,000,000	10,000,000	10,000,000
Increase during the year	-	-	-	-
As at December 31,	1,000,000,000	1,000,000,000	10,000,000	10,000,000
Issued, subscribed and paid-up capital				
As at January 1,	615,000,000	615,000,000	6,150,000	6,150,000
Right issue during the year	-	-	-	-
Bonus issue during the year	-	-	-	-
As at December 31, - fully paid in cash	615,000,000	615,000,000	6,150,000	6,150,000

18.1 The Ministry of Finance on behalf of the Government of Pakistan and the Sultanate of Oman through its Ministry of Finance each holds 307,495,900 (2008: 307,495,900) ordinary shares of the holding company. While 4,100 (2008: 4,100) ordinary shares each are held by the Secretary - Economic Affairs Division, Government of Pakistan and Ministry of Commerce and Industry, Sultanate of Oman.

18.2 **Capital management policies and procedures**

The Group's objectives when managing capital are:

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

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

SBP requires each development financial institution to: (a) hold the minimum level of the regulatory capital of Rs. 6 billion by December 31, 2009, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset as per the CAMELS Rating assigned to the institution or above the minimum prescribed level of 10%.

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

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

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

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

The table refer to in note 39, summarizes the composition of regulatory capital and the ratios of the holding company for the year ended December 31, 2009.

	Note	2009	2008
		Rupees in '000	

19 RESERVES

	Note	2009	2008
Statutory reserve	19.1		
As at January 1		348,483	347,192
Add: Appropriation of profit		-	1,291
		348,483	348,483
General reserve			
As at January 1		575,755	491,380
Add: (Transfer to un-appropriated profit) / appropriation of profit		(509,318)	84,375
		66,437	575,755
Contingencies reserve	19.2		
As at January 1		93,013	86,291
Add: (Transfer to un-appropriated profit) / appropriation of profit		(93,013)	6,722
		-	93,013
		414,920	1,017,251

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

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

20 NON CONTROLLING INTEREST

	2009	2008
Opening balance	96,739	161,529
Share of net assets acquired by non controlling shareholders	-	-
Charge for the year	(270)	(64,790)
Closing balance	96,469	96,739

21 DEFICIT ON REVALUATION OF SECURITIES (NET OF TAX)

	Note	2009	2008
Government securities - (deficit)		(34,669)	(89,823)
Less: Deferred tax asset	12	12,134	31,438
		(22,535)	(58,385)
Listed TFCs - (deficit)		(110,766)	(14,723)
Shares / Units - (deficit)		(8,718)	(826,482)
		(142,019)	(899,590)

22 CONTINGENCIES AND COMMITMENTS

	Note	2009	2008
Transaction related contingent liability:			
- guarantees		24,301	200,000
- import letters of credit		168,590	-
Pledge of shares on behalf of associate company	22.1	70,726	70,726
Commitments for:			
- purchase of government securities		-	300,201
- sale of government securities		477,710	290,850
- purchase of TFCs		30,627	-
- sale of TFCs		102,089	-
- repurchase agreement borrowing		67,000	-
Commitments for loans and advances and			
- net investment in finance leases		193,910	508,370
- Underwriting commitments		-	70,000

22.1 Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 (2008: 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).

	2009	2008
	Rupees in '000	
23 MARK-UP/RETURN / INTEREST EARNED		
On loans and advances to		
customers	752,922	697,622
financial institutions	18,848	32,687
On investments in		
available-for-sale-securities	681,763	529,200
held-to-maturity	17,796	19,562
held for trading	378,268	67,967
Securities purchased under resale agreements	413,191	403,107
Deposit accounts	52,526	120,241
Placements	11,392	38,080
COIs	1,807	39,783
Financing in respect of CFS	1,461	109,729
	2,329,974	2,057,978
24 MARK-UP/RETURN / INTEREST EXPENSED		
On secured borrowings		
Repurchase agreement borrowings	666,613	369,172
Long-term borrowings	206,104	214,566
Short-term borrowings	74,268	54,990
On un-secured borrowings		
Placements	155,979	237,621
COIs	533,851	442,055
	1,636,815	1,318,404
25 (LOSS) / GAIN ON SALE OF INVESTMENTS		
PIBs	41,647	20,328
T-bills	(5,766)	1,343
Quoted shares / units / certificates	(119,179)	215,493
TFCs	18,367	7,991
	(64,931)	245,155
26 OTHER INCOME		
Gain on sale of operating fixed assets	-	1,289
Exchange gain on revaluation	43	-
	43	1,289

	Note	2009	2008
		Rupees in '000	

27 ADMINISTRATIVE EXPENSES

	Note	2009	2008
Salaries, allowances and employees' benefits		132,240	155,335
Contribution to defined contribution plan		7,390	6,248
Charge for defined benefit plan	33.10	7,552	12,409
Non-executive directors' remuneration	35	212	167
Non-executive directors' remuneration of subsidiary company		2,871	1,672
Chief executive's remuneration	35	34,700	33,990
Board meeting expenses		12,413	10,870
Traveling and accommodation		15,574	16,409
Rent, rates and taxes		15,063	12,296
Utilities		2,445	3,023
Communication		5,748	6,118
Professional training		1,107	869
Advertisement and business promotion		1,459	2,473
Membership and subscriptions		5,291	3,999
Printing, stationery and periodicals		3,641	5,325
Depreciation	11.1	22,062	21,792
Amortization of intangible assets	11.2	3,420	3,670
Auditors' remuneration	27.1	1,288	1,280
Legal and professional charges		10,876	8,747
Repairs and maintenance		5,369	5,277
Transportation		9,880	11,542
Insurance		4,367	4,101
Finance charges on leased assets		2,429	2,710
Entertainment and canteen expenses		2,887	1,809
Donation	27.2	936	455
Transaction cost		39	5,475
Commission		5,343	7,841
Shahriah advisor fee		5,213	-
Others		2,071	1,924
		323,886	347,826

27.1 Auditors' remuneration

	2009	2008
Audit fee	319	290
Special certifications and others	446	430
Out of pocket expenses	171	145
	936	865
Subsidiary company		
Audit fee	165	120
Special certifications and others	187	295
	352	415
	1,288	1,280

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.

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

	Rs. in '000
Prime Minister fund for IDPs	600
Burns Centre	105
	705

	2009	2008
	Rupees in '000	

28 OTHER CHARGES

	2009	2008
Penalty imposed by the SBP	-	479
Fees and commission	21,965	27,687
Loss on sale of fixed assets	797	-
	22,762	28,166

29 TAXATION

	2009	2008
Current for the year		
Group	119,278	272,390
Subsidiary and associates	252	111
	119,530	272,501
Prior years		
Group	-	-
Subsidiary and associates	-	(98)
	-	(98)
Deferred		
Group	(165,604)	(156,310)
Subsidiary and associates	(603)	(452)
	(166,207)	(156,762)
	(46,677)	115,641

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

	2009	2008
Loss before taxation	(545,478)	(146,434)
Tax at the applicable rate of 35 %	(190,917)	(51,252)
Tax effect of income taxed at different rate	(19,355)	(25,887)
Tax effect of exempt capital gain	59,131	110,236
Tax effect of exempt provision for impairment in the value of investments	133,046	-
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge	(28,582)	82,544
Tax charge for the year	(46,677)	115,641
Tax charge for the current year	119,530	272,501
Prior	-	(98)
Deferred tax	(166,207)	(156,762)
Total tax charge	(46,677)	115,641

	Note	2009	2008
		Rupees in '000	

30 (LOSS) / EARNING PER SHARE - BASIC AND DILUTED

	Note	2009	2008
(Loss) attributable to shareholders of the holding company		(498,531)	(197,285)
Weighted average number of ordinary shares in issue (numbers in thousands)	30.1	615,000	615,000
Loss per share (Rupees)		(0.81)	(0.32)

30.1 There were no convertible dilutive potential ordinary shares outstanding on December 31, 2009 and 2008.

31 CASH AND CASH EQUIVALENTS

	Note	2009	2008
Cash and balances with treasury banks	6	74,119	48,710
Balances with other banks	7	641,256	561,986
Placements	8	29,572	146,000
		744,947	756,696

32 STAFF STRENGTH

	2009	2008
	Numbers	
Permanent	93	103
Temporary/on contractual basis	29	32
Daily wagers	-	-
Group's own staff strength at end of the year	122	135
Outsourced	14	13
Total staff strength	136	148

33 DEFINED BENEFIT PLAN

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

Principal actuarial assumptions

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

	2009	2008
	Percent per annum	
Discount rate	14	15
Expected rate of increase in salary levels	14	15
Expected rate of return on plan assets	14	15

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

The disclosures made in notes 33.1 to 33.14 are based on the information included in the actuarial valuation as of December 31, 2009.

33.2 **Mortality rate**

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

33.3 **Expected return on plan assets**

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

	Note	2009	2008
		Rupees in '000	
33.4 Reconciliation of amount payable to defined benefit plan			
Present value of defined benefit obligation	33.5	25,514	26,408
Fair value of plan assets	33.7	(25,262)	(16,139)
		252	10,269
Net unrecognised actuarial (losses)/ gains	33.12	-	-
Non vested past service cost		(805)	(1,611)
Unrecognised transitional liability		-	-
Recognised liability/(asset)		(553)	8,658
33.5 The movement in the defined benefit obligation over the year is as follows:			
Present value of obligation as at January 1		26,408	14,220
Current service cost		5,759	2,848
Interest cost		3,962	1,422
Benefits paid		(9,391)	(3,388)
Vested past service cost		-	4,280
Non vested past service cost		-	1,611
Actuarial loss/(gain) on obligation		(1,224)	5,415
Present value of obligation as at December 31		25,514	26,408
33.6 Movement in payable to defined benefit plan			
Opening liability		8,658	4,385
Expense for the year	33.10	7,552	12,409
Contributions to the fund		(16,763)	(8,136)
Closing liability		(553)	8,658
33.7 The movement in the fair value of plan assets is as follows:			
Fair value of plan assets as at January 1		16,139	9,835
Expected return on plan assets		2,421	984
Contributions		16,763	8,136
Benefits paid		(9,391)	(3,388)
Actuarial loss on plan assets		(670)	572
Fair value of plan assets as at December 31	33.9	25,262	16,139

33.8 Actual return on plan assets during the year was Rs. 1.751 million (2008: Rs.1.556 million).

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

Particulars	2009 Rupees in '000	2009 %	2008 Rupees in '000	2008 %
Equity instruments	-	-	823	5.10
Debt instruments	24,564	97.24	14,727	91.25
Bank balances	698	2.76	589	3.65
	25,262	100.00	16,139	100.00

	Note	2009	2008
		Rupees in '000	
33.10 The amount recognised in the income statement is as follows:			
Current service cost		5,759	2,848
Interest cost		3,962	1,422
Expected return on plan assets		(2,421)	(984)
Vested past service cost		806	4,280
Actuarial (gain)/loss recognised	33.11	(554)	4,843
		7,552	12,409
33.11 Actuarial gain/(loss) to be recognised			
Actuarial gain/(loss) to be recognised		554	(4,843)
33.12 Net unrecognised actuarial (losses)/gains			
Net unrecognised actuarial losses as at January 1		-	-
Actuarial loss on obligation		1,224	(5,415)
Actuarial gain on plan assets		(670)	572
		554	(4,843)
Actuarial (gain)/loss recognised for the year		(554)	4,843
Net unrecognised actuarial (losses)/gains as at December 31		-	-

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

	Note	2009	2008	2007	2006	2005
		Rupees in '000				
Present value of defined benefit obligation	33.5	25,514	26,408	14,220	9,641	3,936
Fair value of plan assets	33.7	(25,262)	(16,139)	(9,835)	(6,476)	(4,348)
Deficit/(Surplus)		252	10,269	4,385	3,165	(412)
Experience adjustments on defined benefit obligation	33.5	(1,224)	5,415	1,955	3,223	(302)
Experience adjustments on assets	33.7	670	(572)	(496)	375	(214)

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

The expected gratuity expense for the next year ending December 31, 2009 works out to Rs. 6.697 million.

34 DEFINED CONTRIBUTION PLAN

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

	2009	2008
	Rupees in '000	
34.2 Contribution to the fund made during the year		
Contribution from the Group	8,290	7,248
Contribution from the employees	8,290	7,248
	16,580	14,496

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	Chief Executive		Directors		Executives	
		2009	2008	2009	2008	2009	2008
		Rupees in '000					
Fees		-	-	212	167	-	-
Managerial remuneration		33,127	32,200	-	-	104,011	113,260
Charge for defined benefit plan		965	1,109	-	-	8,273	10,257
Contribution to defined contribution plan		900	1,000	-	-	4,811	4,788
Medical		226	160	-	-	-	-
Utilities		392	599	-	-	-	-
Membership fee		55	31	-	-	-	-
Others		-	-	-	-	-	-
	35.1	35,665	35,099	212	167	117,095	128,305
Number of persons		2	1	5	5	50	46

35.1 This includes an amount of Rs 24.164 million being compensation package in addition to the remuneration paid till February 2009 to outgoing Chief Executive Officer.

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

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

36.1 On-balance sheet financial instruments

	2009		2008	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
Assets				
Cash and balances with treasury banks	74,119	74,119	48,710	48,710
Balances with other banks	641,256	641,256	561,986	561,986
Lendings to financial institutions	2,876,508	2,876,508	3,183,180	3,183,180
Investments	10,620,720	10,631,550	6,702,149	6,485,132
Advances	5,508,051	5,508,051	5,732,748	5,732,748
Other assets	403,625	403,625	748,154	748,154
	20,124,279	20,135,109	16,976,927	16,759,910
Liabilities				
Borrowings from financial institutions	8,895,096	8,895,096	7,491,561	7,491,561
Deposits and other accounts	4,562,089	4,562,089	3,023,121	3,023,121
Liabilities against assets subject to finance lease	15,014	15,014	16,333	16,333
Other liabilities	560,986	560,986	442,192	442,192
	14,033,185	14,033,185	10,973,207	10,973,207
	6,091,094	6,101,924	6,003,720	5,786,703

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

36.3 Off-balance sheet financial instruments

	2009		2008	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
Forward purchase of foreign exchange	-	-	-	-
Forward agreements for borrowing	67,000	67,000	-	-
Forward sale of foreign exchange	-	-	-	-
Forward agreements for lending	-	-	-	-

37 SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Others
	Rupees in '000								
2009									
Total income	12,551	1,618,850	-	773,306	-	-	100,199	-	-
Total expenses	37,720	1,747,125	-	1,165,519	-	-	100,020	-	-
Net income / (loss)	(25,169)	(128,275)	-	(392,213)	-	-	179	-	-
Segment assets (Gross)	-	14,726,592	-	6,751,782	-	-	204,637	-	-
Segment non-performing loans	-	-	-	1,142,507	-	-	-	-	-
Investments provided for	-	320,348	-	-	-	-	-	-	-
Segment provision required *	-	219,971	-	926,015	-	-	-	-	-
Segment liabilities	-	9,727,605	-	4,413,351	-	-	2,734	-	-
Segment return on net assets (%)	-	(2.68%)	-	(27.77%)	-	-	0.09%	-	-
Segment return on assets (ROA) (%)	-	(0.88%)	-	(6.73%)	-	-	0.09%	-	-
Segment cost of funds (%)	-	8.89%	-	8.58%	-	-	-	-	-
2008									
Total income	38,194	1,064,129	-	733,636	-	-	(34,501)	-	-
Total expenses	47,405	1,087,142	-	713,212	-	-	100,133	-	-
Net income	(9,211)	(23,013)	-	20,424	-	-	(134,634)	-	-
Segment assets (Gross)	-	11,230,242	-	6,278,457	-	-	206,820	-	-
Segment non-performing loans	-	-	-	615,163	-	-	-	-	-
Investments provided for	-	293,333	-	-	-	-	-	-	-
Segment provision required*	-	125,226	-	333,971	-	-	-	-	-
Segment liabilities	-	6,971,776	-	4,124,657	-	-	3,976	-	-
Segment return on net assets (%)	-	(0.56%)	-	1.14%	-	-	(66.37%)	-	-
Segment return on assets (ROA) (%)	-	(0.21%)	-	0.34%	-	-	(65.10%)	-	-
Segment cost of funds (%)	-	6.99%	-	6.84%	-	-	-	-	-

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

38 RELATED PARTY TRANSACTIONS

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

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

38.3 **Associates**
Pak Oman Microfinance Bank Limited
Japan Power Generation Limited
Pak Oman Bank of Punjab Advantage Plus Fund
Pak Oman Advantage Fund
Pak Oman Advantage Islamic Income Fund
Pak Oman Advantage Islamic Fund
Pak Oman Advantage Stock Fund

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

38.5 **Retirement benefit fund**
Defined benefit plan
Defined contribution plan

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

	Total		Associates		Key management personnel		Other related parties	
	2009	2008	2009	2008	2009	2008	2009	2008
	Rupees in '000							
Advances / Investments								
At January 01,	1,145,043	789,499	1,087,349	765,037	57,694	24,462	-	-
Disbursed during the year	101,733	1,137,479	84,108	1,091,970	17,625	45,509	-	-
Received during the year	(59,330)	(781,935)	(37,641)	(769,658)	(21,689)	(12,277)	-	-
At December 31,	1,187,446	1,145,043	1,133,816	1,087,349	53,630	57,694	-	-
Deposits								
At January 01,	213,011	304,212	213,011	304,212	-	-	-	-
Deposited during the year	446,515	1,090,278	446,515	1,090,278	-	-	-	-
Repaid during the year	(447,665)	(1,181,479)	(447,665)	(1,181,479)	-	-	-	-
At December 31,	211,861	213,011	211,861	213,011	-	-	-	-
Balances								
Other receivables	132	150,000	132	150,000	-	-	-	-
Transactions, income and expenses								
Mark-up income	2,867	17,743	696	15,269	2,171	2,474	-	-
Mark-up expense	30,910	28,372	30,910	28,372	-	-	-	-
Dividend income	26,278	42,452	26,278	42,452	-	-	-	-
Capital gain	7,147	460	7,147	460	-	-	-	-
Salaries and short term benefits paid	73,925	78,429	-	-	73,925	78,429	-	-
Staff retirement benefits	6,335	6,917	-	-	6,335	6,917	-	-

39 CAPITAL ADEQUACY

The State Bank of Pakistan through its BSD Circular No. 19 dated September 05, 2008 requires the minimum paid up capital (net of losses) for all DFIs to be raised to Rs 6 billion by the year ending on December 31, 2009. The raise is to be achieved in a phased manner requiring Rs 6 billion paid up capital (net of losses) by the end of financial year 2009. The paid up capital of the holding company for the year ended December 31, 2009 stands at Rs. 6.15 billion and is in compliance with above said circular. The Group's CAR as at December 31, 2009 was 36.39% of its risk weighted exposure.

The calculation of capital adequacy enables the Group to assess the long term soundness. Pak Oman has successfully managed in the past and will in the future its Capital requirements/ needs. Based on the directives of the Board, the Group has built a health portfolio of assets and liabilities focusing on quality. CAR of 36.39% of demonstrates that the Group is geared to absorb major risks / shocks in the present market scenario. The Group meets its capital needs through clean placements (LOP & COI) and short and long term lines from commercial institutions.

The risk weighted assets to capital ratio, calculated (as per standardized approach of Basel II) in accordance with SBP's guidelines on capital adequacy was as follows:

	2009	2008
	Rupees in '000	
Regulatory Capital Base		
Tier I Capital		
Share capital	6,150,000	6,150,000
Reserves	414,920	924,238
Accumulated loss	(126,035)	(229,835)
Non-controlling interest	96,469	96,739
	6,535,354	6,941,142
Deductions:		
Book value of intangibles	2,402	5,684
Shortfall in provisions required against classifies assets irrespective of any relaxation allowed by SBP	-	-
Deficit on account of revaluation of available for sale investment (net of tax)	142,019	899,590
Investments in TFCs of other banks exceeding the prescribed limit	638,208	
	782,629	905,274
Total eligible Tier I Capital	5,752,725	6,035,868
Supplementary Capital		
Tier II Capital		
Subordinated debt (up to 50% of total Tier 1 Capital)	-	-
General provision or general reserves for loan losses up to maximum of 1.25% of risk weighted assets.	-	93,013
Revaluation reserve (up to 45%)	-	-
Total Eligible Tier II Capital	-	93,013

	2009	2008
	Rupees in '000	
Eligible Tier III Capital	-	-
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier I Capital)		
Total Eligible Capital	5,752,725	6,128,881
Risk Weighted Amounts		
Total Credit Risk Weighted Amount	7,809,910	7,914,165
Total Market Risk Weighted Amount	6,381,906	5,563,096
Total Operational Risk Weighted Amount	1,618,419	1,358,498
Total Risk Weighted Amount	15,810,235	14,835,759
Capital Adequacy Ratios		
Credit Risk Capital Adequacy Ratio	73.66%	77.44%
Tier 1 Capital to Total Risk Weighted Amount	36.39%	40.68%
Total Capital Adequacy Ratio	36.39%	41.31%

40 RISK MANAGEMENT

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

Risk management organisation

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

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

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

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.

Out of the total financial assets of Rs.20,124.279 million (2008: Rs. 16,976.927 million), the financial assets which were subject to credit risk amounted to Rs. 15,861.923 million (2008: Rs. 15,722.537 million). The major credit risk in respect of advances is concentrated in sectors such as textile, transportation and communication and financial institutions. The Group manages its exposure to credit risk through portfolio diversification and adequate collateral, wherever, applicable. The emphasis is to provide short to medium term financing to a target customer base. The Group has developed systems to monitor problem accounts so that instant instructions based on early warning signals are passed on to the departments to deal with potential problem accounts.

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

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

Credit Exposures subject to standardised approach

Exposures	Rating category	2009 Amount outstanding	2009 Deduction CRM*	2009 Net amount	2008 Amount outstanding	2008 Deduction CRM*	2008 Net amount
		Rupees in '000					
Corporate	0	-	-	-	-	-	-
	1	21,809	773,062	794,871	24,774	785,875	810,649
	2	196,833	-	196,833	395,261	-	395,261
	3-4	494,922	(86,000)	408,922	223,877	-	223,877
	5-6	90,000	-	90,000	-	-	-
	Unrated	5,142,042	(687,062)	4,454,980	5,499,820	(785,875)	4,713,945
		5,945,606	-	5,945,606	6,143,732	-	6,143,732
Banks	0						
	1	1,149,928	1,198,092	2,348,020	1,157,986	1,168,762	2,326,748
	2-3	772,787	(549,787)	223,000	893,937	(785,937)	108,000
	Unrated	648,305	(648,305)	-	382,825	(382,825)	-
		2,571,020	-	2,571,020	2,434,748	-	2,434,748
Sovereigns etc							
Unrated							

*CRM= Credit Risk Mitigation

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

40.2 **Segmental information**

40.21 **Segment by class of business**

	2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Financial institution	57,086	0.89	964,361	21.14	199,716	17.60
Textile	1,344,756	20.90	-	-	-	-
Transportation and communication	410,479	6.38	193,450	4.24	25,000	2.20
Power (electricity), gas, water	1,339,208	20.81	100,000	2.19	260,117	22.92
Electronics	206,724	3.21	-	-	-	-
Food and beverage	225,696	3.51	-	-	37,140	3.27
Services	345,499	5.37	-	-	9,380	0.83

	2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	%	Rupees in '000	%	Rupees in '000	%
Engineering and allied products	247,973	3.85	11,203	0.25	50,000	4.41
Chemical and pharmaceuticals	313,428	4.87	100,000	2.19	41,140	3.62
Automobiles	315,833	4.91	-	-	-	-
Fuel and energy	191,774	2.98	-	-	3,500	0.31
Construction	410,505	6.38	70,000	1.53	20,170	1.78
Cement	103,333	1.61	-	-	-	-
Sugar	619,722	9.63	-	-	-	-
Paper and board/packaging	70,266	1.09	195,500	4.29	-	-
Healthcare	31,365	0.49	-	-	11,080	0.98
Individual	117,446	1.83	360,505	7.90	3,810	0.34
Others	82,973	1.29	2,567,070	56.27	473,900	41.74
	6,434,066	100.00	4,562,089	100.00	1,134,953	100.00

40.2.2 Segment by sector

Public/Government	8,504	0.13	3,318,755	72.75	540,900	47.66
Private	6,425,562	99.87	1,243,334	27.25	594,053	52.34
	6,434,066	100.00	4,562,089	100.00	1,134,953	100.00

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

	2009		2008	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Automobile	315,833	262,087	115,833	57,917
Cement	70,000	70,000	70,000	35,000
Textile	153,129	126,056	131,612	88,242
Chemical and pharmaceuticals	129,075	124,871	135,278	71,947
Construction	78,911	55,646	73,493	27,293
Engineering and allied products	90,664	64,789	24,750	12,375
Electronics	48,775	48,775	-	-
Fuel and energy	121,723	60,144	45,000	22,500
Food and beverages	19,197	18,697	19,197	18,697
Financial institution	20,000	5,000	-	-
Transportation and communication	7,000	1,750	-	-
Power	68,200	68,200	-	-
Sugar	20,000	20,000	-	-
	1,142,507	926,015	615,163	333,971

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

	2009		2008	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Public/Government	-	-	-	-
Private	1,142,507	926,015	615,163	333,971
	1,142,507	926,015	615,163	333,971

40.2.5 **Geographical segment analysis**

	(Loss) before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	(545,478)	20,534,750	6,393,335	1,134,953
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	2,275	-	-
Africa	-	-	-	-
	(545,478)	20,537,025	6,393,335	1,134,953

40.3 **Market risk**

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

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

40.3.1 **Interest rate risk**

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

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 Pakistan rupees.

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupees	20,535,236	14,143,690	-	6,391,546
United States Dollar	256	-	-	256
Omani Riyal	1,533	-	-	1,533
	20,537,025	14,143,690	-	6,393,335

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.

40.3.4 **Mismatch of interest rate sensitive assets and liabilities**

	2009											
		Exposed to yield/interest risk										
	Effective yield/ interest rate	Total	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		73,968	-	-	-	-	-	-	-	-	-	73,968
Balances with other banks	12.99%	641,407	580,397	51,045	-	-	-	-	-	-	-	9,965
Lending to financial institutions	13.02%	2,876,508	1,778,908	1,086,926	1,332	2,230	4,211	2,901	-	-	-	-
Investments	10.79%	10,620,720	40,788	187,273	1,966,781	1,731,855	1,092,316	1,359,826	904,628	1,492,772	33,464	1,811,017
Advances	15.26%	5,508,051	105,788	190,602	590,884	839,372	1,038,683	894,026	907,917	913,555	22,606	4,618
Other assets		403,625	-	-	-	-	-	-	-	-	-	403,625
		20,124,279	2,505,881	1,515,846	2,558,997	2,573,457	2,135,210	2,256,753	1,812,545	2,406,327	56,070	2,303,193
Liabilities												
Borrowings from financial institutions	12.36%	8,895,096	6,423,458	850,665	311,823	530,861	547,282	88,048	115,667	27,292	-	-
Deposits and other accounts	13.71%	4,562,089	473,028	1,710,402	1,777,048	600,111	1,500	-	-	-	-	-
Liabilities against assets subject to finance lease	14.24%	15,014	873	2,174	1,961	3,993	5,129	884	-	-	-	-
Other liabilities		560,986	-	-	-	-	-	-	-	-	-	560,986
		14,033,185	6,897,359	2,563,241	2,090,832	1,134,965	553,911	88,932	115,667	27,292	-	560,986
On-balance sheet gap		6,091,094	(4,391,478)	(1,047,395)	468,165	1,438,492	1,581,299	2,167,821	1,696,878	2,379,035	56,070	1,742,207
Non-financial assets		412,746										
Non-financial liability		110,505										
Total net asset		6,393,335										
Total yield/profit risk sensitivity gap			(4,391,478)	(1,047,395)	468,165	1,438,492	1,581,299	2,167,821	1,696,878	2,379,035	56,070	
Cumulative yield/profit risk sensitivity gap			(4,391,478)	(5,438,873)	(4,970,708)	(3,532,216)	(1,950,917)	216,904	1,913,782	4,292,817	4,348,887	

40.3.5 **Liquidity risk**

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

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

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

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

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

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

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 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

Maturities of assets and liabilities as at December 31, 2009

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

Maturities of assets and liabilities as at December 31, 2008

	Total	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	48,710	548	48,162	-	-	-	-	-	-	-
Balances with other banks	561,986	508,560	53,426	-	-	-	-	-	-	-
Lending to financial institutions	3,183,180	2,229,010	798,909	47,119	2,935	104,376	831	-	-	-
Investments	6,702,149	68,596	634,837	50,083	1,672,501	863,091	1,238,687	1,752,729	421,625	-
Advances	5,732,748	838,962	225,013	691,001	691,658	1,135,921	685,399	705,033	639,908	119,853
Other assets	754,322	-	749,942	-	-	-	-	4,380	-	-
Operating fixed assets	95,824	1,629	31,973	4,741	7,577	14,626	8,598	4,212	10,532	11,936
Deferred tax assets	177,403	-	-	-	-	-	-	177,403	-	-
	17,256,322	3,647,305	2,542,262	792,944	2,374,671	2,118,014	1,933,515	2,643,757	1,072,065	131,789
Liabilities										
Borrowings from financial institutions	7,491,561	4,713,484	840,937	399,581	340,937	531,893	506,653	125,735	32,341	-
Deposits and other accounts	3,023,121	888,710	1,277,444	745,706	104,261	7,000	-	-	-	-
Liabilities against assets subject to finance lease	16,333	1,221	2,415	2,450	3,576	5,345	1,326	-	-	-
Others liabilities	590,742	34,611	422,326	18,181	16,612	51,699	29,276	18,037	-	-
Deferred liabilities	-	-	-	-	-	-	-	-	-	-
	11,121,757	5,638,026	2,543,122	1,165,918	465,386	595,937	537,255	143,772	32,341	-
Net assets	6,134,565	(1,990,721)	(860)	(372,974)	1,909,285	1,522,077	1,396,260	2,499,985	1,039,724	131,789

Share capital	6,150,000
Reserves	1,017,251
Accumulated loss	(229,835)
	6,937,416
Deficit on revaluation of securities - net of tax	(899,590)
Non controlling interest	96,739
	6,134,565

41 ASSOCIATES - KEY INFORMATION

Particulars	Pak Oman Bank of Punjab Advantage Plus Fund	Pak Oman Advantage Fund	Pak Oman Advantage Islamic Income Fund	Pak Oman Advantage Islamic Fund	Pak Oman Advantage Stock Fund	Japan Power Generation Limited	Pak Oman Micro-finance Bank Limited	Total
	Rupees in '000							
Assets	815,576	1,068,971	173,000	110,908	157,896	6,620,774	720,826	9,667,951
Liabilities	8,720	8,806	4,827	1,982	4,459	6,822,722	42,367	6,893,883
Profit / (loss) before taxation	44,185	148,805	12,194	14,823	31,237	(259,775)	(8,218)	(16,749)
Profit / (loss) after taxation	44,185	148,805	12,194	14,823	31,237	(259,929)	(6,797)	(15,482)

42 GENERAL

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

43 DATE OF AUTHORISATION

These consolidated financial statements were authorised on March 02, 2010 by the board of directors of the holding company.

Managing Director and Chief Executive Officer **Chairman**

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Member firm of Grant Thornton

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

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