ANNUAL REPORT
2019

PAK OMAN INVESTMENT COMPANY LIMITED

Vision

To make a tangible contribution to economic development in both sponsoring countries by supporting the industrial sector including agro-based, Infrastructure projects and the service sector, along with emphasis on promoting financial inclusion of small & medium enterprises in Pakistan.

Mission

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

Code of Ethics / Business Practices

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

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

Board and Sub Committees

Board of Directors

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

Mr. Muhammad Zubair Motiwala
Director

H.H. Sayyid Juland Jaifar Salim Al Said
Director

Mr. Haitham Yousuf Juma Al Zadjali
Director

Mr. Omar Hamid Khan
Director

Mr. Bahauddin Khan
Managing Director & Chief Executive Officer

Audit Committee

Mr. Haitham Yousuf Juma Al Zadjali
Chairman

Mr. Muhammad Zubair Motiwala
Member

H.H. Sayyid Juland Jaifar Salim Al Said
Member

Mr. Omar Hamid Khan
Member

Risk Committee

Mr. Muhammad Zubair Motiwala
Chairman

H.H. Sayyid Juland Jaifar Salim Al Said
Member

Mr. Haitham Yousuf Juma Al Zadjali
Member

Executive Committee

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

Mr. Muhammad Zubair Motiwala
Member

H.H. Sayyid Juland Jaifar Salim Al Said
Member

Mr. Omar Hamid Khan
Member

Mr. Bahauddin Khan
Member

Remuneration & Compensation Committee

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

Mr. Muhammad Zubair Motiwala
Member

H.H. Sayyid Juland Jaifar Salim Al Said
Member

Mr. Bahauddin Khan
Member

Chairman's Review

It gives me pleasure to share with you the performance of Pak Oman Investment Company for year 2019. 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:

- Profit after tax of Rs 504 million (US$ 3.3 million) compared to Rs 464 million of 2018 (US$ 3.0 million), this depicts an increase of 9% over 2018. This has been achieved due to a well-planned strategy and a stable management team enabling the Company to deliver consistent value for our shareholders.

- On cost management, measures of cost control yield results and expenses growth was restricted to 4.5% over 2018 despite average inflation of over 10.2% in 2019.

- Credit performance remained strong, advances portfolio stood at Rs 20,024 million (US$ 129.3 million) compared to Rs 20,481 million (US$ 132.3 million) in 2018 despite slow-down in economy.

- Robust risk management systems of your Company resulted in low infection ratio of 3.3% along with a strong coverage ratio of 81%, well above the September 2019's DFIs averages of 15% and 66% respectively.

- Avoided imminent losses by discontinued taking exposure in the stock market in view of the economic slow-down.

- It continued to focused on its core business of lending.

- Deposit of Rs 8,576 million (US$ 55.4 million) largest portfolio amongst the peer group. Deposit mobilization from the retail sector, now stands at Rs 1,692 million (US$ 10.9 million) compared to Rs 1,236 million (US$ 7.9 million) in 2018.

- The Company maintained its Credit Rating of AA+ and Corporate Governance Rating of CGR 9 by VIS Credit Rating Company.

Overview of Operations

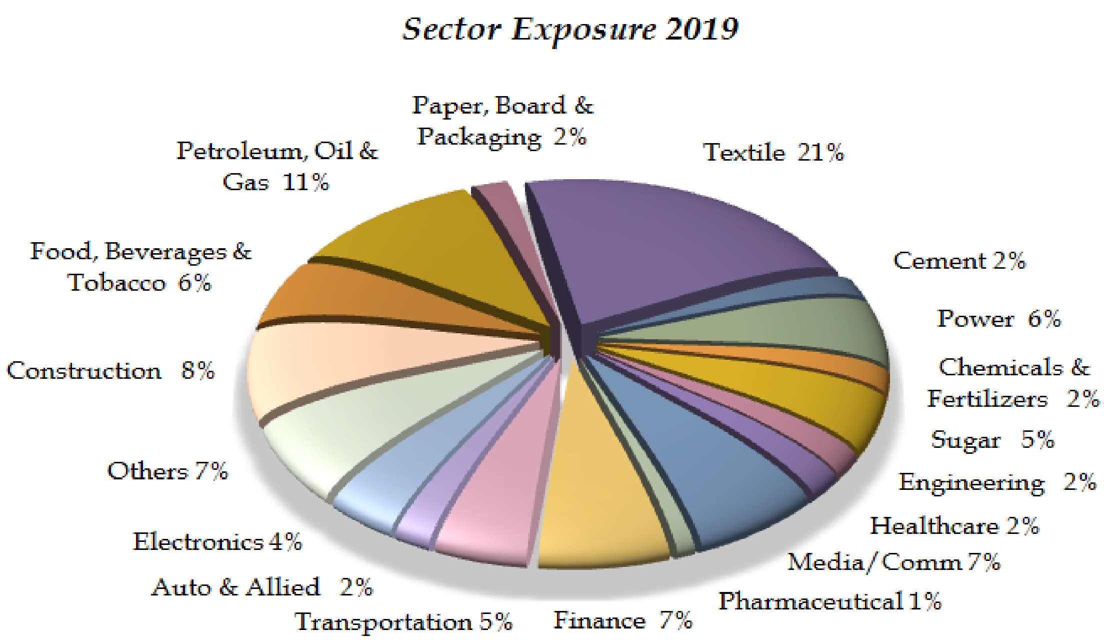
Corporate Banking

In 2019, Corporate Banking Department, by selectively targeting top existing customers and growth industries, disbursed Rs 5,528 million compared to Rs 6,853 million in 2018, thereby maintaining its advances portfolio as the largest amongst the DFIs in line with its consolidation strategy. The disbursements included contribution of the SME unit to the tune of Rs 208 million during the year (2018: Rs 201 million).

Corporate Banking managed to maintain a well-diversified portfolio with Textile sector having the largest share in the total loan portfolio at 21.4%, followed by Oil & Gas, Construction/ Housing and Communications and Media sectors with exposures of 11.1%, 7.5% and 7.3% of the advances portfolio respectively.

In 2019, majority of the portfolio comprised of long term finance, followed by medium term finance and lease finance with smaller shares.

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



Investment Banking

During 2019, Pak Oman participated in the Rated, Unsecured & Subordinated, Tier I, Privately Placed TFC Issue of Habib Bank Limited, to the extent of Rs 300 million. Pak Oman also participated in the Rated, Secured and Privately Placed Term Finance Certificate Issue of Kashf Foundation Limited to the extent of Rs 50 million. Further, Pak Oman participated in the Rated, Listed and Secured Sukuk Issue of Rs. 25,000 million of K-Electric Limited to the extent of Rs. 500 million.

In addition to the above transactions, Pak Oman acted as Trustee/Security Agent for the various securities issued including Pak Arab Fertilizer PPTFC, Al Arabia Sugar Mills PPTFC, Pak Arab Fertilizer STFA, Askari Bank Ltd- Tier 1 TFC, WorldCall Telecom Limited Listed TFC, Shakarganj Food Sukuks, United Bank Limited Tier 1 TFC, Kashf Foundation PPTFC and Masood Textile Mills Sukuks.

Treasury

Treasury department persistently play significant role in contributing towards profits for the company. During 2019, discount rate increased by total 325 points making it challenging to effectively manage treasury book. Despite tough economic conditions, treasury department successfully handled ALM book by proactively aligning investments accordingly and successfully booked capital gains of approximately Rs 139 million and net interest income of Rs 644 million.

Corporate sales desk remains very active in trading of government and corporate debt securities with its corporate clients and providing financial advisory.

Pak Oman Investment Company is reappointed as Primary Dealer by State Bank of Pakistan, acknowledging contribution in development of secondary markets of Government securities.

Treasury team is energetic and determined to perform under challenging situations.

Risk Management

It is critical that our risk management approach continues to evolve and develop to meet the ever-changing risk landscape facing our business, to ensure it remains relevant and effective in generating safe and sustainable performance and growth for the company. This is further reflected through a low NPL to assets ratio. Pak Oman is also compliant with State Bank of Pakistan requirements for implementation of BASEL Accords. Furthermore, its Capital Adequacy Ratio and Net Stability Funding Ratio are well above the stipulated requirements, hence giving it ample cushion to cover any unforeseen events and room for growth. The company has also put in place a strong control infrastructure to minimize the operational risk and various procedures and processes are being used to proactively manage operational risk.

Support Operations

Finance, Information Technology, Human Resources and Administration played their role in supporting core operations of the Company. Information Technology Department placed special emphasis on the re-development of existing application systems in order to bring necessary improvements. The company's IT infrastructure was upgraded in order to improve system availability and performance. Human Resources on the other hand worked on managing turnover rate and facilitated training and development of all employees.

Management Committees

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

(i) Credit Committee
(ii) Assets & Liabilities Committee (ALCO)
(iii) Risk Management Committee
(iv) Coordination Committee
(v) Purchase & Works Committee
(vi) Information Technology Committee
(vii) Capital Market Review Committee (CMRC)
(viii) Performance Evaluation Committee
(ix) Control & Compliance Committee

Contribution to Social Responsibility

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

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

Professional Education Foundation

Professional Education Foundation (PEF) is a "Not for Profit Organization", established in 2009, with a sole aim to poverty alleviation through professional education and financially support underprivileged students for their professional education. PEF scope includes bachelor degree programs for Engineering, Medicine, Agriculture, Management and IT disciplines. At PEF scholarships &

financial assistance are given to the students on "Need cum Merit Basis". Currently PEF is funding over 1,700 students.

Sharmeen Khan Memorial Foundation

Sharmeen Khan Memorial Foundation (SKMF) is a "Not for Profit Organization" with a sole aim to improve the basic education and living standards for the underprivileged. Since its inception SKMF has adopted seven government schools and has been able to successfully increase the enrolment of students in both primary and secondary from 700 to 1,300 students besides initiatives on portable clean drinking water through rehabilitation of 6 water wells in the Tharparkar region and 7 water filtration plants in densely populated areas of Karachi.

Fiends of Pink Ribbon

Friends of Pink Ribbon is a non-profit public organization, is striving to reduce breast cancer mortality in the country, by creating widespread awareness about early deduction and increasing access to treatment. Pink Ribbon is setting up Pakistan's 1st dedicated Breast Cancer hospital in Lahore to serve all of Pakistan.

The Health Foundation

The Health Foundation (THF) is a non-profit public service organization and is focusing on awareness, prevention, collaboration and treatment of Hepatitis. Currently, THF is running projects in Karachi, Sanghar, Thar, Ghotki and Lahore. To date More than 965,850 people sensitized regarding Hepatitis B & C protection and prevention through multiple awareness sessions; 467,980 persons fully immunized against Hepatitis B and Over 9,257 patients have been treated for Hepatitis B & C free of cost.

Developments in Literacy

Developments in Literacy (DIL) operates under the auspices of a US-based Board of Directors and a Pakistan-based Board of Trustees. DIL educate and empowers underprivileged students especially girls by operating student centered model schools and providing high quality professional development to teachers and principals throughout Pakistan. DIL currently operates and manages 135 school campuses across Pakistan and able to educate nearly 26,000 students annually and train 2,000 teachers.

2020 and Beyond

The financial industry outlook remains challenging in view of expected suppressed economic activity and resultant risks to asset quality, weak credit expansion, inflationary pressures on the cost of doing business and regulatory tightening. However, your Company's comfortable position with respect to capital and liquidity, strong system of credit origination and credit monitoring, give it enough confidence that Pak Oman is well positioned for sustainable growth and building long-term shareholder value.

In view of dismal investment environment and macro/micro economic challenges, Pak Oman's shareholders has decided to inject further equity into POAMCL to make it complaint to regulatory requirements and ensure successful operations through its further restructuring and re-organisation. With these steps we expect higher returns to the shareholders' going forward.

I have pleasure to report that Pak Oman Microfinance Bank Limited has started journey towards in a right direction. I believe, going forward the performance of Pak Oman Microfinance Bank Limited will further improve.

Acknowledgement

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

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

Yahya Bin Said Bin Abdullah Al-Jabri
Chairman
Karachi: February 12, 2020

DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the Eighteenth Annual Report and Financial Statements of your Company, along with the Consolidated Audited Financial Statements for the year ended December 31, 2019, together with Auditors' Report thereon.

Economy

Pakistan's economy is passing through consolidation and stability phase by addressing structural imbalance issues and this in short term is impacting its growth. In addressing the structural imbalance, forex management was moved to a market – determined regime and in that cycle Rupee lost 35% parity compared to US$ whereas over last two years Rupee has been depreciated by 53% against US$. In the back drop of strong inflationary trend, State Bank of Pakistan has maintained stance of monetary tightening and increased policy rate cumulatively by 325 bps to 13.25% during 2019 and in aggregate 750 bps has been increased over the last eighteen months. This stance is causing higher cost of doing business and in turn slowing down economic growth, consequently the GDP growth outlook for fiscal year 2020 remains subdued.

Devaluation of Rupee and upward adjustment in utility tariffs have contributed to strong inflationary build-up and is expected that inflation will be over 12 percent in the coming months, highest in last ten years and likely to remain at an elevated level for next two years.

Structural imbalance will require time for adjustment besides determination by the Government. However, some positives were noted due to resumption of IMF program, activation of Saudi oil facility and other commitments from multilateral / bilateral partners, improving consumer & business confidence and widening of tax base measures. Further, government has also made progress on business reforms, reflected in the country's move from 136th to 108th in the World Bank's latest ease of doing business survey.

The continuation of Government policies for stabilizing fiscal imbalances, broadening of tax base, controlling inflation, increasing FDI (except under CPEC), restructuring / privatization of State Owned Enterprises and divert funds to more productive developments will remains major challenges for 2020.

Financial Highlights

As at			As at	
Dec 31, 2019	**Dec 31, 2018**		**Dec 31, 2019**	**Dec 31, 2018**
US $ in million			**Rs in million**	
3.3	3.0	Profit after taxation	504	464
US$ 0.0053	US$ 0.0049	Earning per Share (basic & diluted) of Rs 10/- each	Re 0.82	Re 0.76
129.3	132.3	Advances	20,024	20,481
383.4	183.6	Investments	59,376	28,433
594.7	375.3	Total Assets	92,083	58,110

Operational Review

We are pleased to inform that despite challenges to economy, your Company's performance remained satisfactory. During the year ended December 31, 2019, your Company has recorded profit after accounting for the tax liability was Rs 504 million (US$ 3.3 million) compared to corresponding period profit after tax of Rs 464 million (US$ 3.0 million), witnessing an increase of 9% over 2018. This has been achieved despite adverse timing difference between re-pricing of earning assets and remunerable liabilities under rapidly rising interest rate scenario. Pak Oman's has achieved this result despite difficult operating conditions of DFIs due to slow economic growth and is one of the highest profit among the peer institutions.

Total revenue for the year was reported at Rs 1,257 million (US$ 8.1 million) compared to Rs 1,001 million (US$ 6.5 million) in 2018, improving by 26%. Positive volumetric growth in average earning assets and improving spreads have contributed 22% rise in net interest income compared to 2018 despite re-pricing leg between earning assets and remunerative liabilities.

Your Company continued its active participation as a primary dealer and has realized capital gains of Rs 139 million (US$ 0.9 million) compared to Rs 27 million (US$ 0.2 million) in 2018.

On cost management, measures of cost control yield results and expenses growth was restricted to 4.5% over 2018 despite average inflation of over 10.2% in 2019. However, going forward administrative expenses may witness surge in view of current inflation of over 12% which likely to remains in double digit.

Robust risk management systems paved way for your Company's low infection ratio of 3.3% along with a strong coverage ratio of 81%, well above the September 2019's DFIs averages of 15% and 66% respectively.

Advances portfolio stood at Rs 20,024 million (US$ 129.3 million) compared to Rs 20,480 million (US$ 132.3 million) in 2018. Our loan growth strategy is focused on the acquisition of quality advances and maintaining an efficient risk weighted assets profile.

In view of future interest rate scenario your company has readjusted its assets portfolio and increased exposure in Government securities. Resultantly, investments has increased to Rs 59,376 million (US$ 383.4 million) compared to Rs 28,433 million (US$ 183.6 million) in 2018.

Your Company has avoided imminent losses by timely discontinued taking exposure in the stock market in view of the economic slow-down.

Due to well-planned and executed strategy, deposits of your company grew to Rs 8,576 million (US$ 55.4 million), the Company holds one of the largest deposit portfolio amongst the peer group. During the period under review retail deposits grew to Rs 1,692 million (Rs US$ 10.9 million) compared to Rs 1,236 million (US$ 7.9 million) in 2018.

Company's total assets increased to Rs 92,083 million (US$ 594.7 million) compared to Rs 58,110 million (US$ 375.3 million) as at December 31, 2018. This increase in total assets is the result of readjustment in assets combination owing to future interest rate scenario.

Your Company's capital adequacy ratio (CAR) stood at 15.57% as of December 31, 2019, meeting the requirement of the SBP, whereas consolidated CAR stood at 15.13%, depicting a well-capitalised position of the Company.

Appropriations

The Board has recommended following appropriations:

	For the Year ended 2019	
	Rs million	***US$ million***
To Statutory Reserve	100.861	0.65
Cash Dividend @ Rs 0.70 per share	430.5	2.78

Change in Accounting Policy

During the year, Company has adopted IFRS 16- the accounting standard for leases. The impact of the adoption of IFRS 16 on the Company's financial statements is disclosed in note 2.4.2.

Credit Rating

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

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

Corporate Governance Rating

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

The assigned rating denotes a very high level of corporate governance and is the result of adoption of best practices within the Company.

Primary Dealer of State Bank of Pakistan

Acknowledging Pak Oman's role in the development of the primary and secondary markets for Government Bonds, the State Bank of Pakistan has reappointed Pak Oman as a Primary Dealer for the financial year 2019-2020.

Pak Oman Microfinance Bank Limited

Pak Oman Microfinance Bank Limited (POMFBL) is a nationwide microfinance bank, with its presence in the four provinces and Azad Jammu & Kashmir of Pakistan. Its sponsors are the Government of the Sultanate of Oman, LOLC (Pvt) Limited and Pak Oman Investment Company Limited. POMFBL is offering a range of micro credit and micro savings products and aspires to alleviate poverty / improves the living standards of their customers and empowers the women. It has an aim to reduce poverty through entrepreneurship by giving opportunities to small and medium entrepreneurs for the betterment of the economy as well as their well-being.

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

	2019	2018
Branches	30	23
Service Centre	35	26
Borrowers as of December 31,	59,688	40,145
Disbursement for the year	Rs 2,723,527,000	Rs 1,666,254,000
Average loan size for the year	52,000	Rs 49,000
Outstanding Loans	Rs 1,978,461,406	Rs 1,208,640,993
Deposits	6,701,291	Rs 6,784,301
Profit Before Tax	51,606,944	Rs 100,572,854
Profit After Tax	44,046,036	Rs 60,227,711
Earnings per Share	0.192	Rs 0.261

We have pleasure to report that Pak Oman Microfinance Bank Limited has started journey towards in a right direction. We believe, going forward the performance of Pak Oman Microfinance Bank Limited will further improve.

Pak Oman Asset Management Company Limited

As at December 31, 2019 assets under management (AUMs) of Pak Oman Asset Management Company Limited (POAMCL) stood at Rs 5.4 billion. The Company has tangible existence across the country with retail offices in Karachi and Islamabad. In view of dismal investment environment and macro/micro economic challenges, Pak Oman's shareholders has decided to inject further equity into POAMCL to make it complaint to regulatory requirements and ensure successful operations through its further restructuring and re-organisation. With these steps we expect higher returns to the shareholders' going forward.

Risk Management Framework

Risk is an inherent part of all banking business activities. Through our well-established risk governance structure and strong risk management culture, we closely manage our risks with the objective of maximizing risk-adjusted returns while remaining within our risk appetite. Therefore, Pak Oman has implemented a regimented approach towards execution of an effective risk management framework comprising of core policies, procedures and process designs in line with the strategic direction set by the Board of Directors. The framework is supported by an efficient monitoring mechanism across the organization to ensure that risks are kept within an adequate level through self-assessment techniques, stress testing, portfolio review, early warning indicators and dynamic monitoring. The Company is taking all essential steps to remain fully compliant with SBP's guidelines on BASEL reporting and specifically with respect to Basel III transition. Moreover, POICL has also implemented Green Banking regulations and every project / credit proposal is reviewed as per the approved green banking procedures.

Internal Control

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

Corporate Governance & Financial Reporting

The Directors declare that:

- These financial statements, prepared by the Management, present fairly its state of affairs, the result of its operations, cash flows, and changes in equity.

- Proper books of account of the Company have been maintained.

- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure from them has been appropriately disclosed.

- The system of internal control is sound in design and has been effectively implemented and monitored.

- There are no doubts regarding the Company's ability to continue as a going concern.

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

Number of board and its sub-committees meetings held and attendance by each Director:

Name	Board of Directors Meetings Held 5	Board's Executive Committee Meetings Held 5	Board's Audit Committee Meetings Held 4	Board's Remuneration & Compensation Committee Meetings Held 3	Board's Risk Committee Meetings Held 4
H.E. Yahya Bin Said Bin Abdullah Al-Jabri	5	5	*	3	*
Mr. M. Zubair Motiwala	4	4	4	2	4
Mr. Omar Hamid Khan	4	4	3	*	*
Mr. Noor Ahmed	1	1	1	*	*
H.H. Sayyid Juland Jaifar Salim Al Said	5	5	4	3	4
Mr. Haitham Yousuf Juma Al Zadjali	5	*	4	*	4
Mr. Bahauddin Khan	5	5	*	1	*

*Not member.

In April 2019 Government of Islamic Republic of Pakistan has nominated Mr. Omar Hamid Khan, Special Secretary Finance - Ministry of Finance, as director of Pak Oman Investment Company Limited in place of Mr. Noor Ahmed.

Mr. Bahauddin Khan was appointed as the member of the Remuneration and Compensation Committee in November 2019.

1. **Corporate Governance culture and standards followed by the Pak Oman, the governance values aspires for and steps taken to achieve them.**

   Pak Oman Investment Company Limited views high standards of corporate governance as a critical component for its long term success and for the economic health and stability of the market in Pakistan. As part of the Company's approach to corporate governance, the Board also fully recognizes that the success of the company ultimately depends upon the capacity of Directors to provide the vision and direction needed not only to survive but to develop and prosper. The Board endeavoured to maintain and strengthen the high level of corporate governance, continuously improving corporate transparency, ensuring the healthy development of the company and endeavouring to enhance corporate values.

   The board performs its statutory roles and fulfils its objectives by ensuring that the company has a competitive leadership and an effective executive management. The board then establishes significant policies/frameworks and the code of conduct and delegates the authorities and responsibilities down the line for the company's smooth operations.

2. Process of nomination and selection of Board members (including executive directors)

a. Process of appointment and nomination of Directors.

Pak Oman has two directors and the Chairman nominated by the (ministry of Finance) Government of Sultanate of Oman while two directors and the Managing Director are nominated by the (ministry of Finance) Government of Pakistan. These nomination letters confirm the appointment of the respective Director on the board of Pak Oman.

b. Profile of each of the director

H.E. Yahya Bin Said Bin Abdullah Al-Jabri
Chairman of the Special Economic Zone at Duqm, Sultanate 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 wherein, he attained degrees in advanced Management programs.

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

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

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

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

On the 30th of October 2011 H.E. has been appointed as the Chairman of

Duqm Special Economic Zone Authority which is taking shape in a strategic location at the northern Al Wusta Governorate. This is a giant project which is part of the government's efforts to accelerate the growth rate and maintain sustainable economic and social development aimed at diversification of resources particularly on areas like foreign trade, investment, tourism and fisheries and creation of new job opportunities for Omanis.

Mr. Haitham Yousuf Juma Al Zadjali
Director of Program and Performance and GFMIS Project Director

Mr. Haitham Yousuf Juma Al Zadjali has 17 years of proficient experience in managing various projects as directed by the Ministry of Finance-Sultanate of Oman. He has extensive experience in the fields of Actuarial Valuation, Project Management, Change Management, Business implementation, Human Resource Management, Financial Systems Management.

In addition, he is also a member of the Board of Directors of Oman Liquefied Natural Gas LLC (Oman LNG), Oman Logistic Company and Pak Oman Microfinance Bank Limited.

Mr. Bahauddin Khan
Managing Director & CEO

Mr. Bahauddin Khan has 35 years of Banking experience in both Multinational and local banks. He commenced his career with Standard Chartered Bank and has been associated with Deutsche Bank, Union Bank and UBL in senior positions. He joined Pak Oman Investment Company Limited from Bank Al Falah where he was serving as Chief Operating Officer.

A Master in Business Administration, Mr. Khan comes with a diverse enterprise background possessing strong Operations and Technology acumen. His proven proficiency includes all areas of Operations, Compliance, Information Technology, Trade Finance and Treasury along with broad spectrum expertise in other support services.

Mr. Bahauddin Khan is a Director of Pak Oman Microfinance Bank and Chairman of its Advisory Committee and a Director of Pak Oman Asset Management Company Limited.

Beside the above he is also nominee Director of Oman Oil Company on the Board of Orient Power Company Limited, a 212 MW IPP located at Balloki, Punjab.

Mr. M. Zubair Motiwala
Director - Pak Oman Investment Company Limited

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

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

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

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

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

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

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

H.H. Sayyid Juland Jaifar Salim Al Said
Manager – Risk Management State General Reserve Fund – Sultanate of Oman

H.H. Juland Jaifar Al Said has over 12 years of experience working at the State General Reserve Fund (SGRF), the largest sovereign wealth fund of Oman in the areas of private equity and real estate direct investment. He currently manages the Private Markets investment risk division and played a significant role in the establishment of the Risk and Compliance function at SGRF in 2013, promoting a risk based approach to investment decisions and embedding global risk standards to the investment process of the fund.

Mr. Omar Hamid Khan
Special Secretary Finance- Ministry of Finance Pakistan

Mr. Omar Hamid Khan is presently serving as Special Secretary in Finance Division. He has versatile experience in Public Development, Policy Formulation, Strategic Management and Implementation at federal/ executive7 levels being a career civil servant. He also served as Secretary Benazir Income Support Program (October 17 – 28, January, 2019), Additional Finance Secretary (Expenditure) in the Finance Division, Additional Secretary, Economic Affairs Division, Senior Joint Secretary/Spokesman in Ministry of Interior, Senior Joint Secretary in the Cabinet Division, Joint Secretary/Principal Staff Officer to the Principal Secretary to Prime Minister, including various stints as Deputy Secretary Prime Minister’s Secretariat, Establishment Division and Deputy Director Federal Investigation Agency. He has officially travelled in China, Mexico, Brazil, Nepal, USA, UK, France, Spain, Switzerland and Thailand.

Mr. Khan is a MSc. (Zool) from the University of Punjab; with Post Graduate 1 year Diploma in International Relations. He is also a graduate of National Defence University (National Security Course 2010-11) as well as Senior Management Course (2nd SMC) from National School of Public Policy.

c. Details of Membership on the Board(s) of other companies

Table – 1 Disclosure on Board of Directors					
Sr. No.	**Name of Directors**	**Date of Joining / Leaving the Board**	**Status of Director (Independent, Non-Executive, Executive)***	**Member of Board Committees**	**Number of other Board Memberships along with name of company(ies)**
1	H.E. Yahya Bin Said Bin Abdullah Al-	1/8/2001	Non-Executive Director	1. Executive Committee 2. Remuneration & Compensation Committee	1. Pak Oman Microfinance Bank Limited 2. Pak Oman Asset Management Company
2	Mr. Muhammad Zubair Motiwala	27/10/2007	Non-Executive Director	1. Audit Committee 2. Executive Committee 3. Remuneration & Compensation Committee 4. Risk Committee	1. K- Electric Ismail Industries Limited 2. Diamond Textild Mills (Pvt.) Limited
3	Mr. Omar Hamid	19/4/2019	Non-Executive Director	1. Audit Committee 2. Executive Committee	1. Civil Aviation Authority 2. Pakistan LNG Limited 3. Public Private Partnership Authority
4	Mr. Haitham Yousuf Juma Al Zadjali	3/8/2018	Non-Executive Director	1. Audit Committee 2. Risk Committee	1. Pak Oman Microfinance Bank Limited 2. Oman LNG, Sultanate of Oman

5	H.H. Sayyid Juland Jaifar Salim Al Said	12/28/2016	Non-Executive Director	1. Audit Committee 2. Risk Committee 3. Executive Committee 4. Remuneration & Compensation Committee	1. Pak Oman Microfinance Bank Limited
6	Mr. Bahauddin Khan	1/10/2015	Executive Director	1. Executive Committee 2. Remuneration & Compensation Committee	3. Pak Oman Microfinance Bank Limited 4. Pak Oman Asset Management Company limited 5. Orient Power Company Limited
*** As defined in Prudential Regulations for Corporate & Commercial Banking**					

d. The Institutions having Shariah Board shall also disclose the details mentioned in (a), (b) and (c) above, for all the members of Shariah Board.

N/A

3. **Detailed separate disclosure for each of the Board Committees (containing, at the minimum, following information)**

   a. **Composition and membership of each of the Board Committees; Number of Board and Committee meetings held during the year and attended by each member of the Board and Committees**

Name	Board of Directors Meetings Held 5	Board's Executive Committee Meetings Held 5	Board's Audit Committee Meetings Held 4	Board's Remuneration & Compensation Committee Meetings Held 3	Board's Risk Committee Meetings Held 4
H.E. Yahya Bin Said Bin Abdullah Al-Jabri	5	5	*	3	*
Mr. M. Zubair Motiwala	4	4	4	2	4
Mr. Omar Hamid Khan	4	4	3	*	*
Mr. Noor Ahmed	1	1	1	*	*
H.H. Sayyid Juland Jaifar Salim Al Said	5	5	4	3	4
Mr. Haitham Yousuf Juma Al Zadjali	5	*	4	*	4
Mr. Bahauddin Khan	5	5	*	1	*

b. **TORs of Board committees**

Annexure "A"

c. **Key achievements of Board Committees during the year that institution may like to highlight**

- At its four meetings, the Risk Committee dealt with the current and future overall risk appetite and strategy of the company, in particular with regard to credit, liquidity, refinancing, country, market and operational risks. The Risk Committee addressed the financial and non-financial risks of the company, their identification and their management as well as the measures to reduce them. In particular, the Risk Committee focused on personnel and model risks as well as the risks relating to the economic conditions of the Country. In addition, the Risk Committee received reports regularly from the Management Board about the appropriateness of risk, capital and liquidity as well as corresponding changes in risk-weighted assets.

- The Risk Committee also regularly received reports from the Risk Management function concerning key issues and initiatives, the budget for the Risk Management function, strategic stress scenarios and recovery. Furthermore, the Risk Committee dealt with findings and recommendations from regulators on risk-related topics. The Risk Committee monitored whether conditions in the client business are in line with the company's business model and risk structure.
- The Audit Committee met four times in 2019. The Audit Committee supported us in monitoring the financial reporting process and intensively addressed the Annual Financial Statements and Consolidated Financial Statements, the interim reports as well as the Annual Report. Within the context of the financial reporting process, it supported us in monitoring the implementation of the new International Financial Reporting Standard 9 as well as the recognition of provisions. The Audit Committee also dealt with the valuation of various departments of the company. The Audit Committee was kept up-to-date on the work of the Auditor, its audit plan and its resources. It addressed measures taken by the Management Board to remediate deficiencies identified by the auditor, external Audit and regulatory authorities. It also regularly received updates on the status and progress in this context and in the remediation of findings. We issued the mandate to E&Y as the independent auditor and, with the support of the Audit Committee, set the amount of the auditor's remuneration.

- The Remuneration & Compensation Committee met three times in 2019. It monitored the appropriate structuring of the compensation systems for the Management Board and employees, along with the compensation for the heads of control functions and material risk takers. It also dealt with the Compensation Report, which concluded the company's compensation system is appropriately structured and in accordance with the requirements of the law. The RCC concurred with this assessment.

- The Executive Committee met 4 times in 2019.

d. TORs of Shariah Board, number of meetings held and attended by each member. (for institutions required to have Shariah Board)

N/A

4. Disclosure related to appointment and scope of work of external expert(s) (if any) for formulation and implementation of remuneration policy and

Assessment of Board performance. The Chairman to certify that the experts hired are independent and no conflict of interest exists with any Board member or any key executive.

The board has a process in place to evaluate and enhance the overall effectiveness of the Board, its committees and individual directors (including the MD) on an annual basis by the SECP approved PICG. The services of the external consultant are engaged to facilitate the Board's annual performance evaluation. The process begins with the design of a set of surveys which are tailored to be specific circumstances of the company and comprises of a mix of questions. All board members are required to complete the surveys online and the anonymity of the respondents is ensured throughout the process in order to promote an open and casual exchange of views. The consolidated results are shared by PICG with the Chairman who then presents the same at the board meeting. The outcome of the meeting is collated and forms the basis of the action plan which is agreed by the Board for implementation. The remuneration policy is in the process of being developed in-house as per the guidelines of the State bank of Pakistan.

Compensation Governance

Pak Oman Investment Company Limited has a robust governance structure enabling it to operate within the clear parameters of the Compensation Strategy and the Compensation Policies. The Board of Directors governs the compensation of the CEO and other HoDs, while the CEO oversees compensation matters for all other employees in the Company. Both the Board of Directors and the CEO are supported by specific committees and functions, in particular, the Remuneration and Compensation Committee and the Internal HR Committee respectively.

In line with their responsibilities, the company's control functions are involved in the design and application of the company's remuneration systems, in the identification of MRTs and in determining the total amount of VC. This includes assessing the impact of employees' behaviour and business-related risks, performance criteria, etc.

Remuneration & Compensation Committee (RCC)

The Board of Directors has setup the RCC to support in establishing and monitoring the structure of the compensation system for the CEO of Pak Oman Investment Company Limited, considering, in particular, the effects on the risks and risk management following the regulator. Furthermore, the RCC monitors the appropriateness of the compensation system for the employees of Pak Oman Investment Company Limited, as established by the CEO & IHRC. The RCC checks regularly whether the total amount of variable compensation is affordable and set under the regulatory criteria. Furthermore, the RCC supports the Board of Directors in monitoring the MRT identification process and whether the internal control functions and the other relevant areas are properly involved in the structuring of the compensation systems.

The RCC consists of the Chairperson of the Board of Directors and three further Board Members including the CEO. The Committee held three meetings in the calendar year 2019. In December, the member of the Board's Audit Committee attended the Remuneration & Compensation Committee meeting as guest.

COMPENSATION POLICY

Compensation Philosophy

Compensation plays an integral role in the successful delivery of POICL's strategic objectives. Attracting and retaining the most capable employees is central to our compensation strategy. The cornerstone of this is the concept of pay for performance, within a sound risk management and governance framework, and with due consideration of market factors and societal values. As we seek to align compensation to evolving internal and external expectations, reward structures are reviewed, and enhanced as needed, regularly.

Compensation Structure

The policy is driven primarily by a performance-based culture that aligns employee interests with those of the Company. The aim is to provide a competitive level of compensation to attract and retain qualified and competent employees. The total compensation paid to all the employees will comprise of Fixed and Variable components.

1. **Fixed Compensation**

   Fixed compensation is the gross salary along with allowances and benefits, except performance bonuses.

2. **Variable Compensation**

   Variable compensation is based on annual performance appraisals, enabling alignment of employees' compensation with their performance, in conjunction with the overall performance of the Company. The variable compensation of the employees is subject to the allocation of funds in the bonus pool as approved by the Board.

   The variable compensation of MRTs and MRCs of the Company is subject to appropriate risk adjustments, intending to limit performance-based variable compensation for excessive risk-taking.

Risk Based Compensation for MRTs and MRCs

The variable compensation of MRTs and MRCs is devised based on the following steps:

A. Risk Profiling;
B. Risk Takers and Risk Controllers;
C. Materiality Assessment;
D. Performance Appraisal; and
E. Risk Adjustment.

A. Risk Profiling

In establishing a risk-based compensation, the basis is an assessment of POIC's risk profile and its risk appetite. Risk adjustments are designed to reflect the risk appetite of the Company. This assessment takes into account all material risks and differentiates between risks which affect the Company as a whole and those which affect individual business lines. It identifies the risk characteristics of POIC's main business lines and the risk tolerance limits for smooth operations.

POIC encourage and dissuade employees from taking actions outside POIC risk appetite/ tolerance.

B. Risk Takers (RTs) and Risk Controllers (RCs)

Head HR&A in consultation with Head Risk Management identifies and reviews the functions/employees as Risk Takers and Risk Controllers annually. The classification is conducted on the below criteria:

Risk-taker is a function/employee of POIC who takes, or is willing to take, the risk that may result in financial losses as circumstances may change, but might also present an opportunity for a rewarding outcome for POIC.

Risk Controller is a function/employee of POIC positioned to proactively identify risks associated with the business of POIC and may advise the mitigation thereof.

RC should be independent of the business and support units it monitors and controls.

Others include all those departments / employees of POIC which are not classified as Risk Takers or Risk Controllers.

C. Materiality Assessment

All the identified RTs and RCs do not necessarily have a material impact on the risk profile of POIC. Therefore, the impact of materiality on the company's risk profile is assessed and MRTs / MRCs are approved by the board accordingly.

According to the size, nature, and complexities of POIC's operations, the following criteria are taken into account to identify MRTs and MRCs:

Criteria for Material Risk Takers:

- Managing Director(MD) / Chief Executive Officer(CEO) or any other equivalent position or MD/CEO of fully owned local subsidiaries;
- Member of senior management who are categorized as RTs i.e. direct report to the MD/CEO or any other equivalent position;
- Country Head(s) of the overseas branch(es) / operations unless the related branch/operation is subject to similar remuneration regulations in the host country;
- All Material Business Unit heads managing aggregate assets, in their respective business lines which represents 2% of tier 1 capital;
- The staff member has managerial responsibility in the *Critical Function* as determined by Board Remuneration & Compensation Committee (BRCC) and directly reports to the Head of that Critical Function;
- Concerning credit risk transactions, employee:
  a. is responsible for proposing credit proposals, or structuring credit products; or
  b. has the authority to take or approve a decision on such credit risk exposures; or
  c. is a member of a Credit committee or any other committee which has the authority to take the decisions referred to in point (a) or (b); of a nominal amount per transaction which represents 0.7% of tier 1 capital;
- Concerning the treasury portfolio, the employee is the head of a treasury desk, including the money market, equities or is a direct report to such head. This will not include dealers without the authority to undertake positions on their own; and
- Concerning decisions to approve the introduction of new products subjecting the bank to significant risks, the employee:
  a. has the authority to take such decisions; or
  b. is a member of an ALCO committee or any other committee which has the authority to take such decisions.

Criteria for Material Risk Controllers:

- The staff member is responsible for, or is a member of, a committee responsible for risk management or accountable for the activities of the independent risk management function, compliance function and internal audit function; and
- The staff member heads a function responsible for legal affairs, finance including taxation and budgeting, human resource or information technology.

D. Performance Appraisal

POIC promotes a sound dynamic performance based compensation system as a means for achieving long-term success and encourages performance and the right behaviour.

Performance Evaluation Matrix (PEM) for MRTs and MRCs is developed in line with the Company strategy, their job roles and responsibilities, and risk-taking behaviour. The development of KPIs is followed as per the defined procedures mentioned in the Annual Evaluation.

Performance appraisal impacts the performance bonuses, annual increment and / or promotion of the employees enabling a performance-based compensation system.

E. Risk Adjustments

A risk-adjusted compensation mechanism for MRTs and MRCs is developed to limit performance-based variable compensation for excessive risk-taking. An incentive to take risk is constrained by incentives to manage risk. The best way to achieve this outcome is to vary performance-based variable compensation according to risks taken (ex-ante) and risks realized (ex-post).

- **Ex-ante** - by adjusting remuneration for risk as it is accrued and awarded, to take into account potential adverse developments in the future; or
- **Ex post** - by adjusting accrued remuneration during (e.g. through a malus clause) a deferral period in the light of experience and observations of risk and performance outcome made.

The mechanism establishes a relationship between employees' compensation structure and their risk-taking behaviour and leverages a balance between fixed and variable components to ensure the levels of compensation are appropriately balanced between fixed, short- and long-term variable compensation.

The ratio of fixed to variable compensation is limited to 1:1, which means the amount of variable compensation will not exceed fixed compensation.

The actual variable pay-out depends upon the performance appraisal subject to risk adjustments to influence the risk-taking behaviour of MRTs and MRCs. However, it can vary for each category of employee. The variable compensation is flexible and can even be reduced to zero depending upon the achievement of objectives and performance. The Board reserves the power to accord the bonuses (variable pay) of employees.

To align risk and compensation, MRTs and MRCs variable compensation shall subject to the following risk adjustments.

A. Deferment

The performance bonus of MRTs and MRCs will subject to deferment to reflect the time horizon during which risks are likely to materialize and the results of poor performance, poor risk management or misconduct identified.

The performance bonus of MRTs and MRCs will subject to deferment base on the below criteria:

Rating/ Scoring	Performance Category	Performance Description with respect to risk adjustment	Basis of Deferment	Deferment Outcome
A	Exceptional	Significantly and consistently exceeds standards and expectations	VC up to 70% of FC	No
			VC is greater than 70% of FC	Yes
B	Exceed Expectations	Consistently exceeds standards and expectations	VC up to 60% of FC	No
			VC is greater than 60% of FC	Yes
C	Meet Expectations	Meets standards and expectations	VC up to 50% of FC	No
			VC is greater than 50% of FC	Yes
D	Below Expectations	Does not meet standards and expectations	Employee shall not be eligible for variable compensation	
E	Unsatisfactory	Significantly below standard and expectations		

As per the aforementioned scenarios, the deferred performance bonus shall be paid on pro-rata, through yearly instalments over the deferment period of 3 years and 1 year for MRTs and MRCs respectively, while the remaining performance bonus shall be paid upfront in the form of cash.

Upfront cash	It shall be awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred cash	It shall be awarded and paid in cash on a pro-rata basis over a period of 1 or 3 year(s) as applicable

Deferral Arrangements

Variable compensation of MRTs & MRCs categorized in A category shall as follows:

Components of Variable Compensation	Deferral	Deferral Period		Malus
Upfront cash	Amount of VC up to 70% of FC	Immediate		-
Deferred cash	Amount of VC exceeding 70% of FC	3 years	MRT	Yes
		1 year	MRC	

Variable compensation of MRTs & MRCs categorized in B category shall as follows:

Components of Variable Compensation	Deferral	Deferral Period		Malus
Upfront cash	Amount of VC up to 60% of FC	Immediate		-
Deferred cash	Amount of VC exceeding 60% of FC	3 years	MRT	Yes
		1 year	MRC	

Variable compensation of MRTs & MRCs categorized in C category shall as follows:

Components of Variable Compensation	Deferral	Deferral Period		Malus
Upfront cash	Amount of VC up to 50% of FC	Immediate		-
Deferred cash	Amount of VC exceeding 50% of FC	3 years	MRT	Yes
		1 year	MRC	

B. Malus

Malus allows cancellation/reduction of unvested variable compensation under certain circumstances. The compensation will subject to malus provision if a reasonable evidence of wilful misbehaviour, material error, negligence or incompetence of the employee causing the Company/ business unit to suffer material loss in its financial performance, material misstatement of the Company's financial performance, material risk management failure or reputational loss or risk during the concerned performance year.

In addition, the Board reserves the right to cancel (while respecting labor laws and regulation) the disbursement of sums accrued in the past in case of:

- Significant capitalization problems for the Company; and
- Materialization of significant risks generated in the years when bonuses had been accrued.

The deferred bonus pool may be managed using either of the following schemes/options with detailed analysis of all the related aspects:

- Management of deferred bonus pool within the Company; and/or
- Setting up of a new scheme along with a management function and governance mechanism for such deferred bonus pools.

Compensation for Non- Executive Directors (NEDs)

Non-Executive Directors (NEDs) will be compensated transparently and measurably and it will be linked to the actual number of board and/or committee meetings attended by an individual director. NED's compensation will not include performance-related elements such as grants of shares, share options or other deferred stock-related incentive schemes, bonuses, or retirement benefits.

Employee Stock Option Scheme (ESOS)

The company does not offer any ESOS.

Statement of Investments of Provident & Gratuity funds

Investments of Provident & Gratuity funds as at December 31, 2019 according to their un-audited financial statements were Rs 217 million and Rs 158 million respectively.

Auditors

The present Auditors, M/s EY Ford Rhodes & Co. Chartered Accountants retire and being eligible, offer themselves for re-appointment. The Board of Directors, on the recommendation of the Audit Committee, recommended the appointment of M/s EY Ford Rhodes & Co. Chartered Accountants, as auditors of the Company for the year ending December 31, 2020 for consideration and approval at the Annual General Meeting.

Pattern of Shareholding

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

Acknowledgements

Sponsors

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

Regulators

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

Management

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

Bahauddin Khan
Managing Director
& Chief Executive

Yahya Bin Said Bin Abdullah Al-Jabri
Chairman

Karachi: February 12, 2020

Annexure "A"

TERMS OF REFERENCE
EXECUTIVE COMMITTEE

COMPOSITION:
The Committee will be comprised of following directors:

• H.E. Yahya Bin Said Bin Abdullah Al-Jabri	Chairman
• Mr. Muhammad Zubair Motiwala	Member
• Mr. Omar Hamid Khan	Member
• H.H. Sayyid Juland Jaifar Salim Al-Said	Member
• Mr. Bahauddin Khan	Member

Member(s) who may not be able to attend may give a proxy in favour of other member of the same committee. In absence of any Member another director will be co-opted into the Committee.

QUORUM:

Meeting:	Three Committee Members.
Decision Making:	Simple Majority

MEETINGS:
Meeting shall be held as appropriate but at least with each Board Meeting.

SECRETARY:

The Company Secretary will be the Secretary to the Committee. The Secretary is responsible for drawing up the agenda for the meetings and circulating it, and providing required supporting documentation to Committee members, prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee, and circulating them amongst members of the Committee.

TERMS OF REFERENCE:

The Board of Directors may from time to time, delegate all or part of its powers to an Executive Committee upon such terms and conditions as it may deem fit and shall have

the right at its sole discretion to revoke, withdraw or vary such powers. All decisions of the Executive Committee are ratified in the following Board Meeting. Any and all proposals can also be sent to, and approved by the Executive Committee Members through circulation, via simple majority. Furthermore, if a proposal has been sent by circulation to the Members and a response has not been given by two weeks, the proposal will be deemed to have been accepted by the said Member(s).
The powers delegated to the Executive Committee by the Board of Directors are detailed as follows:

(i) to review and approve all business proposals (funded or non-funded) above Rs 50 million (US$ 0.833 million), including
   a. credit &
   b. investments in shares, and mutual funds

(ii) To review and approve lines/ limit of over Rs. 50 million
   a. Banks
   b. Financial institutions
   c. Other corporate entities

   For treasury and capital market transactions;

(iii) To review and approve overall limit of Capital Market Operations including lending under CFS;

(iv) to review and approve overall limit of debt instruments but not limited to Term Finance Certificates, Mutual Funds, Commercial Papers and /or Sukuk Certificates;

(v) To review and approve minimum rating for investment in Term Finance Certificates, Mutual Funds, Commercial Papers and/or Sukuk Certificates;

(vi) To decide upon the cases of rescheduling and waiver of penal interest in respect of the financial projects;

(vii) To decide upon the case of write-off for final recommendation to the Board

(viii) To consider any other issue advised by the Board.

Any and all proposals can also be sent to, and approved by the Executive Committee Members through circulation.

TERMS OF REFERENCE
AUDIT COMMITTEE
(AUDIT COMMITTEE CHARTER)

Objective

The objective of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities related to financial reporting practices, quality and integrity of financial reports, internal control environment, regulatory compliance, risk management, governance and business Ethics.

Composition

The committee will be comprised of the following directors:

• Mr. Haitham Yousuf Juma Al Zadjali	Chairman
• Mr. Muhammad Zubair Motiwala	Member
• Mr. Omar Hamid Khan	Member
• H.H. Sayyid Juland Jaifar Salim Al-Said	Member

The Managing Director can be invited to the committee meeting (as and when required).

QUORUM:

Meeting:	Two Committee Members.
Decision Making:	Simple Majority

Frequency of meetings; Frequency & mechanism of reporting to Board. (MEETINGS)

Meetings shall be held as appropriate but not less than four times a year. Synopsis of the proceedings of Audit Committee Meeting shall be presented by the Chairman Audit Committee to the Board including comments on significant matters identified by Internal Audit function along with quarterly, half- yearly and annual financial statements of the Company prior to their approval by the Board of Directors.

Frequency of review of ACC & Mechanism of Performance Evaluation of ACC

The Board shall, on an annual basis, review the performance & effectiveness of BAC against the roles & responsibilities set forth in the charter through its Board Evaluation which is done annually (in-house/PICG)

SECRETARY

The Company Secretary will be the Secretary to the Committee. The Secretary is responsible for drawing up the agenda for the meetings and circulating it, and providing required supporting documentation to Committee members, prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee, and circulating them amongst members of the Committee.

Authority

BAC shall have complete authority & independence to perform its roles & responsibilities by either utilizing internal or external resources (if need arises).

Frequency & channel of communication with management.

BAC in order to discharge its role and responsibilities may direct and requisite any information, whenever required, either through the Secretary of the Committee or Chief Internal Auditor or directly from the management.

Roles & Responsibilities (TERMS OF REFERENCE)

The Terms and Reference of the Audit Committee shall include the following:

I. The BAC shall regularly receive and review the summary of significant violations/observations, internal and external frauds, internal control deficiencies, organizational and personal material conflicts of interest as identified during the audit activities along with follow-up actions taken by management to ensure that audit observations/recommendations receive proper and timely attention by senior management through time bound action points/indicators to monitor improvements.

II. Review of quarterly, half- yearly and annual financial statements of the Company prior to their approval by the Board of Directors. The review will focus on:

  a. Major judgemental areas;
  b. Significant adjustments resulting from the audit;
  c. The going-concern assumption;
  d. Any changes in accounting policies and practices;
  e. Compliance with applicable accounting standards; and
  f. Compliance with listing regulations and other statutory and regulatory requirements

III. Review of preliminary announcements of results prior to publication;

IV. Review of the company’s statement on internal control systems prior to endorsement by the Board of Directors;

V. Facilitating the external audit and discussion with external auditors regarding major observations arising from interim and final audits and any matter that the auditor may wish to highlight;

VI. Review of management letter issued by the external auditors and management's response thereto;

VII. Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

VIII. Monitoring compliance with the best practices of corporate governance and identification of significant variation thereof;

IX. Determination of compliance with relevant statutory requirements

X. Responsible for recommending to the Board of Directors the appointment of external auditors by the Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision of any service to the Company in addition to audit of its financial statements;

XI. Review of the scope and extent of internal audit and ensuring that the internal audit function is independent has no restrictions on access to people, information, processes, properties, records, and systems to perform their audit activities with objectivity.

XII. The BAC/board shall approve budget for IAF and adequate resources; that is sufficient to carry out the planned audit activities which shall be periodically reviewed against its status and if required provide additional resources (financial, human, operational, physical, technological and necessary trainings) to IAF to perform its activities.

XIII. The BAC shall review and approve 'Internal Audit Charter' (IAC) and annual 'Risk Based Audit Plan' (RBAP) as and when required.

XIV. BAC shall review 'Internal Audit Strategy' (IAS) and recommend approval by the board.

XV. BAC shall approve the appointment/re-hiring/renewal of contract and removal of CIA; and approve other terms of employment including his/her remuneration, allied benefits, promotion/demotion and determination of any performance-based bonuses, increments, cash awards or other financial and non-financial benefits.

XVI. The BAC shall approve 'Key Performance Indicators' (KPIs) for CIA and shall evaluate his/her performance against set KPIs on annual basis.

XVII. The BAC should ensure independence of any investigations/disciplinary actions against CIA & internal auditors.

XVIII. The BAC shall annually obtain from CIA an independent assessment/opinion on the state of FI's internal controls based on the audits conducted over the period.

XIX. Report to board any significant matters identified by IAF/external auditors that warrant board's immediate attention.

XX. Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive to consider remittance of any matter to external auditor and to any other external body.

XXI. Review effectiveness of whistle blowing procedures for receiving (through internal or external sources) complaints/concerns regarding business ethics/conduct practices, governance & risk management practices, controls over financial reporting, auditing practices etc.

XXII. The BAC must ensure that such concerns are treated confidentially and that the reporting employee(s) are protected and not penalized in any manner whatsoever.

XXIII. Consideration of any other issue or matter as may be assigned by the Board of Directors

TERMS OF REFERENCE
REMUNERATION & COMPENSATION COMMITTEE

TITLE
The Committee is known as the Remuneration & Compensation Committee

COMPOSITION

The Committee is comprised of the following:

• H.E. Yahya Bin Said Bin Abdullah	Chairman
• Mr. Mohammad Zubair Motiwala	Member
• H.H Sayyid Juland Jaifar Salim Al Said	Member

The Managing Director can be invited to the committee meeting (as and when required).

MEETINGS

Meeting shall be held as appropriate, but not less than once a year.

QUORUM

Meeting:	Two Committee Members.
Decision Making:	Simple Majority

SECRETARY

The Company Secretary will be the Secretary of the Committee. The Secretary is responsible for drawing up the agenda and circulating it, and providing required supporting documentation to Committee members, prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee, and circulating them amongst members of the Committee.

In the absence of the Secretary the Chairman of the Committee may nominate a Secretary for the given period.

AUTHORITY & DUTIES

1. To ratify the appointments, compensation (including retirement benefits) of Heads of Departments except COO, CFO, Company Secretary and Head Internal Audit, as recommended by the Managing Director.

2. To recommend to the Board the selection, evaluation, compensation (including retirement benefits) of COO, CFO, Company Secretary and Head of Internal Audit.

3. To review and approve the terminations, promotions, salary increments and other benefits of Departmental Heads as recommended by the Managing Director.

4. To review (and approve) the annual evaluation reports of the departmental heads as recommended by the Managing Director.

5. To review and recommend to the Board of Directors, the performance bonuses payment criteria for the departmental heads, executives and other employees of the Company.

6. To review and recommend to the Board any changes in the HR Policy Manual & Employee Service Rules of the Company.

7. To periodically review and recommend to the BOD enhancements in the salary, allowances and perquisites of the MD including performance bonus.

8. To review and recommend to the Board any changes to the directors' fees.

9. To consider any other issues, topics, as defined by the Board.

The Committee is authorized by the Board to obtain outside Human Resource, legal or other independent professional advice if considered necessary.

TERMS OF REFERENCE
BOARD RISK MANAGEMENT COMMITTEE

COMPOSITION:
The Committee will be comprised of following directors:

• Mr. Muhammad Zubair Motiwala	Chairman
• Mr. Haitham Yousuf Juma Al Zadjali	Member
• His Highness Sayyid Juland Jaifar Salim Al Said	Member

The Managing Director can be invited to the committee meeting (as and when required).

In absence of the Chairman, the committee will be chaired by a member of the committee nominated by the Chairman.

QUORUM:

Meeting:	Two Committee Members.
Decision Making:	Simple Majority

MEETINGS:
Meeting shall be held at least once every quarter with each Board Meeting.

SECRETARY:

The Head Risk Management will be the Secretary to the Committee. The Secretary is responsible for drawing up the agenda for the meetings and circulating it, and providing required supporting documentation to Committee members, prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee, and circulating them amongst members of the Committee.

TERMS OF REFERENCE:

The powers delegated to the Risk Management Committee by the Board of Directors are detailed as follows:

Authorities and Responsibilities

General:
The Committee shall be responsible for establishing and maintaining a risk management framework with an enterprise wide approach built to identify and prioritize risks and to

evaluate the alignment and effectiveness of risk management activities. In achieving these objectives the functions of the Committee include, but these are not limited to the following:

- Reviewing the Company wide strategy from risk perspective and ensuring that it is prepared in accordance with Company's policies and regulatory requirements.
- Recommending the Company's overall risk appetite as well as risk tolerance in relation to credit, market, liquidity and operational activities.
- Reviewing periodically the credit risk management and other policies and making appropriate changes to keep them in line with any development and environmental changes. However, in the absence of any such circumstances it is expected that the committee shall re-evaluate these policies at least once in three years.
- Reviewing / revising new product / program of lending / investment and or new line of business and recommending them to the Board.
- Reviewing the Company's desired capital adequacy ratio and monitoring any significant fluctuations and exceptions to the minimum regulatory capital requirements and seeking necessary Board approval.
- Material exceptions to the risk management policies and tolerances related to risk limits and remedial actions and ratifications of the same.
- Any new risk and control framework / best practices / new legislation regime.
- Review of risk appetite variance.
- Review of Basel II / III – ICAAP / Stress testing.
- Evaluating that the Company's overall risk exposure is maintained at prudent levels and consistent with the available capital.
- Submission of any other statement for review in accordance with SBP guidelines / Company policy.

Credit:

- Approving TOR's of Credit Committee.
- To review and recommend annual credit plan to the Board.
- To approve / ratify / recommend / waive / relax applicable regulatory / policy requirements wherever it is permissible for the Board / BRMC.
- To review and approve all related part exposures for approval to the Board.
- Portfolio and sector analysis.
- Analyze country risk where applicable.

Market Risk:

- Review and recommend counterparty / FI Limits
- Review and recommend Annual Treasury Plan

- Ratification of treasury limit breaches for Board Approved limits
- Review variance in Treasury, equity plans.
- Review stress testing.
- Review exception reports.

Liquidity Risk:

- Review maturity / repricing gaps.
- Review and recommend the Contingency Funding Plan (CFP).
- Monitor funding gap

Operational Risk Management:

- Review and recommend tolerance limit for operational risk.
- Approval of Internal Risk Assessment Methodology i.e. Risk and Control Self assessment (RCSA) or any other methodology for monitoring risk.
- Review Operational Loss Tolerance variance (report of significant risk / loss incidents).
- Review any significant operational risk that BRMS needs to ne made aware of.
- Review the report on key incidents and indicators submitted to determine the adequacy of proposed / executed action and direct any alternative action or implementation of proposed action.

Information Technology Security Risk Management:

- Review and recommend I.T. Security strategy.
- Recommend to Board IT security policy / amendments
- Review status reports on information security policy implementation
- Review any significant change in a business process, system or activity as presented by the Secretary –BRMC to highlight any risks that may be incurred.
- Review that the Company has a business continuity / comprehensive contingency plan in place duly approved by the Board of Directors.

ڈائریکٹرز کی رپورٹ

ہم بورڈ کے ڈائریکٹرز کی جانب سے کمپنی کی اٹھارہویں سالانہ رپورٹ معہ، 31 دسمبر 2019 کو ختم ہونے والے مالی سال کے مالیاتی گوشوارے بمع کنسولیڈیٹڈ شدہ مالیاتی گوشوارے بمع محاسب کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

معیشت

ڈھانچاتی مسائل کے عدم توازن کی درستگی سے پاکستان کی معیشت ایک استحکام اور پائیداری کے مراحل سے گذر رہی ہے اور یہ قلیل المدت میں نمو کو متاثر کر رہی ہے۔ دھانچاتی عدم توازن کی درستگی کرنے میں غیر ملکی زر مبادلہ کی مینجمنٹ منڈی کی متعین انتظام پر پہنچ گئی ہے اور اس گردش میں روپے نے امریکی ڈالر کے مقابلے میں مساوات مبادلہ (parity) میں 35 فیصد کمی ہوئی ہے جبکہ گذشتہ دو سالوں میں روپے کی قدر امریکی ڈالر کے مقابلے میں 53 فیصد کمی ہوئی ہے۔ مضبوط زر افراطی (inflationary) رجحان کے پس منظر میں بینک دولت پاکستان نے مالیاتی سختی کے موقف پر قائم رہی اور سال 2019 میں پالیسی نرخ میں مجموعی طور پر 325 بیسس پوائنٹس کا اضافہ سے بڑھ کر 13.25 فیص ہوگئے اور گذشتہ 18 ماہ میں مجموعی طور پر 750 بیسس پوائنٹس کا اضافہ ہوا۔ اس موقف کی وجہ سے کاروبار کرنے کی لاگت بلند تر ہورہی ہے اور اس کی وجہ سے معیشت کی نمو میں کمی ہو رہی ہے اور نتیجتاً مالیاتی سال 2020 میں مجموعی قومی پیداوار کی نمو مدھم رہے گی۔

روپے کی قدر میں کمی اور عوامی سہولیات (utility) کے نرخوں بڑھانے کے ترمیم کرنے کی واجہ سے زر افراطی توانا ہو گیا اور آنے والے مہینوں میں افراط زر 12 فیصد سے زیادہ ہوگا جو گذشتہ 10 سالوں کی بلند ترین سطح ہے اور امکان ہے کہ اگلے دو سالوں میں بلند سطح پر رہے گا۔

ڈھانچاتی عدم توازن کے سلسلے میں کئے جانے والے حکومتی اقدامات کا اس کے نظام سے مطابق ہونے کے کے وقت لیے کے علاوہ حکومت کا عزم ضروری ہے۔ تاہم، IMF کے پروگرام کی دوبارہ آغاز، سعودی تیل کی سہولت کی فراہمی اور دیگر کثیر الجحت/دو طرفہ شراکت داروں، صارف اور کاروبار کے اعتماد میں اضافے اور محصول کی بنیاد میں توسیع کے سلسلے میں کئے جانے والے اقدمات کی وجہ سے کچھ مثبت اشارے دیکھے گئے ہیں۔ مزید یہ کہ، حکومت کے کاروبار سے متعلق اصلاحات کے نتیجے میں عالمی بینک کے "کاروبار کرنے کی آسانیاں" کے تازہ ترین سروے میں ملک 136 ویں نمبر سے 108 ویں نمبر پر آگیا ہے۔

سال 2020 میں حکومت کا جاری مالیاتی عدم توازن کے ستحکام، محصول کی بنیاد میں توسیع، افراط زر کو کنٹرول کرنے، براہ راست غیر ملکی سرمایہ کاری (ماسوائے CPEC کے تحت)، تنظیم نو/سرکاری ملکیت والے اداروں کی نجکاری اور مالی وسائل کی زیادہ پیداواری ترقیاتی کاموں کی جانب منتقلی ایک بڑا مسئلہ رہے گا۔

جھلکیاں

31 دسمبر پر			31 دسمبر پر	
2019	2018		2019	2018
ملین امریکی ڈالر			ملین پاکستانی روپے	
3.3	3.0	منافع بعداز محصول	504	464
US$0.0053	US$ 0.0049	ہر 10 روپے کے حصص (بنیادی اور گھٹا ہوئے) پر آمدنی فی حصص	Re 0.82	Re 0.76
129.3	132.3	قرضہ جات	20,024	20,481
383.4	183.6	سرمایہ کاری	59,376	28,433
594.7	375.3	کل اثاثہ جات	92,083	58,110

آپریشن کا جائزہ

ہمیں یہ بتاتے ہوئے خوشی ہو رہی ہے کہ ملکی معیشت کو درپیش مسائل کے باوجود، آپ کی کمپنی کی کارکردگی اطمینان بخش رہی۔ 31 دسمبر 2019 کو اختتام پذیر سال کے دوران، آپ کی کمپنی نے محصول کی مالی ذمہ داریوں کی حساب کتاب کے بعد 504 ملین روپے (3.3 ملین امریکی ڈالر) کا منافع کے اندراج کیا اور اس کے مقابلے میں گذشتہ سال اسی مدت میں اس کی مالیت 464 ملین روپے (3.0 ملین امریکی ڈالر) تھی جو سال 2018 کے مقابلے میں 9 فیصد اضافہ دکھارہاہے۔ تیزی سے بڑھتے ہوئے سودی نرخ میں اضافے کے پس منظر میں، کمانے والے اثاثہ جات اور صلہ پانے والی (remunerable) مالی ذمہ داریوں کے وقت کے فرق باوجود اس کا حصول ممکن ہوا۔ ملک میں DFIs کو درپیش عملی مشکلات کا سامنا کرتے ہوئے اور معاشی نمو میں سست روی کے ساتھ، پاک اومان نے یہ نتائج حاصل کیے ہیں اور اس کا منافع اپنی ہم عصر اداروں میں بلند ترین ہے۔

سال کی کل مالگذاری (revenue) کا اندراج 1,257 ملین روپے (8.1 ملین امریکی ڈالر) ہوا اور اس کے مقابلے میں سال 2018 میں یہ 1,001 ملین روپے (6.5 ملین امریکی ڈالر) تھا جس میں 26 فیصد کی بہتری آئی ہے۔ آمدنی والے اثاثہ جات میں مثبت حجمی نمو اور اس کے پھیلاؤ کا خالص سودی آمدنی میں سال 2018 کے مقابلے میں 22 فیصد اضافے میں حصہ ہے یہ اس بات کے باوجود ہے کہ آمدنی دینے والے اثاثہ جات اور صلہ پانے والی (remunerative) مالی ذمہ داریوں کی قیمتوں کے دوبارہ سے تعین میں وقفہ ۔

آپ کی کمپنی نے بطور بنیادی ڈیلر کے سرگرم حصہ لینا جاری رکھا اور سرمایہ میں 139 ملین روپے (0.9 ملین امریکی ڈالر) ملین روپے کا اضافہ کیا جبکہ سال 2018 میں اس کی مالیت 27 ملین روپے (0.2 ملین امریکی ڈالر) تھی۔

لاگت کے انتظام کے سلسلے میں، لاگت کو کم کرنے کے اقدامات نے نتائج دیۓ اور سال 2018 کے مقابلے میں اخراجات میں اضافے کے رجحان کو 4.5 فیصد تک محدود رکھا جو سال 2019 میں اوسط افراط زر 10.2 فیصد تھا۔ تاہم، آگے بڑھتے ہوئے، 12 فیصد سے زیادہ کے جاری افراط زر، جو امکانی طور پر دوہرے اعداد میں رہے گا، کے پس منظر میں انتظامی اخراجات میں اضافے لہر آسکتی ہے۔

کاروباری خطرے کے انتظام کے نظام کی مضبوطی کی وجہ سے آپ کی کمپنی کا 3.3 فیصد کا کم انفیکشن تناسب کے ساتھ ساتھ 81 فیصد کا ایک مضبوط کوریج تناسب کی بنیاد بنی، جو کے DFIs کے ستمبر 2019 کے بالترتیب کے 15 فیصد اور 66 فیصد اوسط سے خاصہ زیادہ رہا۔

ایڈونسز کا پورٹ فولیو 20,024 ملین روپے(129.3 ملین امریکی ڈالر) رہا جس کے مقابلے میں سال 2018 میں اس کی مالیت 20,480 ملین روپے (132.3 ملین امریکی ڈالر) تھی۔ ہماری قرضہ میں آجانے کی حکمت عملی کی توجہ معیاری ایڈونسز کو حاصل کرنا اور مؤثر رسک وہیٹڈ (weighted) اثاثہ جات کے پروفائل کو قائم رکھنا ہے۔

مستقبل کے سودی نرخ کے پس منظر کو مد نظر رکھتے ہوئے، آپ کی کمپنی نے اپنے اثاثہ جات کے پورٹ فولیو میں ردوبدل کیا ہے اور ان کو گورنمنٹ کی تمسکات میں استعمال کیا ہے۔ اس کے نتیجے میں سرمایہ کاری سال 2018 کے 28,433 ملین روپے(183.6 ملین امریکی ڈالر) کے مقابلے میں بڑھ کر 59,376 ملین روپے(383.4 ملین امریکی ڈالر) ہو گئی ہے ۔

معیشت کی سست روی کے پس منظر میں آپ کی کمپنی نے حصص منڈی میں بروقت حصہ لینا ترک کرنے سے ممکنہ نقصان سے بچ گئے۔

بہتر منصوبے اور حکمت عملی پر عملدرآمد کی وجہ سے، آپ کی کمپنی کے ڈپازٹس میں 8,576 ملین روپے(55.4 ملین امریکی ڈالر) کا اضافہ ہوا، آپ کی کمپنی کے پاس اپنے ہم عصر گروپ میں سب سے بڑا ڈپازٹ پورٹ فولیو رکھتی ہے۔ زیر جائزہ مدت میں ریٹیل ڈپازٹس میں 1,692 ملین روپے(10.9 ملین امریکی ڈالر) جو سال 2018 میں یہ 1,236 ملین روپے(7.9 ملین امریکی ڈالر) تھا۔

کمپنی کے کل اثاثہ جات میں 31 دسمبر 2018 کے 58,110 ملین روپے(375.3 ملین امریکی ڈالر) کے مقابلے میں بڑھ کر 92,083 ملین روپے (594.7 ملین امریکی ڈالر) ہو گئے۔ کل اثاثہ جات میں یہ اضافہ ، مستقبل کے سودی نرخ کے پس منظر میں اثاثہ جات کے ملاپ میں دوبارہ ردوبدل کا نتیجہ ہے۔

31 دسمبر 2019 پر آپ کی کمپنی کا کیپیٹل اڈیکیسی تناسب (CAR) 15.57 فیصد رہا، جو SBP کی ضرورت تعمیل کرتی ہے، جبکہ انضمام شدہ کا کیپیٹل اڈیکیسی تناسب (CAR) 15.13 فیصد رہا جو کمپنی کی بہتر کیپیٹلائزڈ پوزیشن ظاہر کرتی ہے۔

مختص

بورڈ آف ڈائریکٹرز نے مندرجہ ذیل رقوم مختص کیں ہیں؛

	برائے سال 2019	
	ملین پاکستانی روپے	ملین امریکی ڈالر
دستوری ذخائر کی مد میں	100.861	0.65
کیش ڈیویڈینڈ @0.70 روپیہ فی حصص	430.5	2.78

حساب کتاب کی پالیسی (Accounting Policy) میں تبدیلی

اس مدت کے دوران کمپنی نے لیز کے لئے اکاؤنٹنگ معیار IFRS 16 کو قبول کر لیا ہے۔ کمپنی کے عبوری مالیاتی حساب کتاب پر IFRS 16 کو اپنانے کے اثر کو نوٹ 2.4.2 میں ظاہر کیا ہے۔

کریڈٹ ریٹنگ

وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹیڈ نے کمپنی کی درمیانی تا طویل المدتی ریٹنگ "ڈبل اے پلس" اور قلیل المدتی ریٹنگ "اے ون پلس" برقرار رکھی ہے ۔

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

کارپوریٹ گورننس کی ریٹنگ

وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹیڈ کی جانب سے کمپنی کو ادارے کی کارپوریٹ گورننس ریٹنگ سی جی آر-9 تفویض کی ہے۔ مختص شدہ ریٹنگ اعلیٰ معیار کی کارپوریٹ گورننس کی نشاندہی کرتی ہے جو کمپنی میں کام کرنے کے بہترین طور طریقے استعمال کرنے کا نتیجہ ہے۔

بینک دولت پاکستان کی پرائمری ڈیلرشپ

حکومتی بانڈز کی پرائمری اور ثانوی مارکیٹ کی ترقی/ترویج میں پاک عُمان کے کردار کو سراہتے ہوئے بینک دولت پاکستان نے پاک عُمان کو سال 2020-2019 کے لیے دوبارہ بطور پرائمری ڈیلر منتخب کر چکا ہے۔

پاک عُمان مائیکروفنانس بینک

پاک عُمان مائیکروفنانس بینک لمیٹڈ(POMFBL)ایک ملکی سطح کا مائیکروفنانس بینک ہے جو پاکستان کے چاروں صوبوں اور آزاد جموں و کشمیر پاکستان میں موجود ہے۔اس کے مالی سرپرستوں میں سلطنتِ اومان کی گورنمنٹ،LOLC(پرائیویٹ)لمیٹڈ اور پاک اومان انوسٹمنٹ کمپنی لمیٹڈ شامل ہیں POMFBL چھوٹے قرضہ جات اور بچت کی مصنوعات پیش کرتی ہے اور چاہتی ہے کہ غربت میں کمی کرنے/اپنے گاہکوں کے رہنے کے معیار میں بہتری آئے اور خواتین کو خود مختار بنائے۔اس کا مقصد چھوٹے اور درمیانے درجے کے کاروباری اشخاص کی کاروباری صلاحیت کی بنیاد پر مواقعوں کے ذریعے غربت میں کمی کی جائے اور معیشت اور ان کی زندگی میں بہتری لائی جائے۔

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

	2019	2018
شاخیں	30	23
خدمات کے مرکز	35	26
قرض خواہ کی تعداد 31دسمبر	59,688	40,145
سال میں قرضوں کی فراہمی	2,723,527,000روپے	1,666,254,000روپے
سال میں قرضوں کی اوسط حجم	52,000روپے	49,000روپے
کل قرضہ جات	1,978,461,406روپے	1,208,640,993روپے
ڈپازٹس	6,701,291روپے	6,784,301روپے
منافع قبل از محصول	51,606,944روپے	100,572,854روپے
منافع بعد از محصول	44,046,036روپے	60,227,711روپے
آمدنی فی حصص	0.192روپے	0.261روپے

ہمیں خوشی ہے کہ اس کی اطلاع دیں پاک عُمان مائیکروفنانس بینک لمیٹڈ درست سمت میں اپنے سفر کا آغاز کر چکا ہے۔ ہمیں یقین ہے آگے بڑھتے ہوئے پاک عُمان مائیکروفنانس بینک لمیٹڈ کی کارکردگی مزید بہتر ہوگی۔

پاک عُمان اسیٹ مینجمنٹ کمپنی لمیٹڈ

31 دسمبر 2019 پر پاک اومان اسیٹ مینجمنٹ کمپنی لمیٹڈ POAMCL کے زیرانتظام اثاثہ جات (AUMs) 5.4 ارب روپے رہے۔ کمپنی کی موجودگی ملک بھر میں ہے اور اس کے ریٹیل دفاتر کراچی اور لاہور میں ہیں۔ مایوس کن سرمایہ کاری کے ماحول اور میکرو/مائکرو معاشی چیلنجوں کے پیش نظر، پاک عمان کے شیئر ہولڈرز نے انضباطی تقاضوں کی مکمل کرنے اور اس کی مزید تنظیم نو اور تنظیم سازی کے ذریعے کامیاب کاروائیوں کو یقینی بنانے کے لئے POAMCL میں مزید ایکویٹی لگانے کا فیصلہ کیا ہے۔ ان اقدامات سے ہم آگے اپنے حصص کنندگان کے لیے بلند تر منافع کی توقع کر رہے ہیں۔

کاروباری خطرے کے انتظام کا ڈھانچہ

خطرہ تمام بینکاری کی کاروباری سرگرمیوں کا بنیادی جز ہے۔ اگرچہ ہمارا بہتر تسلیم شدہ خطرے کے نظم وضبط کا ڈھانچہ اور مضبوط خطرے کے انتظام کلچر ہے، ہم باریک بینی سے اپنے خطرات کے انتظام کرتے ہیں جس کا مقصد خطرے۔ ردوبدل سے آمدنی کو زیادہ سے زیادہ کرنا اور اپنے خطرے کی حدود میں بھی رہیں۔ اس لیے پاک اومان نے ایک موثر کاروباری خطرے کے انتظام پر عملدرآمد کے لیے ایک منظم لائحہ عمل کا نفاذ کیا ہے جو بورڈ کے ناظمین کی متعین کردہ تزویراتی (strategic) سمت کی مطابقت سے بنیادی پالیسیوں، طریقہ کار اور طریقہ کار کے ڈیزائن پر مشتمل ہے۔ ڈھانچہ کی معاونت کے لیے، ادارے بھر میں بہتر کارکردگی دکھانے والا نگرانی کا میکنزم موجود ہے تاکہ کاروباری خطرات کو خود تشخیصی اسلوب (technique)، دباؤ کی ٹیسٹنگ، پورٹ فولیو کے جائزے، پیشگی تنبیہ کے اشاروں اور متحرک نگرانی سے اسے ایک مناسب حد میں رکھا جاسکے۔ کمپنی SBP کی رپورٹنگ خاص طور پر Basel III پر منتقلی حوالے سے دی گئی ہدایات کی مکمل تعمیل کرنے کے سلسلے میں تمام اقدامات کر رہی ہے۔ علاوہ ازیں، POICL سبز بینکاری کے ضوابط کا بھی نفاذ کرچکی ہے اور ہر منصوبہ/قرضہ کی تجویز کا جائزہ سبز بینکاری کے منظور شدہ طریقہ کار کے مطابق جائزہ لیا جاتا ہے۔

اندرونی نگرانی کا نظام

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

کارپوریٹ گورننس اور مالیاتی رپورٹنگ

ڈائریکٹرز اعلان کرتے ہیں کہ ؛

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

بورڈاور ذیلی کمیٹیوں کے منعقدہ اجلاس اور ہر ڈائریکٹر کی حاضری

	بورڈ آف ڈائریکٹرز	بورڈ کی			
		ایگزیکیوٹیو کمیٹی	آڈٹ کمیٹی	مشاہرہ اور معاوضہ کمیٹی	رسک کمیٹی
منعقدہ اجلاس کی تعداد	5	5	4	3	4
ایچ۔ای۔یحییٰ بن سعید بن عبداللہ الجابری	5	5	*	3	*
جناب ایم زبیر موتی والا	4	4	4	2	4
جناب عمر جناب عمر حامد خان	4	4	3	*	*
جناب نور احمد	1	1	1	*	*
ایچ۔ایچ- سید جلند جیفر سلم آل سعید	5	5	4	3	4
جناب ھیثم یوسف جمعۃ الزدجالي	5	*	4	*	4
جناب بہاؤالدین خان	5	5	*	1	*

* رکن نہیں ہیں

اپریل 2019 میں حکومت اسلامی جمہوریہ پاکستان نے جناب نور احمد کی جگہ جناب عمر حامد خان، خصوصی معتمد، مالیات، وزارت مالیات کو پاک اومان انویسٹمنٹ کمپنی لمیٹڈ میں بطور ناظم نامزد کیا ہے۔

نومبر 2019 میں جناب بہاالدین خان کا مشاہراہ اور معاوضہ کمیٹی کے بطور رکن منتخب ہوئے تھے۔

1. ادارتی نظم وضبط کلچر اور پاک اومان کی معیار کی پیروی کرنا، نظم وضبط کی اقدار کے حصول کے لیے لیے جانے والاے اقدامات کی خواہشات

پاک اومان انویسٹمنٹ کمپنی لمیٹڈ اپنی طویل المدت کامیابی اور پاکستان کی منڈی کی معاشی صحت اور استحکام کے لیے اس کے نقطہ نظر کا لازمی جز، ادارتی نظم وضبط کے بلند معیار ہیں۔ کمپنی کے ادارتی نظم وضبط کے لائحہ عمل کے حصے کے طور پر، بورڈ کو بھی اس بات کو پوری طرح احساس کہ کمپنی کی نہ صرف بقاء، ترقی اور فروغ اور حتمی کامیابی کے لیے ناظمین کی کمپنی کے نصب العین (vision) اور سمت کے تعین کرن اور سمت کے تعین

کرنے کی صلاحیت ضروری ہے۔ بورڈ کی کوشش ہے کہ بلند سطح کی اداراتی نظم وضبط کو برقرار اور مستحکم، اداراتی شفافیت میں مسلسل بہری، کمپنی کی صحت مند ترقی کو یقینی بنانے کے لیے کوشش کی ہے اور اداراتی اقدار میں اضافہ کرنے کی کوش کررہی ہے۔

بورڈ اپنا دستوری کردار ادا کرتی ہے اور اپنے مقاصد کے حصول کے لیے کمپنی اس بات کو یقینی بناتی ہے کہ اس کے پاس مسابقتی قیادت اور عملدر آمد کا ایک مؤثر نظام ہو۔ اس کے بعد بورڈ اہم پالیسوں/ڈھانچوں ور ضابطہ اخلاق کی تشکیل کرتا ہے اور کمپنی کے آپریشن کی روانی کے لیے نچلی سطح تک ذمہ داریاں اور اختیارات تفویض کرتا ہے۔

2. بورڈ کے ارکان کی نامزدگی اور انتخاب کا طریقہ کار

a. بورڈ کے ارکان کی نامزدگی اور انتخاب کا طریقہ کار (بشمول ایگزیکیٹیو ناظمین)

پاک اومان کے پاس،، سلطنت اومان (وزارت مالیات) کے نامزد کردہ دو ناظمین اور چیئرمین جبکہ حکومت پاکستان (وزارت مالیات) کے نامزد کردہ دو ناظمین اور مینجنگ ڈائریکٹر ہیں۔ یہ نامزدگیوں کے خطوط پاک اومان میں متعلقہ ناظم کی انتخاب کی توثیق کرتے ہیں۔

b. ہر ناظم کا پیشہ ورانہ شخصی خاکہ

ایچ۔ای۔ یحییٰ بن سعید بن عبداللہ الجابری

چیئرمین خصوصی معاشی زون، دقم، سلطنت اومان

عزت مآب یحییٰ بن سعید بن عبداللہ ال جابرہ کے پاس عالمی اداراتی اور سرمایہ کاری بینکاری کے وسیع تجربے کے ساتھ امریکہ کے معروف اسکولوں سے تعلیمی قابلیت حاصل کی بشمول کیلوگ اسکول آف مینجمنٹ، ہارورڈ بزنس اسکول اور ڈارڈن یونیورسٹی جہاں سے انہوں نے ایڈوانس مینجمنٹ پروگرامز میں سند حاصل کی ہس میں سند حاصل کی ہے۔

آپ اومان کی معروف کاروبار اور مالیات کے سیکٹر میں اعلیٰ عہدے پر کام کرتے ہیں مثلاً اومان کے مرکزی بینک کے نظم وضبط کے نظم و ضبط کے بورڈ اور اومان انویسٹمنٹ فنڈ کے رکن، پاک اومان انویسٹمنٹ کمپنی لمیٹڈ اور کیپیٹل مارکیٹ اتھارٹی کے چیئرمین ہیں۔
اپنی پیشہ ورانہ زندگی کے آغاز پر، عزت مآب اومان انٹرنیشنل بینک (سابقہ) میں بطور جنرل مینجر، جہاں آپ بینک کے تمام اپریشن سے متعلق پہلوؤں کے ذمہ دار تھے جو 81 مقامی اور 4 سمندر پار شاخیں تھیں جو پاکستان اور انڈیا میں تھیں۔

جون 1999 میں، آپ کا انتخاب بطور ایگزیکیٹیو صدر، کیپیٹل مارکیٹ تھارٹی ہو جو انضباطی ادارہ ہے جس کا کام کیپیٹل مارکیٹ کی کارکردگی دکھانے کی صلاحیت میں بہتری کرنا، آپریشن کو ضوابط کے کطابق کرنا اور تمسکات کی منڈی میں حصہ لینے والے شرکاء میں پیشہ ورانہ طرز عمل کی بنیاد ڈالنا شامل ہے، جو قومی معیشت کے مفاد میں سرمایہ کار کو ناقص اور غیر منصفانا پریکٹسز سے تحفظ دیتا ہے۔

اس وقت آپ حاکما انسٹیٹیوٹ فار کارپوریٹ گورننس کے رکن ہیں۔

30 اکتوبر 2011 میں عزت مآب کا انتخاب دقم اسپیشل اکنامک زون اتھارٹی میں بطور چیئرمین ہوا ہے جو الوستا انتظامی ڈویژن کے شمال میں ایک تزویری مقام کی حیثیت اختیار کر رہا ہے۔ یہ ایک بہت بڑا منصوبہ ہے جو گورنمنٹ کی کوششوں کا حصہ ہے جس کے تحت نمو کی شرح کی رفتار کو تیز کرنا اور تسلسل سے جاری رہنے والی معیشت کو برقرار رکھنا اور سماجی ترقی جس کا مقصد وسائل میں تنوع خاص طور پر غیر ملکی تجارت، سرمایہ کاری، سیاحت، ماہی گیری کا پیشہ اور اومانیز کے لیے نئے روزگار کے مواقع پیدا کریں۔

جناب ھیثم یوسف جمعۃ الزدجالي

ناظم پروگرام اور کارکردگی اور GFMIS کے پروجیکٹ ناظم

جناب ھیثم یوسف جمعۃ الزدجالي 17 سالوں کا مہارت سے وزارت مالیات، سلطنت اومان، کے تجویز کردہ، متفرق منصوبوں، کے انتظام کا تجربہ) تشخیص مالیت، منصوبوں کے انتظام، تبدیلی کا انتظام، کاروبار میں نفاذ، انسانی وسائل کا انتظام، مالیاتی Actuarial ہے۔ آپ کے پاس ایکچوریل (نظام کے انتظام کا وسیع تجربہ ہے۔

مزید یہ کہ، آپ اومان لیکویفائڈ نیچرل گیس ایل ایل سی (اومان ایل این جی)، اومان لاجسٹک کمپنی اور پاک اومان مائکروفنانس لمیٹڈ کے رکن بھی ہیں۔

جناب بہاؤالدین خان

مینجنگ ڈائریکٹر اور سی ای او

جناب بہاؤالدین خان کے پاس بینکاری کا 35 سالوں کا، کثیر القومی اور مقامی بینکوں کا تجربہ ہے۔ آپ نے اپنے پیشہ ورانہ زندگی کا آغاز اسٹینڈرڈ چارٹرڈ بینک سے کیا اور وہ ڈیوچے بینک، یونین بینک اور یو بی ایل کے ساتھ اعلیٰ عہدوں پر کام کیا ہے۔ آپ پاک اومان انویسٹمنٹ کمپنی لمیٹڈ سے منسلک ہونے پہلے آپ بینک الفلاح، جہاں آپ بطور چیف آپریٹنگ آفیسر کے خدمات سرانجام کام کر رہے تھے۔

آپ بزنس ایڈمنسٹریشن میں ماسٹر ہیں، جناب خان متفرق اداراتی پس منظر رکھتے ہیں اور آپ کے پاس مضبوط آپریشن اور ٹیکنالوجی کے بارے میں فراست ہے۔ آپ کی مصدقہ صلاحیت میں شامل ہیں آپریشن، تعمیل، انفارمیشن ٹیکنالوجی، تجارت کی مالیات اور خزانہ کے ساتھ دیگر معاونت کی خدمات کا متنوع وسیع تجربہ ہے۔

جناب بہاؤالدین خان پاک اومان مائکروفنانس بینک کے ناظم اور اس کی مشاورت کی کمیٹی کے چیئرمین ہیں اور پاک اومان اسیٹ مینجمنٹ کمپنی لمیٹڈ کے ناظم ہیں۔
مذکورہ بالا کے علاوہ، آپ اومان آئل کمپنی کے نامزد ناظم ہیں اور اور ینٹ پاور کمپنی لمیٹڈ، ایک 212 میگاواٹ کا آئی پی پی جو بلوکی پنجاب میں واقع ہے، کے بورڈ پر ہیں۔

جناب محمد زبیر موتی والا

ڈائریکٹر –پاک اومان انویسٹمنٹ کمپنی لمیٹڈ

جناب محمد زبیر موتی والا ایک معروف صنعت کار ہیں اور آپ نے صنعت کاری کے فروغ سے قومی معیشت کے استحکام کے لئے غیر معمولی کردار ادا کیا ہے۔۔آپ نے صنعتی سیکٹر کے نمائندوں میں سے ایک نمائندہ کے طور پر کاروباری برادری کی مختلف حیثیتوں میں خدمات سرانجام دیں ہیں۔

آپ جنوری 2009 تا جولائی 2011 تک وزیر اعلیٰ سندھ کے سرمایہ کاری کی مشیر اور جولائی 2011 تا اکتوبر 2013 تک چیئر مین سندھ بورڈ آف انویسٹمنٹ رہے۔

آپ کو یہ اعزاز ہے کہ آل پاکستان ٹیکسٹائل پراسیسنگ ملز ایسوسی ایشن (سینٹرل) کے ووٹ کے ذریعے چیئر مین منتخب ہوئے۔جناب زبیر کو 1996 میں کو وزیر آعظم کی کمیٹی برائے ٹیکسٹائل اور برآمدات میں بطور رکن شامل کیا تھا۔

1996- 97 میں آپ ووٹ کے ذریعے ایسوسی ایشن آف انڈسٹری کے چیئر مین منتخب ہوئے۔آپ نے 1997-98 کے دوران کونسل آف کراچی انڈسٹریل ایسوسی ایشن کی چیئر مین کی حیثیت سے صنعتی سیکٹر کی خدمات سرانجام دیں اور 2000 میں آپ کراچی چیمبر آف کامرس اینڈ انڈسٹری کے ووٹ کے ذریعے صدر منتخب ہوئے۔۔

آپ متعدد پبلک اور نجی اداروں کے بورڈ پر ناظم رہ چکے ہیں جن میں شامل ہیں ور کرز ویلفئر فنڈز۔اسلام آباد، کراچی الیکٹرک سپلائی کارپوریشن، کراچی واٹر اینڈ سیوریج بورڈ،، سندھ انڈسٹرایل اینڈ ٹریڈنگ اسسٹیٹ (SITE)،ایکسپورٹ پراسیسنگ زون اتھارٹی،آئی بی اے۔کراچی،ضیاء الدین میڈیکل یونیورسٹی، نیشنل بینک آف پاکستان، کالج آف بزنس مینجمنٹ، ہمدرد یونیورسٹی، سرسید یونیورسٹی آف انجنیئرنگ، بینظیر بھٹو شہید یوتھ ڈیولپمنٹ پروگرامز اینڈ ٹیکنالوجی اور بقائی میڈیکل کالج ہسپتال۔جناب موتی والا آئی ٹی اینڈ ٹیلیکام ڈویزن، وزارت سائنس اینڈ ٹیکنالوجی، حکومت پاکستان اور وفاقی ٹیکس محتسب کے ایڈوائزری بورڈ پر ہیں

نومبر 2009 میں، جناب زبیر موتی والا کو "سندھ پبلک پروکیورمنٹ ریگولیٹری اتھارٹی (ایس پی پی آر اے) کے بورڈ آف ڈائریکٹرز نامزد کیا گیا تھا. فروری 2010 میں انہیں سندھ میں سرمایہ کاری کے فروغ کے لئے اسٹیئرنگ کمیٹی کے چیئر مین کے طور پر منتخب کیا گیا تھا۔

آپ نے پاکستان کے غیر ممالک جانے والے تجارتی وفود کی قیادت کی اور آپ کی قائدانہ مہارت اور کاروباری فراست کو تسلیم کرتے ہوئے آپ کو جمہوریہ برونڈی کے اعزازی کونسل جنرل منتخب کیا جاچکا ہے۔

ایچ۔ایچ- سید جلند جیفر سلم آل سعید

مینجر -رسک مینجمنٹ اسٹیٹ جنرل ریزرو فند۔ سلطنت اومان

عزت مآب جلند جیفر السعید کا اسٹیٹ جنرل ریزرو فند (SGRF)، جو اومان کو سب سے بڑا خود مختار فنڈ ہے اور آپ کا اس میں کام کرنے کا 12 سالوں کا تجربہ ہے جس کا دائری کار نجی ملکیتی سرمایہ اور رئیل اسٹیٹ کی براہ راست سرمایہ کاری ہے۔اس وقت آپ نجی مارکیٹس انویسٹمنٹ رسک ڈیویزن کا انتظام سنبھالتے ہیں اور 2013 میں SGRF میں آپ نے کاروباری خطرہ اور تعمیل کے فنکشنز کی تشکیل میں اہم کردار ادا کیا ہے جس سے سرمایہ کاری کے **فیصلوں میں کاروباری خطرے کی بنیاد پر فیصلہ سازی کے لائحہ عمل کو فروغ ملا جو فند کے سرمایہ کاری کے طریقہ کار عالمی کاروباری خطرے کے معیار سے جڑا ہوا ہے۔**

جناب عمر حامد خان

خصوصی معتمد مالیات۔ وزارت مالیات، پاکستان

جناب عمر حامد خان فی الوقت مالیات ڈیویزن میں خصوصی معتمد کے طور پر خدمات سرانجام دے رہے ہیں۔آپ کے پاس سرکاری ملازم کی حیثیت سے پبلک ڈیولپمنٹ، پالیسی کی تیاری، تزویری انتظام اور وفاقی/ایگزیکیٹیو 7 کی سطح پر نفاذ کا ہمہ گیر تجربہ ہے۔آپ نے بطور سیکریٹری بینظیر انکم سپورٹ پروگرام (17اکتوبر- 28، جنوری2019)، فنانس ڈیویزن میں ایڈیشنل فنانس سیکریٹری (اخراجات)، ایڈیشنل سیکریٹری؛اکنامک افئیرز ڈیویزن،، سینئر جوائنٹ سیکریٹری/ترجمان وزارت داخلہ، سینئر جوائنٹ سیکریٹری کیبینٹ ڈیویزن، جوائنٹ سیکریٹری/پرنسپل اسٹاف آفیسر برائے پرنسپل سیکریٹری برائے وزیر آعظم بشمول متعدد کام بطور ڈپٹی سیکریٹری برائے وزیر آعظم سیکریٹیریٹ، اسٹیبلیشمنٹ ڈیویزن اور ڈپٹی ڈائریکٹر فیڈرل انوسٹیگیشن ایجنسی۔آپ نے سرکاری طور پر چین، میکسیکو، برازیل، نیپال، یوایس اے، یوکے، فرانس، اسپین، سوئزرلینڈ اور تھائی لینڈ کے دورے کر چکے ہیں ۔

جناب خان نے جامعہ پنجاب سے زولوجی میں ماسٹر کی سند حاصل کرنے کے ساتھ بین الاقوامی تعلقات عامہ میں ایک سال کا ڈپلومہ حاصل کیا ہے۔ آپ نیشنل ڈیفنس یونیورسٹی (نیشنل سکیورٹی کورس 2010) کے گریجویٹ بھی ہیں کے ساتھ ساتھ نیشنل اسکول آف پبلک پالیسی کے سینئر مینجمنٹ کورس (دوسرا SMC)۔

c. دیگر کمپنیوں کے بورڈ میں رکنیت کی تفصیلات

ٹیبل-1: بورڈ کے ناظمین کی تفصیلات کا انکشاف

نمبر شمار	ناظمین کے نام	بورڈ سے وابستگی/علحدگی کی تاریخ	حیثیت(آزاد/نان ایگزیکیٹیو)	بورڈ کی کمیٹیوں کی رکنیت	دیگر کمپنیوں کے نام جن کے بورڈ میں رکنیت ہے
1	عزت مآب یحییٰ بن سعید بن عبداللہ ال جابرہ	1/8/2001	نان ایگزیکیٹیو	1. ایگزیکیٹیو کمیٹی 2. مشاہراہ اور معاوضہ کمیٹی	• پاک اومان مائکروفنانس بینک لمیٹڈ • پک اومان اسیٹ مینجمنٹ کمپنی لمیٹڈ
2	جناب محمد زبیر موتی والا	7/10/2007	نان ایگزیکیٹیو	1. آڈٹ کمیٹی 2. ایگزیکیٹیو کمیٹی 3. مشاہراہ اور معاوضہ کمیٹی 4. رسک کمیٹی	• کے الیکٹرک • اسمعیل انڈسٹریز لمیٹڈ • ڈائمنڈ ٹیکسٹائل (پرائیویٹ) کمیٹڈ
3	جناب عمر حامد خان	19/4/2019	نان ایگزیکیٹیو	1. آڈٹ کمیٹی 2. ایگزیکیٹیو کمیٹی	• سول ایوی ایشن اتھارٹی • پاکستان ایل این جی لمیٹڈ • پبلک پرائیویٹ پارٹنرشپ اتھارٹی
4	جناب ھیثم یوسف جمعة الزدجالي	3/8/2018	نان ایگزیکیٹیو	1. آڈٹ کمیٹی 2. رسک کمیٹی	• پاک اومان مائکروفنانس بینک لمیٹڈ • اومان ایل ان جی، سلطنت اومان
5	ایچ۔ایچ- سید جلند جیفر سلم آل سعید	12/28/2016	نان ایگزیکیٹیو	1. آڈٹ کمیٹی 2. رسک کمیٹی 3. ایگزیکیٹیو کمیٹی 4. مشاہراہ اور معاوضہ کمیٹی	• پاک پاک اومان مائکروفنانس بینک لمیٹڈ
6	جناب بہاؤالدین خان	1/10/2015	ایگزیکیٹیو	1. آڈٹ کمیٹی 2. رسک کمیٹی 3. ایگزیکیٹیو کمیٹی 4. مشاہراہ اور معاوضہ کمیٹی	• پاک پاک اومان مائکروفنانس بینک لمیٹڈ • پاک اومان اسیٹ مینجمنٹ کمپنی لمیٹڈ • اورینٹ پاور کمپنی لمیٹڈ

*جیسا کہ پروڈینشل ریگولیشنس برائے اداراتی اور تجارتی بینکاری میں تعریف کی گئی ہے۔

d. وہ ادارے جن کے پاس شریعہ بورڈ ہے،ان کو مذکورہ بالا (a)،(b)اور(c)میں دی گئی تفصیلات کے مطابق شریعہ بورڈ کے ارکان کی تفصیلات فراہم کرناہوگی

یہ شرائط پاک اومان پر لاگو نہیں ہیں۔

3. علحدہ سے بورڈ کی ہر کمیٹی کی تفصیلات افشاں کرنا(جو کم سے کم درج ذیل معلومات شامل ہوں)

a. ہر بورڈ کمیٹی کی ساخت اور اس کی رکنیت ، بورڈ اور اس کی کمیٹیوں کی سال کے دوران منعقدہ اجلاس کی تعداد اور اس میں حاضری کی تفصیلات

b. بورڈ کے ہر کمیٹی کی شرائط و قوابط و مقاصد(TOR)

منسلک ہے"A"

c. بورڈ اور اس کی کمیٹیوں کی سال کے دوران منعقدہ اجلاس کی تعداد اور اس میں حاضری کی تفصیلات

	بورڈ آف ڈائریکٹرز	بورڈ کی			
		ایکزیکیوٹیو کمیٹی	آڈٹ کمیٹی	مشاہرہ اور معاوضہ کمیٹی	رسک کمیٹی
منعقدہ اجلاس کی تعداد	5	5	4	3	4
ایچ۔ای۔یحییٰ بن سعید بن عبداللہ الجابری	5	5	*	3	*
جناب ایم زبیر موتی والا	4	4	4	2	4
جناب عمر جناب عمر حامد خان	4	4	3	*	*
جناب نور احمد	1	1	1	*	*
ایچ۔ایچ۔جلند جیفر سلم آل سعید	5	5	4	3	4
جناب هيثم يوسف جمعة الزدجالي	5	*	4	*	4
جناب بہاؤالدین خان	5	5	*	1	*

*رکن نہیں ہیں

d. سال کے دوران بورڈ کی کمیٹیوں کے امتیازی کاموں کی تفصیلات جو ادارہ نمایاں کرنا چاہتا ہے

- رسک کمیٹی نے اپنے چار اجلاسوں میں موجودہ اور مستقبل کے کاروباری خطرات کے مجموعی رغبت کے عوامل کیا ہیں اور اس کے لیے کمپنی کی حکمت عملی کیا ہے خاص طور پر قرضہ، سیالیت، قرضہ کی دوبارہ فراہمی، ملک، منڈی اور کم کرنے سے متعلق خطرات۔ رسک کمیٹی نے کمپنی کے مالیاتی اور غیر مالیاتی کاروباری خطرات کو دیکھا (addressed)، ان کی شناخت کی اور ان کا نظام کرنے کے ساتھ ساتھ ان کی روک تھام کے لیے اقدام اٹھائے۔ رسک کمیٹی کی توجہ خاص طور پر عملہ اور ماڈل کاروباری خطرات کے ساتھ ساتھ وہ کاروباری خطرات جو معیشت اور ملک سے ہیں۔ علاوہ ازیں، رسک کمیٹی تواتر سے مینجمنٹ بورڈ، سے کاروباری خطرے، کیپیٹل، سیالیت کی موزونیت رپورٹ وصول کرنے کے ساتھ کاروباری خطرے و ہیڈ اثاثہ جات کے سلسلے میں مطلوبہ تبدیلیاں۔
- رسک کمیٹی رسک مینجمنٹ فنکشن سے بنیادی معاملات اور اس سلسلے میں اٹھائے جانے والے ابتدائی اقدام کے بارے میں تواتر سے رپورٹ وصول کرتی ہے جس میں رسک مینجمنٹ فنکشن کا بجٹ، دباؤ کا تزویری (strategic) منظر نامہ اور اس کی بحالی کے اقدامات شامل ہیں۔ علاوہ ازیں رسک کمیٹی ریگولیٹرس کے جانب سے کاروباری خطرے سے متعلق نتائج اور تجاویز کے معاملات بھی دیکھتی ہے۔ رسک کمیٹی گاہک کے کاروبار کی نگرانی بھی کرتی ہے کہ وہاں کمپنی کے کاروباری ماڈل اور رسک ڈھانچے کے مطابق ہے کہ نہیں۔
- 2019 میں آڈٹ کمیٹی نے چار مرتبہ ملاقات کی۔ آڈٹ کمیٹی مالیاتی رپورٹنگ پرسس اور سختی سے سالانہ مالیاتی دستاویزات اور انضمام شدہ مالیاتی دستاویزات، درمیانی مدت کی رپورٹس اور سالانہ رپورٹ کی سختی سے کے ساتھ نگرانی میں معاونت کرتی ہے۔ مالیاتی رپورٹنگ پراسس کے حوالے سے یہ نئے بین الاقوامی مالیاتی رپورٹنگ کے معیار 9 کے نفاذ کے ساتھ ساتھ معروضات (provisions) کو شناخت کرنے میں اس کی معاونت حاصل رہتی ہے۔ آڈٹ کمیٹی کمپنی کے متعدد شعبہ جات کی قدر کا بھی اندازہ لگاتی ہے۔ آڈٹ کمیٹی کو محاسب کے کام، اس کے آڈٹ پلان اور اس کے وسائل کے بارے میں تازہ ترین صورتحال سے آگاہ رکھا جاتا ہے۔ یہ مینجمنٹ بورڈ کے لیے گئے اقدامات کو دیکھتی ہے تاکہ محاسب، بیرونی محاسب اور ریگولیٹری اتھارٹیز کی نشان دہی کردہ خامیوں کی اصلاح کی جائے۔ اس سلسلے میں یہ اصلاح سے متعلق تواتر سے تازہ ترین صورتحال اور نتائج حاصل کرتی ہے۔ کمپنی یا بورڈ نے یہ ذمہ داری E&Y کو بطور بیرونی محاسب سونپ دی اور آڈٹ کمیٹی کی معاونت سے محاسب کے مشاہراہ کی رقم طے کی گئی ہے۔
- 2019 میں مشاہراہ اور معاوضہ کمیٹی سال میں تین مرتبہ ملی ہے۔ یہ مینجمنٹ بورڈ، ملازمین، شعبے (functions) کے سربراہ اور مادی کطرہ لینے والوں کے لیے تلافی کے نظام مناسب ڈھانچے کی نگرانی کرتی ہے۔ یہ تلافی کی رپورٹ بھی دیکھتی ہے جس میں کمپنی کا تلافی کا نظام کا ڈھانچہ مناسب طور سے بنا ہوا ہے اور قانون کی ضروریات کے مطابق ہے، شامل ہیں۔ RCC اس تخمینے کے مطابق ہے۔
- 2019 میں ایگزیکیٹیو کمیٹی چار مرتبہ ملی۔

e. شریعہ بورڈ کے شرائط و قوابط و مقاصد (TOR)، منعقدہ اجلاس کی تعداد اور ہر رکن کی حاضری کی تفصیلات (ان اداروں کے لیے جن کے لیے شریعہ بورڈ ہونا ضروری ہے)

یہ شرائط پاک اومان پر لاگو نہیں ہیں۔

4. مشاہراہ پالیسی کی تیاری اور نفاذ اور بورڈ کی کارکردگی کے جائزے کے لیے بیرونی ماہر یا ماہرین (اگر کوئی ہے تو) کا انتخاب اور کام کا دائرہ کار سے متعلق معلومات کو ظاہر کرنا۔ چیئرمین کو اس بات کی تصدیق کرنا ہوگی کی منتخب ماہر یا ماہرین آزاد ہیں اور اس عمل میں نہ تو بورڈ کے کسی رکن یا کسی اہم عہدے دار کے درمیان مفاد کا ٹکراؤ نہیں ہے۔

بورڈ کے پاس ایک ایسا پراسس موجود ہے جس سے ذریعے سے SECP کے منظور شدہ PICG کے مطابق بورڈ، اس کی کمیٹیوں اور انفرادی ناظمین (بشمول ایم ڈی) کے سالانہ بنیاد پر ان کی مجموعی مؤثر پن کا تخمینہ اور اس میں اضافہ کیا جا سکے۔ بورڈ کی سالانہ کارکردگی جائزہ لینے کی سہولت کے لیے بیرونی کنسلٹنٹ کی خدمات حاصل کی جاتی ہیں۔ پراسس کا آغاز سروے کے لیے ڈیزائن کے ایک سیٹ سے ہوتا ہے جس کمپنی کو مخصوص حالات کے مطابق ہوتا ہے اور یہ ملے جلے سوالات پر مشتمل ہوتا ہے۔ تمام بورڈ کے ارکان کے لیے ضروری ہے کہ سروے کو آن، لائن مکمل کریں اور اس سارے عمل میں جواب دینے والے کی شناخت کو خفیہ رکھا جاتا ہے تاکہ رائے کا کھلا اور سرسری تبادلہ کیا جا سکے۔ PICG انضمام شدہ نتائج چیئرمین کے علم میں لاتی ہے جو اس کے بعد ان کو بورڈ کے اجلاس میں پیش کرتا ہے۔ اجلاس کے نتائج کو ترتیب دیا جاتا ہے اور وہ عملی منصوبے کی بنیاد بنتا ہے جس کے بعد بورڈ اس کے نفاذ کی منظوری دیتا ہے۔ مشاہراہ پالیسی بینک دولت پاکستان کے دی ہوئی ہدایات کے مطابق کمپنی میں تیار کی جا رہی ہے۔

معاوضہ کا نظم وضبط

پاک اومان انویسٹمنٹ کمپنی لمیٹڈ میں اک مضبوط نظم وضبط کا ڈھانچہ موجود ہے جو معاوضہ کی حکمت عملی اور پالیسی کے واضح عوامل (parameters) کے تحت کام کرتا ہے۔ سی ای او (CEO) اور دیگر شعبہ جات کے سربراہان کے معاوضے کا معاملہ بورڈ کے ناظمین دیکھتے ہیں اور سی ای او (CEO) کمپنی کے دیگر تمام ملازمین کے معاملات دیکھتے ہیں۔ بورڈ کے ناظمین اور سی ای او (CEO)، دونوں کی، معاونت مخصوص کمیٹیاں، خاص طور پر مشاہراہ اور معاوضہ کمیٹی، متعلقہ فنکشنز اور سماجی وسائل کی اندرونی کمیٹی کرتے ہیں۔

اپنی متعلقہ ذمہ داریوں کے ساتھ، مشاہراہ کے نظام کے ڈیزائن، MRTs کی شناخت اور VC کی کل مالیت کا تعین اور نفاذ کے کے لیے کمپنی کے نگرانی کے فنکشنز شامل ہوتے ہیں۔ اس میں ملازمین کے رویے پر اثرات اور کاروبار سے متعلق خطرات اور کارکردگی وغیرہ کا اندازہ لگانا شامل ہوتے ہیں۔

مشاہراہ اور معاوضہ کمیٹی (RCC)

بورڈ کے ناظمین نے RCC تشکیل دی ہے تاکہ وہ پاک اومان انویسٹمنٹ کمپنی لمیٹڈ کے CEO کے معاوضہ کے نظام کی ساخت کی تشکیل اور نگرانی کی معاونت کرے خاص طور پر اس بات کو مدنظر رکھتے ہوئے کہ ریگولیٹر کے تعمیل کرے پر اس کے اثرات کاروباری خطرات اور کاروباری خطرے کے انتظام پر کیا ہوں گے۔ علاوہ ازیں، پاک اومان انویسٹمنٹ کمپنی لمیٹڈ کے ملازمین کے لئے CEO اور IHRC کے معاوضہ کے تسلیم شدہ نظام کی مناسبت کی نگرانی کرتی ہے۔ دیئے گئے ریگولیٹری معیار کے مطابق متغیر معاوضہ کی کل رقم کے اثرات کی تواتر سے جانچ پڑتال کرتی ہے کہ وہ قابل ہے کہ نہیں۔ علاوہ ازیں، RCC بورڈ کے ناظمین کے لیئے MRT کی نشاندہی کے پراسس کی نگرانی کے لیے معاونت کرتی ہے اور یہ کہ کیا اندرونی نگرانی کے فنکشنز اور دیگر متعلقہ شعبہ جات کو اس، معاوضہ کے نظام کے تشکیل میں مناسب طور پر شامل کیا گیا ہے کہ نہیں۔

RCC ورڈ کے ناظمین کے چیئرپرسن اور بورڈ کے تین مزید ارکان بشمول CEO پر مشتمل ہے۔ سال 2019 میں کمیٹی کے تین اجلاس ہوئے۔ دسمبر 2019 میں بورڈ کی آڈٹ کمیٹی کے رکن نے مشاہراہ اور معاوضہ کمیٹی کے اجلاس میں بطور مہمان شرکت کی۔

معاوضہ پالیسی

معاوضہ کا فلسفہ

کے تزویراتی مقاصد کے کامیاب حصول کے لیے معاوضہ ایک اہم کردار ادا کرتا ہے۔ انتہائی صلاحیت کے حامل ملازمین کو متاثر کرنا ان کا ادارے کے ساتھ جڑے رکھنا ہماری معاوضہ کی حکمت عملی مرکزی جز ہے۔ اس فلسفہ کے بنیاد مستحکم کاروباری خطرے اور نظم وضبط کے ڈھانچے کے انتظام میں رہتے ہوئے کارکردگی کی بنیاد پر ادائیگی کے اس عمل میں منڈی کے عوامل اور سماجی اقدار کو مد نظر رکھا جائے۔ ہم یہ چاہتے ہیں کی معاوضہ بدلتی ہوئی اندرونی اور بیرونی توقعات، فائدے کا ڈھانچہ سے ہم آہنگ کریں اور اس کا تواتر سے بہتری کے جائزہ لیتے رہیں۔

معاوضہ کا ڈھانچہ

پالیسی کا محرک بنیادی طور پر کارکردگی کی بنیاد کا سماج ہے جو ملازم کے مفادات کو کمپنی سے ہم آہنگ کرتا ہے۔ اس کا مقصد معاوضہ کا ایک مسابقتی سطح فراہم کرنا ہوتا ہے جس سے کے ذریعے تعلیم یافتہ اور اہل اشخاص کو کمپنی کی میں ملازمت کے لیئے متوجہ کریں اور ان کو کام کرتے رہنے پر آمادہ کیئے رکھیں۔ کل ادا کردہ معاوضہ متغیر اور غیر متغیر اجزاء پر مشتمل ہے۔

1. **غیر متغیر معاوضہ**

   غیر متغیر معاوضہ مجموعی تنخواہ کے ساتھ الاؤنسز اور فوائد ماسوائے کارکردگی کے بونس کے۔

2. **متغیر معاوضہ**

متغیر معاوضہ ملازم کی سالانہ کارکردگی کے تخمینہ کی بنیاد کے ساتھ کمپنی کی مجموعی کارکردگی سے ہم آہنگ ہوتا ہے۔ ملازمین کا متغیر معاوضہ بورڈ کے منظور کردہ فنڈز کے بونس پول میں مختص کرنے سے مشروط ہے۔ کمپنی کا MRTsاور MRCs کا متغیر معاوضہ مناسب ردوبدل سے مشروط ہے جس کا مقصد کارکردگی کی بنیاد پر متغیر معاوضہ اور اس کا مقصد کثرت سے کاروباری خطرہ لینے کے عمل کو محدود کرنا ہے۔

MRTsاورMRCs کے لیے کاروباری خطرے کی بنیاد پر معاوضہ

MRTsاورMRCsکا متغیر معاوضہ کی تشکیل مندرجہ ذیل اقدامات پر کی بنیاد پر کی گئی ہے:

A. کاروباری خطرے کا تعارفی خاکہ

B. خطرہ لینے والا اور خطرے کا کنٹرول کرنے والا

C. مادیت تخمینہ

D. کارکردگی کا جائزہ (اندازہ)

E. خطرے میں ترمیم

A. کاروباری خطرے کا تعارفی خاکہ

کاروباری خطرے کی بنیاد پر معاوضہ میں کی بنیاد دراصل میں POIC کے خطے کے پروفائل کا اندازہ لگانا ہے اور خطرے کے لیے رغبت (**appetite**) کے عوامل کیا ہیں۔ خطرے میں ترامیم اس طرح سے ڈیزائن کی گئی ہیں کہ وہ کمپنی کے لئے خطرے کے عوامل کیا ہیں۔ اس اندازے میں تمام کاروباری خطرات کو مد نظر رکھا جاتا ہے اور تفریق کرتا ہے کہ کون سا خطرہ کمپنی کو مجموعی طور پر متاثر کرتا ہے اور کون سا انفرادی کاروبار کی لائن کو متاثر کرتا ہے۔ یہ POIC کے مرکزی کاروبار کی لائن کو درپیش خطرے کی خصوصیات کو شناخت کرتا ہے اور اس کے رواں آپریشنز کی برداشت کی حدود کیا ہیں۔

POIC ملازمین حوصلہ دیتی ہے اور ان کو اس بات سے باز رکھتی کہ وہ کوئی ایسا عمل نہ کریں جو خطرے کی رغبت/برداشت سے باہر ہو

B. خطرہ لینے والا (RTs) اور خطرے کا کنڑول کرنے والا (RCs)

HR&A کے سربراہ رسک مینجمنٹ کے سربراہ سے مشاورت سے فنکشنز۔ ملازمین کو بطور خطرہ لینے والا اور خطرے کو کنڑول کرنے والے کے طور پر سالانہ کی بنیاد پر شناخت کرتا ہے اور اس کا جائزہ لیتا ہے۔ ان کی درجہ بندی درج ذیل معیار پر کی جاتی ہے:

خطرہ لینے والا POIC کا ایک فنکشن/ملازم ہے جو خطرہ مول لیتا ہے یا لینے کا ارادہ ہے، ایسا خطرہ جس کی نتیجہ POIC کو مالی نقصان ہو سکتا ہے اگر حالات میں تبدیلی آجائے لیکن وہ POIC کے لئے ایک فائدہ مند موقع بھی ثابت ہو سکتا ہے۔

خطرے کو کنڑول کرنے والا (RC) POIC کا ایک فنکشن/ملازم ہے ایسی مقام پر ہے جو فعال طور پر POIC کے کاروبار سے منسلک خطرے کو شناخت اور اس کے اثرات کو ختم یا کم کرنے کے لیے مشورہ دے سکتا ہے۔

RC کو کاروباری معاملات سے ازاد ہونا چاہیے اور یو تتص کی نگرانی اور کنڑول کرنا چاہیے۔

دیگر میں شامل ہیں POIC کے وہ شعبہ جات/ملازمین جن کی درجہ بندی بطور خطرے لینے والے اور خطرہ کے کنڑول کرنے والے سے نہیں ہے۔

C. مادیت تخمینہ

ضروری نہیں ہے کہ POIC کی خطرے کی پروفائل پر تمام شناخت شدہ RTs اور RCs کے مادی اثرات ہوں۔ اس لئیے مادیت کے اثرات کا کمپنی کے خطرے کے پروفائل کا تخمینہ لگایا جاتا ہے اور اسی طرح سے MRC/MRTs کی بورڈ کی منظوری دیتا ہے۔

POIC کے آپریشن کے سائز، نیچر اور پیچیدگیوں کے مطابق MRC/MRTs کی شناخت کے لیے درج ذیل معیار کا خیال رکھا جاتا ہے۔

مادی خطرہ لینے والے کے لیے معیار

- مینیجنگ ڈائریکٹر (MD)/چیف ایگزیکیٹیو آفیسر (CEO) یا دیگر کوئی مساوی عہدہ یا مقامی کلی ملکیت کا ذیلی ادارے کا CEO/MD ۔
- اعلیٰ انتظامیہ کا رکن جس کا درجہ بطور RTs یعنی وہ MD/CEO کو براہ راست جواب دہ ہے یا کوئی دیگر کوئی مساوی عہدہ۔
- سمندر پار شاخ(وں)/آپریشنز کے ملکی سربراہ (سربراہان) تاوقتیکہ شاخ/آپریشن میز بان ملک میں اس کے وہی مشاہراہ کے ریگولیشنز ہونے سے مشروط ہے۔
- تمام مادی کاروبار کا یونٹ کے سربراہ مجموعی اپنے متعلقہ کاروبار کے اثاثہ جات کا انتظام کرتا ہے جو ٹائر-1 (tier 1) کیپیٹل کا 2 فیصد ہے۔
- عملے کے ارکان کی انتہائی اہم فنکشنز میں بطور مینجر ذمہ داریاں ہوتی ہیں جس کا تعین بورڈ کی مشاہراہ اور معاوضہ کمیٹی کرتی ہے اور ہر مینجر اپنے متعلقہ فنکشنز کے سربراہ کو رپورٹ کرتا ہے۔
- کاروباری قرضہ کے لین دین سے متعلق خطرے میں، ملازم؛

a. کی ذمہ داری ہے کہ قرضہ کی درخواست کی بنیاد پر یا قرضے کی مصنوع کے ڈھانچے کے بارے میں پروپوزل تیار کرے یا؛

b. کے پاس اختیار ہے کی اس طرح کے قرضہ سے منسلک خطرے پر فیصلہ یا اس کی منظوری دے یا؛

c. اگر کریڈٹ کمیٹی یا دیگر کسی کمیٹی کا رکن ہے، جس کے پاس اختیار ہے کہ وہ ان نکات پر فیصلہ کرے جو اوپر درج (a) یا (b) پیرا میں بیان

کیا گیا ہے؛ ہر لین دین پر ایک معمولی رقم جو ٹائر-1 (tier 1) کیپیٹل کا 0.7 فیصد ہے۔

- خزانہ (treasury) پورٹ فولیو سے متعلق، ملازم خزانہ ڈیسک کا سربراہ ہے بشمول منی کی منڈی، ملکیتی سرمایہ یا یا وہ اس کے سربراہ کو براہ راست رپورٹ کرتا ہو۔ اس میں ڈیلرز شامل نہیں ہیں بغیر کسی اختیار کے کہ وہ اپنے طور پر کوئی پوزیشن لے سکیں اور
- نئی مصنوعات کے متعارف کرنے کے فیصلے کی منظوری جس کی وجہ سے بینک (ادارے) کو خاصہ کاروباری خطرے سے دوچار کر سکتا ہے؛ ایسی صورت میں ملازم؛

a. کے پاس اختیار ہے کہ وہ اس سلسلے میں فیصلہ کرے؛ یا

b. ALCO کمیٹی کیا کسی دیگر کمیٹی کا رکن ہے جس کے پاس اختیار ہے کہ وہ فیصلے کرے۔

مادی خطرہ کنٹرول کرنے والے کے لیے معیار

- عملہ کارکن یا کسی کمیٹی کا رکن خطرے کا انتظام ذمہ دار ہے یا آزاد خطرے کے انتظام فنکشن کی سرگرمیوں، تعمیل فنکشن اور اندرونی آڈٹ فنکشن کا جوابدہ ہوگا؛ یا
- عملہ کارکن جو کسی فنکشن کا سربراہ کی ذمہ داری قانونی معاملات، مالیات بشمول محصولات اور بجٹنگ، انسانی وسائل یا انفارمیشن ٹیکنالوجی شامل ہیں۔

D. کارکردگی کا جائزہ (اندازہ)

POIC ایک مضبوط متحرک کارکردگی کی بنیاد کے معاوضے کا نظام کو فروغ دیتی ہے جو طویل المدت کامیابی کے حصول کا ذریعہ کے ساتھ کارکردگی اور درست رویے کی حوصلہ افزائی کرتی ہے۔ کارکردگی کے جانچنے کا میٹرکس (PEM) کو MRTs اور MRCs کے لیے کمپنی کے حکمت عملی، ان کے کام سے متعلق کردار اور ذمہ داریوں اور خطرہ لینے کے رویہ کی مناسبت سے تیار کیا گیا ہے۔ KPIs پر عمل سالانہ ایوالیشن میں دیے گئے طریقہ کار میں دی گئی تعریف کے مطابق بنایا گیا ہے۔

کارکردگی کا جانچ کے اثرات کارکردگی کے بونس، تنخواہ میں سالانہ اضافہ اور/یا ملازمین کی ترقی کو متاثر کرے گا اور کارکردگی کی بنیاد کے معاوضے کو تشکیل دینے میں مدد دے گا۔

E. خطرے میں ترمیم

MRTs اور MRCs کے لیے خطرے میں ردوبدل والا معاوضہ کا میکنزم تیار کیا گیا ہے جو کارکردگی کی بنیاد پر متغیر معاوضہ کو زیادہ خطرے لینے کے اقدامات کو محدود کیا جائے۔ خطرے لینے کی ترغیب کو خطرے کا انتظام کا مالی ترغیبات اس کو خطرہ لینے سے باز رکھے گی۔ اس نتیجے کا حصول کے لیے بہترین طریقہ بدلی ہوئی کارکردگی کی بنیاد پر متغیر معاوضہ کے لیے لیا ہوا خطرہ سے پہلے کا عمل (ex-ante) اور خطرہ حقیقت بننے کے بعد کا عمل (ex-post)

- **خطرہ سے پہلے کا عمل (ex-ante)** – خطرے کے سلسلے میں جمع شدہ یا عطا کردہ مشاہراہ میں ردوبدل کرتے وقت مستقبل میں ممکنہ خرابی کے امکان کو مدنظر رکھا جائے؛ یا
- **خطرہ حقیقت بننے کے بعد کا عمل (ex-post)**۔ التوا کی مدت کے دوران (بذریعہ مالس شق) تجربے اور خطرے کے مشاہدات اور کارکردگی کے پیدا کردہ نتائج کی روشنی میں جمع شدہ مشاہراہ میں ردوبدل کے ذریعے سے۔

یہ میکنزم ملازمین کے معاوضہ کے ڈھانچے اوران کے خطرہ لینے کے رویہ کے درمیان میں تعلق قائم کرتاہے اور لچکداراور غیر لچکدار اجزاء میں توازن کو طاقت دیتاہے تاکہ مالی تلافی کے درجوں میں غیر لچکدار، قلیل المدت اور طویل المدت متغیر مالی تلافی میں مناسب توازن کو یقینی بنایا جائے۔

غیر لچکدار اور متغیر مالی تلافی کا تناسب 1:1 محدود ہے، جس کا مطلب کہ متغیر مالی تلافی غیر متغیر مالی تلافی سے بڑھے گا۔

اصل متغیر ادائیگی کا انحصار کارکردگی کے جائزے پر ہوتاہے جو MRTs اور MRCs کے خطرہ لینے کے رویے کے متاثر کرنے کے لیے خطرے کے ردوبدل سے مشروط ہے۔تاہم یہ ملازم کی ہر قسم کے بدل سکتاہے۔متغیر معاوضہ لچکدار ہے اور یہ مقاصد کے حصول اور کارکردگی کی بنیاد پر کم ہو کر صفر بھی ہو سکتاہے۔بورڈ اس بات کا اختیار رکھتاہے کی ملازمین کو بونس (متغیر معاوضہ) دے۔

خطرے اور مالی تلافی اور MRTs اور MRCs کا متغیر مالی تلافی مندرجہ خطرے میں ردوبدل سے مشروط ہے۔

A. التواء

MRTs اور MRCs کی کارکردگی کا بونس التواء سے مشروط ہے تاکہ اس وقت کا عکاس ہو جس مدت کے دوران خطرہ امکانی طور پر حقیقت بنے اور ناقص کارکردگی، خطرے کا ناقص انتظام اور غلط عمل کی نشاندہی ہو۔

MRTs اور MRCs کا کارکردگی کا بونس التوا کی بنیاد پر درج ذیل معیار سے مشروط ہے:

درجہ بندی/ اسکورنگ	کارکردگی کی قسم	خطرے میں ردوبدل کے حوالے سے بیان	التواء کی بنیاد	التواء کا نتیجہ
A	غیر معمولی	با معنی اور تسلسل سے معیار اور توقعات سے زیادہ کا حصول	FC کا 70 فیصد تک VC	نہیں
			FC کا VC 70 فیصد سے زیادہ	ہاں
B	توقعات سے زیادہ	تسلسل سے معیار اور توقعات سے زیادہ کا حصول	FC کا 60 فیصد تک VC	نہیں
			FC کا VC 60 فیصد سے زیادہ	ہاں
C	توقعات پوری کیں	معیار اور توقعات پوری کیں	FC کا 50 فیصد تک VC	نہیں
			FC کا VC 50 فیصد سے زیادہ	ہاں
D	توقعات سے کم	معیار اور توقعات پوری نہیں کیں	ملازم متغیر مالی تلافی کا اہل نہیں ہوگا	
E	غیر اطمینان بخش	معیار اور توقعات سے خاصی کم ہوئیں		

مذکورہ بالا پس منظر میں، التواء شدہ کارکردگی بونس کی ادائیگی سالانہ اقساط کی صورت میں تناسب کی بنیاد پر MRTs اور MRCs کے لیے بالترتیب التواء کی 3 سال اور 1 سال کی مدت کے دوران ہوگی جبکہ بقایا کارکردگی کے بونس ادائیگی نقد کی صورت میں فوری ہوگی۔

پیشگی فوری نقد	اس کی ادائیگی نقد رقم کی صورت میں ہر سال کی کارکردگی کے تخمینے کے پراسس کے فیصلے کے بعد ہوگی۔
التواء کی صورت میں نقد ادائیگی	اس کی ادائیگی نقد رقم کی صورت میں تناسب کی بنیاد پر 1 سال یا 3 سالوں میں ہوگی، جس طرح سے لاگو ہو۔

التواء کا انتظام

A کیٹیگری میں درج MRTs اور MRCs کا متغیر مالی تلافی کی تفصیلات یہ ہیں:

متغیر مالی تلافی کے اجزاء	التوا	التوا کی مدت		مالس
پیشگی نقدر قم	FC کا 70 فیصد تک VC کی رقم	فوری		-
التواشدہ نقدر قم	FC کا 70 فیصد سے تجاوز VC کی رقم	3سال	MRT	ہاں
		اسال	MRC	

B کیٹیگری میں درج MRTs اور MRCs کا متغیر مالی تلافی کی تفصیلات یہ ہیں:

متغیر مالی تلافی کے اجزاء	التوا	التوا کی مدت		مالس
پیشگی نقدر قم	FC کا 60 فیصد تک VC کی رقم	فوری		-
التواشدہ نقدر قم	FC کا 60 فیصد سے تجاوز VC کی رقم	3سال	MRT	ہاں
		اسال	MRC	

B کیٹیگری میں درج MRTs اور MRCs کا متغیر مالی تلافی کی تفصیلات یہ ہیں:

متغیر مالی تلافی کے اجزاء	التوا	التوا کی مدت		مالس
پیشگی نقدر قم	FC کا 60 فیصد تک VC کی رقم	فوری		-
التواشدہ نقدر قم	FC کا 60 فیصد سے تجاوز VC کی رقم	3سال	MRT	ہاں

C کیٹیگری میں درج MRTs اور MRCs کا متغیر مالی تلافی کی تفصیلات یہ ہیں:

متغیر مالی تلافی کے اجزاء	التوا	التوا کی مدت		مالس
پیشگی نقدر قم	FC کا 50 فیصد تک VC کی رقم	فوری		-
التواشدہ نقدر قم	FC کا 50 فیصد سے تجاوز VC کی رقم	3سال	MRT	ہاں

B. مالس

خصوصی صورتحال میں مالس عطا کردہ متغیر مالی تلافی کی منسوخی اور کمی کی اجازت دیتا ہے۔ اگر ملازم کی کوئی جانتے بوجھتے بد سلوکی، مادی (material) کی غلطی ، لاپرواہی یا نااہلی کی مناسب حد تک ثبوت مل گئے جس میں ملازم کی مالیاتی کارکردگی کی وجہ سے کمپنی/کاروباری یونٹ کو اس کی مالیاتی کارکردگی، مادی غلط بیانی، مادی خطے کے انتظام کی ناکامی یا شہرت کا نقصان یا کارکردگی کے سال میں خطرہ ہو تو معاوضہ مالس کی معروضات (provision) سے مشروط ہوگا۔

علاوہ ازیں، بورڈ، درج ذیل صورتحال میں، اس بات کا اختیار رکھتا ہے کہ وہ ماضی میں ملازم کی جمع شدہ رقم کی ادائیگی کو منسوخ کردے (مزدور کے قوانین اور قوائد کی پابندی کرتے ہوئے):

- کمپنی کیپیٹلائزیشن (capitalization) کے خاصے مسائل اور

- جن سالوں میں بونسز جمع ہوئے ہیں اس دوران مادیت کے خاصے خطرات کا پیدا ہونا

التواء شدہ بونس کے تمام متعلقہ پہلوؤں پر تفصیلی تجزیہ کے ساتھ پول (pool) کا انتظام درج ذیل اسکیمز/اختیارات میں سے کسی ایک کے ساتھ کیا جاسکتا ہے۔

- کمپنی کے اندر ہی سے التواء شدہ بونس کی انتظامیہ اور/یا
- ایسے التواء شدہ بونس کے لیے نئی اسکیم کی تشکیل کے ساتھ مینجمنٹ فنکشن اور نظم وضبط کے میکنزم۔

غیر ایگزیکٹیو ناظمین (NEDs) کے لیئے معاوضہ

غیر ایگزیکٹیو ناظمین (NEDs) کے لیئے معاوضہ کی مالی تلافی شفاف اور قابل پیمائش طریقے سے ہوگی اور اس کا تعلق انفرادی ناظم کے بورڈ/کمیٹی کے اجلاسوں میں شرکت سے ہوگا۔

ملازمین کے لیے اسٹاک کے اختیار کی اسکیم (ESOS)

کمپنی ملازمین کو ESOS کی پیشکش نہیں کرتی۔

پراویڈینٹ اور گریجویٹی فنڈز کی سرمایہ کاری کا اسٹیٹمنٹ

31 دسمبر 2019 تک پراویڈینٹ اور گریجویٹی فنڈز کے غیر تصدیق شدہ گوشواروں کے مطابق سرمایہ کاری کی تفصیل بالترتیب 217 ملین اور 158 ملین پاکستانی روپے رہی۔

محاسب

موجودہ محاسب میسرز ای وائی فورڈ روڈس اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹ، کا مدت معاہدہ ختم ہوگیا ہے اور اس بات کے اہل ہونے کی وجہ سے اپنے آپ کو دوبارہ منتخب کروانے کے لیے اپنی خدمات دوبارہ پیش کرتے ہیں۔ آڈٹ کمیٹی کی میسرز ای وائی فورڈ روڈس اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹ کا 31 دسمبر 2020 تک کے لیے دوبارہ انتخاب کی تجویز کو سالانہ عام اجلاس میں غور اور منظوری کے لیے پیش کرتے ہیں۔

حصص رکھنے کا رجحان

حکومتِ پاکستان	وزارتِ مالیات،	49.99%
	سیکریٹری، اقتصادی معملات ڈیویزن	0.01%
حکومت سلطنت عُمان	وزارتِ مالیات	49.99%
	وازرتِ تجارت وصنعت	0.01%

اعتراف

سرپرست

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

قانون ساز نگراں ادارے

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

انتظامیہ

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

بہاؤالدین خان
مینجنگ ڈائریکٹر اور چیف ایکزیکیوٹیو

یحییٰ بن سعید بن عبداللہ الجابری
چیئرمین

کراچی، 12 فروری 2020

منسلکہ "A"

بورڈ کی ایگزیکیٹو کمیٹی
اغراض مقاصد/قوائد وضوابط

ساخت

کمیٹی مندرجہ ذیل ناظمین پر مشتمل ہو گی:

ایچ۔ای۔یحییٰ بن سعید بن عبداللہ الجابری	چیئرمین
جناب محمد زبیر موتی والا	رکن
جناب عمر حامد خان	رکن
ایچ۔ایچ- سید جلند جیفر سلم آل سعید	رکن
جناب بہاؤالدین خان	رکن

رکن (یا ارکان) جو کسی وجہ سے اجلاس میں شرکت نہیں کر سکتے وہ اسی کمیٹی کو کسی دوسرے رکن کو نیابت (proxy) دے سکتے ہیں۔ کسی رکن کی غیر حاضری کی صورت میں ایک دوسرے ناظم کو کمیٹی میں شامل کیا جا سکتا ہے۔

اجلاس میں کم سے کم ارکان کی شرکت کی تعداد (quorum)

اجلاس	کم سے کم 3 ارکان
فیصلہ سازی	سادہ اکثریت

اجلاس

بورڈ کے ہر اجلاس کے ساتھ کمیٹی کا بھی کم از کم ایک اجلاس ہو گا۔

سیکریٹری

رسک مینجمنٹ کمیٹی کا سربراہ کمیٹی کا سیکریٹری ہو گا۔ سیکریٹری کی ذمہ داری ہو گی کی وہ اجلاس کا موضوع (agenda) طے/تیار کرے اور ارکان میں تقسیم کرے اور اجلاس سے پہلے کمیٹی کے ارکان کو ضروری معاون دستاویز فراہم کرے گا۔

سیکریٹری کی ذمہ داری ہو گی کہ وہ کمیٹی کے اجلاس کے منٹس تیار کرے اور اس کا رکارڈ رکھے اور کمیٹی کے ارکان کو بھیجے۔

اغراض مقاصد/قوائد وضوابط

بورڈ کے ناظمین وقتاً فوقتاً اپنے کل اختیار یا اس کا جز، ایگزیکیٹیو کمیٹی کو، ایسی شرائط وضوابط جن کو وہ مناسب سمجھے، تفویض کرتی ہے اور اس کے پاس کل صوابدیدی اختیار ہے کہ وہ تفویض کردہ اختیار کو منسوخ کر دے، واپس لے لے یا اس میں تبدیلی کر دے۔ ایگزیکیٹیو کمیٹی کے تمام فیصلے کی منظوری بورڈ کی اگلے اجلاس میں کی

جائے گی۔ کوئی اور تمام تجاویز ایگزیکیٹیو کمیٹی کو بھیجے جا سکتے ہیں جو وہ ارکان کے غور کرنے کے لیے ان میں تقسیم کرتی ہے اور ان تجاویز کی منظوری سادہ اکثریت سے ایگزیکیٹیو کمیٹی کے ارکان دیتے ہیں۔ مزید یہ کہ ارکان کو تجاویز تقسیم کے طریقے سے بھیجی اور اگر ان کا ردعمل دو ہفتوں میں نہیں آتا تو یہ سمجھا جائے گا کہ مذکورہ رکن (ارکان) اس تجویز (ات) منظور ہے (ہیں)۔

بورڈ کے ناظمین کی جانب سے ایگزیکیٹیو کمیٹی کو تفویض کردہ اختیارات کی تفصیلات درج ذیل ہیں؛

(i) 50 ملین روپے (0.833 امریکی ڈالر) سے زیادہ تمام کاروباری تجاویز (فنڈڈ یا غیر فنڈڈ) کا جائزہ لینا اور اس کی منظوری دینا، بشمول؛

a. قرضہ اور

b. حصص اور میوچل فنڈز میں سرمایہ کاری کرنا۔

(ii) 50 ملین روپے سے زیادہ کی درج ذیل کے لیے لائنز/حدود کا جائزہ لینا اور اس کی منظوری دینا؛

a. بینکس

b. مالیاتی ادارے

c. دیگر اداراتی ادارے

خزانہ اور کیپیٹل منڈی کے سودے۔

(iii) کیپیٹل مارکیٹ کے آپریشنز بشمول CFS کے تحت قرضہ کی فراہمی کا جائزہ اور اس کی منظوری؛

(iv) قرضہ کی مالی دستاویزات (instruments) جو ٹرم فنانس سرٹیفیکیٹس، میوچل فنڈز، تجارتی دستاویزات اور/یا سکوک سرٹیفیکیٹس کی مجموعی حد کا جائزہ لیا اور اس کی منظوری لینا۔

(v) سرمایہ کاری کے لیے ٹرم فنانس سرٹیفیکیٹس، میوچل فنڈز، تجارتی دستاویزات اور/یا سکوک سرٹیفیکیٹس کی درجہ بندی کا جائزہ اور اس کی منظوری دینا۔

(vi) مالیاتی منصوبوں کے حوالے سے ادائیگی کی مدت میں تبدیلی (rescheduling) اور جرمانے کو صولی کے حق سے دستبرداری کی وجوہات پر فیصلہ کرنا۔

(vii) کسی قرضہ کی معافی کے معاملے میں بورڈ کو حتمی تجاویز دینے کے بارے میں فیصلہ کرنا۔

(viii) بورڈ کے جانب سے کسی معاملے پر دئے گئے مشورے پر غور کرنا۔

کسی یا تمام تجاویز کی کو ایگزیکیٹیو کمیٹی کے ارکان کو بھیجا جائے گا اور جس کی وہ منظوری دیں گے۔

پاک اومان انویسٹمنٹ کمپنی لمیٹڈ کی آڈٹ کمیٹی کے اغراض مقاصد/قوائد وضوابط
(آڈٹ کمیٹی کا منشور)

مقاصد

آڈٹ کمیٹی کا مقصد بورڈ کے ناظمین کی مالیاتی رپورٹنگ پریکٹسز، معیار، مالیاتی رپورٹس کی سالمیت، اندرونی کنٹرول کا ماحول، ضوابط کی تعمیل، رسک کا انتظام، نظموضبط اور کاروبار سے متعلق اخلاقیات کی نگرانی سے متعلق کاموں کو پورا کرنے کے سلسلے میں معاونت کرنا ہے۔

ساخت

کمیٹی مندرجہ ذیل ناظمین پر مشتمل ہو گی:

جناب هيثم يوسف جمعة الزدجالي	چیئرمین
جناب محمد زبیر موتی والا	رکن
جناب عمر حامد خان	رکن
ہِز۔ایچ- سید جلند جیفر سلم آل سعید	رکن

مینیجنگ ڈائریکٹر کو کمیٹی کے اجلاس میں شرکت کی دعوت دی جاسکتی ہے (جیسے اور جب ضروری ہوا)۔

اجلاس میں کم سے کم ارکان کی شرکت کی تعداد(quorum)

اجلاس	کم سے کم 2ارکان
فیصلہ سازی	سادہ اکثریت

معینہ مدت میں تعدادِ تکرار (Frequency)؛ تعدادِ تکرار اور بورڈ (کے اجلاس کی) کو رپورٹنگ کا میکنزم

اجلاس جب مناسب ہو گا اس کا انعقاد ہو گا لیکن سال میں چار مرتبہ سے کم اجلاس نہیں ہوں گے۔ آڈٹ کمیٹی کا اجلاس کی کاروائی کا خلاصہ بشمول اندرونی آڈٹ فنکشن کی نشاندہی کردہ معاملات پر تبصرے کے ساتھ آڈٹ کمیٹی کا چیئرمین بورڈ کو پیش کرے گا اور اس کے ساتھ کمپنی کی سہ ماہی، ششماہی اور سالانہ مالیاتی دستاویزات بورڈ کے ناظمین کے جائزہ اور اس کی منظوری کے لیے پیش کرے گا۔

معینہ مدت میں ACC کے جائزہ کی تعدادِ تکرار (Frequency) اور ACC کی کارکردگی کے جائزے کا میکنزم

بورڈ سالانہ کی بنیاد پر BAC کی اس کے منشور میں درج اس کے کردار اور ذمہ داریوں کی بنیاد پر، بذریعہ بورڈ جانچ جو ہر سال کی جاتی ہے (کمپنی میں ہی PICG/)۔

سیکریٹری

کمپنی سیکریٹری ہی کمیٹی کی سیکریٹری ہوں گے۔ سیکریٹری کی ذمہ داری ہو گی کی وہ اجلاس کا موضوع(agenda) طے/تیار کرے اور ارکان میں تقسیم کرے اور اجلاس سے پہلے کمیٹی کے ارکان کو ضروری معاون دستاویز فراہم کرے گا۔

سیکریٹری کی ذمہ داری ہو گی کہ وہ کمیٹی کے اجلاس کے منٹس تیار کرے اور اس کا کارڈ رکھے اور کمیٹی کے ارکان کو بھیجے۔

مقتدر(authority)

BAC کو اپنے کردار اور ذمہ داریاں ادا کرنے کے لیے، تو اندرونی یا بیرونی وسائل استعمال کر کے (اگر ضروری ہو تو)، مکمل اختیار اور آزادی ہونی چاہیے۔

معینہ مدت میں ابلاغ(communication) کی تعدادِ تکرار(Frequency) اور انتظامیہ کے ساتھ ابلاغ کا ذریعہ

چ کو اپنا کردار اور ذمہ داریاں پوری کرنے کے لیے بذریعہ کمیٹی کے سیکریٹری یا سربراہ اندرونی آڈیٹر یا براہ راست انتظامیہ سے کوئی بھی معلومات طلب کر سکتا ہے۔

کردار اور ذمہ داریاں (اغراض مقاصد/ قوائد وضوابط)

آڈٹ کمیٹی کے اغراض مقاصد/ قوائد وضوابط(TOR) میں درج ذیل شامل ہوں گی:

i. BAC وقفے وقفے سے اہم خلاف ورزیاں/مشاہدات، اندرونی اور بیرونی دھوکہ دہیاں، اندرونی کنٹرول کی خامیاں، اداراتی اور ذاتی مادی مفاد کا ٹکراؤ، جن کی نشاندہی آڈٹ کی سرگرمیوں دوران ہوئیں، ان کے ساتھ انتظامیہ کا اس سلسلے میں ان کے حل کے لیے کئے گئے اقدامات کا خلاصہ وصول کرے گی اور جائزہ لے گی تاکہ اس بات کو یقینی بنایا جائے کہ آڈٹ کے مشاہدات/ تجاویز انتظامیہ کے اعلیٰ عہدے داران کی مناسب اور بروقت توجہ حاصل ہو اور ان میں بہتری کی نگرانی کے لیے جانے والے وقت کی بندش کے عمل/اشاروں کے ذریعے ہو۔

ii. کمپنی کی سہ ماہی، ششماہی اور سالانہ مالیاتی دستاویزات کا بورڈ کے ناظمین کی منظوری سے پہلے کا جائزہ لے۔ ایسے جائزہ کی توجہ درج ذیل نکات پر ہو گی

a. قوت فیصلہ سے متعلق(judgemental) معاملات

b. آڈٹ کے نتیجے میں اہم ترامیم؛

c. جاری پریشانی کے معاملات کا مفروضہ؛

d. اکاؤنٹنگ کی پالیسی اور مشقوں(practices) میں کوئی تبدیلی؛

e. لاگو اکاؤنٹنگ کے معیار کی تعمیل؛ اور

f. مندرج ضوبط اور دیگر دستوری اور انضباطی ضروریات کی تعمیل۔

iii. ابتدائی نتائج کا اشاعت کے اعلان سے پہلے جائزہ

iv. بورڈ کے ناظمین ی توثیق سے پہلے کمپنی کی مالی دستاویزات کا اندرونی کنٹرول کے نظام پر جائزہ۔

v. بڑی مشاہدات جو درمیانی اور حتمی آڈٹ اور دیگر کوئی معاملہ جس کی جانب آڈیٹر توجہ دلانا چاہتا ہے اس سلسلے میں بیرونی آڈٹ کے معاملے میں بیرونی آڈیٹر کو سہولت فراہم کرنا ان کے ساتھ بیٹھ کر غور وخوص کرنا۔

vi. بیرونی آڈیٹر کی جانب سے جاری کردہ مینجمنٹ اور اس پر انتظامیہ کے رد عمل کا جائزہ لینا۔

vii. اس بات کا تعین کرنا کہ اندرونی کنٹرول کا نظام بشمول مالیاتی اور آپریشنل کنٹرولز، اکاؤنٹنگ کا نظام اور رپورٹ کرنے کے ڈھانچے مناسب اور مؤثر ہیں۔

viii. اداراتی نظم وضبط کی مشقوں اور اس میں اہم انحراف کے شناخت کرنے کی نگرانی کی تعمیل کرنا۔

ix. متعلقہ دستوری ضروریات کی تعمیل کا عزم۔

x. بورڈ کے ناظمین کو بیرونی آڈیٹر کے انتخاب، جو کمپنی کے حصص کنندگان کرتے ہیں، کے لیے تجاویز دینے کی ذمہ دار ہے اور بیرونی آڈیٹر کے استعفیٰ یا برطرفی سے تعلق، آڈٹ فیس اور کمپنی کی مالیاتی دستاویزات کے آڈٹ کے علاوہ کسی خدمت کی پرووبزن سوالات پر غور کرے گی۔

xi. اندرونی آڈٹ کا دائرہ کار اور اس کی وسعت اور اس بات کو یقینی بنایا جائے کہ اندرونی آڈٹ، کو اپنی آڈٹ کی سرگرمیوں کی واقعیت (objectivity) کے ساتھ ادائیگی کے لیے، ہر طرح سے آزاد ہے اور اسے لوگوں، معلومات، پراسسز، جائیداد، رکارڈ اور سسٹم تک رسائی پر کسی قسم کی پابندیاں نہیں ہیں۔

xii. BAC/بورڈ IAF کا بجٹ منظور کرے گا اور مناسب وسائل فراہم کرے گا؛ اور ضروری ہوا تو اضافی وسائل (مالیاتی، انسانی، آپریشنل، مادی، ٹیکنالوجیکل اور ضروری تربیت) فراہم کرے گا جو مناسب ہوں تاکہ IAF طے شدہ(planned) آڈٹ کی سرگرمیوں کو سرانجام دی جاسکیں، جس کا متعین مدت میں اس کی موجودہ حیثیت کے تقابلی جائزہ لیا جائے گا۔

xiii. BAC، جیسے اور جب ضروری ہوگا، اندرونی آڈٹ کے منشور (IAC)، سالانہ خطرے کی بنیاد پر آڈٹ منصوبہ (RBAP) کا جائزہ لے گا اور منظور کرے گا۔

xiv. BAC اندرونی آڈٹ کی حکمت عملی(IAS) کا جائزہ لے گی اور بورڈ کی منظوری کے لیے تجاویز دے گی۔

xv. CIA کے انتخاب/دوبارہ انتخاب/ معاہدے کی تجدید اور برطرفی کی منظوری BAC دے گی؛ اور ملازمت کی دیگر شرائط بشمول ان کا مشاہراہ، متعلقہ فوائد، ترقی/تنزلی اور کارکردگی کی بنیاد پر بونسسز، تنخواہ میں اضافہ، نقدانعمات اور دیگر مالیاتی اور غیر مالیاتی فوائد کا تعین کرے گا۔

xvi. CIA کے لیے BAC کارکردگی کے بنیادی اشارے(KPIs) کی منظوری دے گی اور متعلقہ فرد کی ان KPIs کی بنیاد پر کارکردگی کا سالانہ کی بنیاد پر جائزہ لے گی۔

xvii. BAC کی CIA اور ندرونی آڈیٹرز کے خلاف کی جانے والی کوئے تفتیش/انضباطی کاروائی کے عمل کو یقینی طور پر آزاد ہونا چاہیے۔

xviii. BAC کو ہر سال مدت کے دوران کی جانے والی آڈٹ کی بنیاد پر CIA سے FI کے اندرونی کنڑولز کی صورتحال پر ایک آزاد تخمینہ /رائے لے گی۔

xix. IAF/بیرونی آڈیٹرز کی نشاندہی کردہ معاملات پر بورڈ کو رپورٹ میں جو بورڈ کی فوری توجہ طلب ہیں۔

xx. خصوصی منصوبوں کی تشکیل، رقم کی قدر کے بارے میں تجزیاتی مطالعہ یا دیگر بورڈ کی جانب سے تجویز کردہ معاملے، چیف ایگزیکٹیو کے ساتھ مشاورت سے، پر تفتیش کرنا، تاکہ اس معاملے کو واپس بیرونی آڈیٹر یا دیگر بیرونی باڈی کے پاس بھیج دیا جائے۔

xxi. کاروباری اخلاقیات/ طرز عمل کی مشقوں، نظم وضبط اور خطرے انتظام کی مشقوں، مالیاتی رپورٹنگ اور آڈیٹنگ مشقوں وغیرہ کے بارے میں شکایات/خدشات وصول کرنے(اندرونی یا بیرونی ذرائع سے) کے بارے میں "وسل بلوونگ" کے طریقہ کار کے مؤثر ہونے کا جائزہ لے۔

xxii. BAC اس بات کو لازمی طور پر اس بات کو یقینی ایسی شکایات کو خفیہ طور پر دیکھنا چاہئے اور شکائت کی رپورٹ کرنے والا ملازم (ملازمین) کو تحفظ حاصل ہونا چاہیے اور اس/ان کو کسی بھی طریقے سے سزا نہ دی جائے۔

xxiii. بورڈ کے ناظمین کا تفویض کردہ دیگر کوئی مسئلے یا معاملے پر غوروخوص کرنا۔

مشاہرہ اور معاوضہ کمیٹی

اغراض مقاصد/قوائد وضوابط

نام

کمیٹی بطور مشاہراہ اور معاوضہ کمیٹی کے نام سے جانی جاتی ہے۔

ساخت

کمیٹی مندرجہ ذیل ناظمین پر مشتمل ہو گی:

ایچ۔ای۔یحییٰ بن سعید بن عبداللہ الجابری	چیئر مین
جناب محمد زبیر موتی والا	رکن
ایچ۔ایچ- سید جلند جیفر سلم آل سعید	رکن

مینجنگ ڈائریکٹر کو کمیٹی کے اجلاس میں شرکت کی دعوت دی جاسکتی ہے (جیسے اور جب ضروری ہوا)۔

اجلاس

اجلاس جب مناسب ہو گا منعقد ہو گی لیکن سال میں چار مرتبہ سے کم نہیں ہوں گی۔

اجلاس میں کم سے کم ارکان کی شرکت کی تعداد (quorum)

اجلاس	کم سے کم 2 ارکان
فیصلہ سازی	سادہ اکثریت

سیکریٹری

کمپنی سیکریٹری ہی کمیٹی کی سیکریٹری ہوں گے۔ سیکریٹری کی ذمہ داری ہو گی کی وہ اجلاس کا موضوع (agenda) طے/تیار کرے اور ارکان میں تقسیم کرے اور اجلاس سے پہلے کمیٹی کے ارکان کو ضروری معاون دستاویز فراہم کرے گا۔

سیکریٹری کی ذمہ داری ہو گی کہ وہ کمیٹی کے اجلاس کے منٹس تیار کرے اور اس کا رکارڈ رکھے اور کمیٹی کے ارکان کو بھیجے۔

سیکریٹری کی غیر حاضری کی صورت میں کمیٹی کے چیئرمین اس اجلاس کے لیے ایک سیکریٹری نامزد کر سکتا ہے۔

اختیار اور فرائض

1. مینجنگ ڈائریکٹر کی تجویز کردہ تجاویز کے مطابق شعبہ جات کے سربراہان کی تقرریوں، معاوضہ (بشمول بعد از ملازمت فوائد) کی منظوری دینا ما سوائے CFO،COO ، کمپنی سیکریٹری اور سربراہ اندورنی آڈٹ کے۔
2. CFO،COO ، کمپنی سیکریٹری اور سربراہ اندورنی آڈٹ کے انتخاب، قدرپیمائی (evaluation) اور ان کے معاوضے (بشمول بعد از ملازمت فوائد) کے بارے میں بورڈ کو تجویز/مشورہ دینا۔
3. مینجنگ ڈائریکٹر کی تجویز کردہ تجاویز کے مطابق شعبہ جات کے سربراہان کی برطرفی، ترقی، تنخواہ میں اضافہ اور دیگر فوائد کا جائزہ لینا اور منظوری دینا۔
4. مینجنگ ڈائریکٹر کی تجویز کردہ تجاویز کے مطابق شعبہ جات کے سربراہان کی سالانہ قدرپذیری کی رپورٹس کا جائزہ لینا (اور منظوری دینا)۔
5. کمپنی کے شعبہ جاتی سربراہان، ایگزیکٹیو اور دیگر ملازمین کے لیے کارکردگی بونس کی ادائیگی کے معیار کا جائزہ لینا اور بورڈ کو تجویز دینا۔
6. کمپنی لے شعبہ جات کے سربراہان، ایگزیکٹیو اور دیگر ملازمین کو کارکردگی کے بونسسز کی ادائیگی کے معیار کا جائزہ لے کر بورڈ کے ناظمین کو تجویز دیں۔
7. کمپنی کے انسانی وسائل کی پالیسی کا کتابچے اور ملازمین کے سروس کے قوانین میں کوئی تبدیلی کا جائزہ لے کر بورڈ کے ناظمین کو تجویز دیں۔
8. وقفہ وقفہ سے ایم ڈی کی تنخواہ، الاؤنس اور اضافی مراعات میں اضافے کا جائزہ لے کر بورڈ کے ناظمین کو تجویز دیں۔
9. ناظمین کی فیس میں تبدیلی کا جائزہ لے کر بورڈ کے ناظمین کو تجویز دیں۔
10. بورڈ کی دیگر کسی تعریف (تجویز) کردہ مسائل یا موضوعات پر غور کرے۔

بورڈ نے کمیٹی کو اس بات کا اختیار دے رکھا ہے کہ اگ وہ ضروری سمجھے تو وہ کسی معاملے پر باہر سے انسانی وسائل، قانونی اور دیگر آزاد پیشہ ورانہ مشورہ حاصل کر سکتا ہے۔

بورڈ کی رسک مینجمنٹ کمیٹی

اغراض مقاصد/ قوائد وضوابط

ساخت

کمیٹی مندرجہ ذیل ناظمین پر مشتمل ہو گی:

جناب محمد زبیر موتی والا	چیئرمین
عزت مآب یحییٰ بن سعید بن عبداللہ ال جابرہ	رکن
ایچ۔ایچ۔ سید جلند جیفر سلم آل سعید	رکن

مینجنگ ڈائریکٹر کو کمیٹی کے اجلاس میں شرکت کی دعوت دی جاسکتی ہے(جیسے اور جب ضروری ہوا۔

چیئرمین کی غیر حاضری کی صورت میں کمیٹی کی صدارت چیئرمین کے نامزد شخص کرے گا۔

اجلاس میں کم سے کم ارکان کی شرکت کی تعداد(quorum)

اجلاس	کم سے کم 2ارکان
فیصلہ سازی	سادہ اکثریت

اجلاس

بورڈ کے ہر اجلاس کے ساتھ کمیٹی کا اجلاس ہر سہ ماہی میں کم از کم ایک مرتبہ ہو گا۔

سیکریٹری

رسک مینجمنٹ کمیٹی کا سربراہ کمیٹی کا سیکریٹری ہو گا۔ سیکریٹری کی ذمہ داری ہو گی کی وہ اجلاس کا موضوع(agenda) طے/تیار کرے اور ارکان میں تقسیم کرے اور اجلاس سے پہلے کمیٹی کے ارکان کو ضروری معاون دستاویز فراہم کرے گا۔

سیکریٹری کی ذمہ داری ہو گی کہ وہ کمیٹی کے اجلاس کے منٹس تیار کرے اور اس کا رکارڈ رکھے اور کمیٹی کے ارکان کو بھیجے۔

سیکریٹری کی غیر حاضری کی صورت میں کمیٹی کے چیئرمین اس اجلاس کے لیے ایک سیکریٹری نامزد کر سکتا ہے۔

اغراض مقاصد/ قوائد وضوابط

رسک مینجمنٹ کمیٹی کو بورڈ کے ناظمین کی جانب سے تفویض کردہ تفصیلات درک ذیل ہیں:

اختیار اور ذمہ داریاں

عام

کمیٹی کی ذمہ داری ہے کہ کمپنی بھر میں رسک مینجمنٹ کے ڈھانچے کے قائم کرنے اور برقرار رکھے گی اور اس کی تعمیر سے کاروباری خطرات کی شناخت ہو اور اس کو ترجیح دیا جائے تاکہ رسک مینجمنٹ کی سرگرمیوں کا موثر ہونے اور ہم آہنگ ہونے کا اندازہ لگایا جائے۔ ان مقاصد کے حصول کے لیے کمیٹی کے کاموں میں درج ذیل کام شامل ہیں جو ان کاموں تک محدود نہیں ہے؛

- کاروباری خطرے کے تناظر میں کمپنی بھر پر قابل عمل لائحہ عمل کا جائزہ لینا تاکہ اس بات کو یقینی بنایا جائے کہ اس کو کمپنی کی پالیسیوں اور انضباطی ضروریات کے مطابق بنایا گیا ہے۔
- کمپنی کی مجموعی کاروباری خطرے لیے رغبت کے ساتھ ساتھ قرضہ، منڈی، سیالیت اور آپریشن کی سرگرمیوں کے حوالے سے برداشت کرنے کی استعداد کی تجاویز دیں
- وقفہ وقفہ سے قرضہ کے خطرے کا انتظام اور دیگر پالیسیوں کا جائزہ لے اور ان میں مناسب کرتے رہیں تاکہ وہ کسی بھی ارتقاء اور ماحول میں ہونے والی کسی تبدیلی سے ہم آہنگ ہوں۔ تاہم ایسی کسی صورتحال کی عدم موجودگی میں یہ توقع کی جاتی ہے کہ کمیٹی ان پالیسیوں کے موئثر ہونے کے حوالے سے سال میں کم از کم تین سال میں ایک مرتبہ ان پالیسیوں کا جائزہ لے گی/ تخمینہ لگائے گی۔
- نئی مصنوع (product)/ قرضہ دینے کا پروگرام/ سرمایہ کاری اور نئے کاروبار کا جائزہ/اصلاح کے لیے نظر ثانی کرنا اور ان پر تجاویز کو بورڈ کا صلاح کے لیے نظر ثانی کرنا اور ان پر تجاویز کو بورڈ کے ناظمین کو پیش کرنا۔
- کمپنی کی پسندیدہ کیپیٹل کا موزونیت کے تناسب کا جائزہ لینا اور اس میں اہم اتار چڑھاؤ کی نگرانی کرنا اور کیپیٹل کی کم سے کم دستوری ضروریات استثنیٰ کا جائزہ لینا اور بورڈ کی ضروری منظوری لینا۔
- رسک مینجمنٹ پالیسیوں میں مادی استثنیٰ اور کاروباری خطرے کی حدود برداشت کی استعداد اور ان کی اصلاح کے لیے گئے اقدامات اور ان کی منظوری۔
- کوئی نیا کاروباری خطرہ اور اس کو کنٹرول کرنے کا ڈھانچہ/بہترین مشقیں/نئے قوانین کا انتظام (حکومت)۔
- کاروباری خطرے کی رغبت میں تغیرات کا جائزہ۔
- بیسل ICAAP- III/ II/ دباؤ کی ٹیسٹنگ کا جائزہ۔
- کمپنی در پیش مجموعی کاروباری خطرات کو دستیاب کیپیٹل کی مناسبت سے محفوظ سطح پر برقرار رکھنے کی استعداد کا تخمینہ گانا۔
- SBP کی ہدایات/ کمپنی پالیسی کے مطابق کسی دیگر بیان کو جائزہ کے لیے جمع کروانا۔

قرضہ کی فراہمی

- کریڈٹ کمیٹی کے اغراض مقاصد/ قوائد وضوابط کی منظوری
- سالانہ کریڈٹ پلان کا جائزہ اور بورڈ کو تجویز دینا۔
- جہاں جہاں لاگو انضباطی پالیسی کی ضروریات میں چھوٹ/ڈھیل کی اجازت ہو اس کی تجاویز/منظوری بورڈ/BRMC سے لی جائیں۔
- بورڈ کی منظوری کے لیے تمام متعلقہ جزوی ایکس پوژرز (exposures) کا جائزہ اور منظوری اور بورڈ کی منظوری کے پیش کرنا۔
- پورٹ فولیو اور سیکٹر کا تجزیہ۔
- ملک سے متعلق خطرے کا تجزیہ جہاں ضروری ہو۔

منڈی کا رسک

- فریق دوئم/FI حدود کا جائزہ اور تجویز دینا۔
- سالانہ خزانہ کے پلان کا جائزہ اور تجویز دینا۔
- بورڈ کی خزانہ کی منظور کردہ حدود کی خلاف ورزیوں کی منظوری۔
- خزانہ اور ملکیتی سرمایہ کے منصوبوں میں تغیر کا جائزہ۔
- دبؤ کی ٹیسٹنگ کا جائزہ۔
- استثنیٰ رپورٹ کا جائزہ۔

سیالیت کا خطرہ

- تکمیلی صورتحال/دوبارہ سے قیمت میں فرق کا جائزہ۔
- غیر یقینی صورتحال کی فنڈ نگ کے پلان کا جائزہ اور تجویز کرنا۔
- فنڈ کیے جاننے میں فرق کی نگرانی۔

آپریشن کے خطرے کا انتظام

- آپریشنل رسک کے لیے برداشت کرنے کی استعداد کی حد کا جائزہ اور تجویز دینا۔
- اندرونی خطرے کے تخمینے کے اندازے کے طریقہ کار یعنی رسک اور کنٹرول خود کار تخمینہ یا خطرے کی نگرانی کے لیے دیگر کوئی طریقہ کار کی منظوری۔
- آپریشنل نقصان کی برداشت کی استعداد میں تغیر کا جائزہ (اہم رسک کے نقصان کے واقعات کی اطلاع دیں)
- کوئی اہم آپریشنل رسک جسے BRMS کو آگاہ ہونے کی ضرورت ہے اس کا جائزہ۔
- اہم واقعات اور اشاروں کے بارے میں جمع کی جانے والی رپورٹ کا جائزہ تاکہ اس سلسلے میں تجویز کردہ/کئے جانے والے عمل کی موزونیت کا تعین ہو سکے اور اگر ضروری ہو تو متبادل اقدام کی ہدائت دی جائے یا تجویز کردہ عمل کے نفاذ کی اجازت دی جائے۔

انفارمیشن ٹیکنالوجی سیکیورٹی کے خطرہ کا انتظام

- .I.T کے تحفظ کی حکمت عملی کا جائزہ اور تجاویز دینا۔
- I.T کے تحفظ کی پالیسی/ترامیم کی بورڈ کو تجویز دینا۔
- معلومات کے تحفظ کی پالیسی کے نفاذ کی کیفیت کا جائزہ لینا۔
- کاروبار کے پراسس، نظام یا سرگرمی میں کوئی اہم تبدیلی جسے BRMC سیکریٹری نے پیش کی ہے تاکہ کسی ممکنہ ہونے والے خطرے کو نمایاں کر سکے اس پورے عمل کا جائزہ۔
- اس بات کا جائزہ لینا کہ کمپنی کے پاس کاروبار کے مسلسل جاری رہنے/غیر یقینی صورتحال نپٹنے کا بورڈ کے ناظمین کا منظور کردہ منصوبہ موجود ہے۔

Pak Oman Investment Company Limited
Six Years Financial Summary

						Rupees in '000
December 31	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Cash and balances with treasury and other banks	2,128,067	2,398,193	2,182,200	1,759,805	1,680,681	369,085
Lendings to financial institutions	8,132,475	5,434,296	2,038,288	935,826	362,824	614,177
Investments	59,375,922	28,433,357	40,240,634	20,831,182	14,073,356	12,179,521
Advances	20,024,133	20,480,702	18,788,493	14,834,851	9,993,263	9,070,314
Fixed assets	201,211	95,732	80,994	83,897	82,201	68,364
Intangibles	5	437	907	1,366	115	305
Other assets	2,221,001	1,267,755	1,337,874	1,359,428	1,002,189	1,063,857
Total assets	**92,082,814**	**58,110,472**	**64,669,390**	**39,806,355**	**27,194,629**	**23,365,623**
LIABILITIES						
Borrowings	73,681,026	39,961,645	44,607,690	25,150,898	14,479,440	8,868,730
Deposits and other accounts	8,576,392	9,010,490	10,501,149	5,342,975	4,009,860	6,295,986
Other liabilities	1,471,935	995,399	1,437,194	851,284	540,243	488,736
Total Liabilities	**83,729,353**	**49,967,534**	**56,546,033**	**31,345,157**	**19,029,543**	**15,653,452**
NET ASSETS	**8,353,461**	**8,142,938**	**8,123,357**	**8,461,198**	**8,165,086**	**7,712,171**
REPRESENTED BY						
Share capital	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000
Reserves	1,265,504	1,164,643	1,071,761	984,427	843,304	722,810
Surplus / (defict) on revaluation of assets	161,727	39,425	63,540	354,446	394,883	293,446
Unappropriated profit	776,230	788,870	838,056	972,325	776,899	545,915
	8,353,461	**8,142,938**	**8,123,357**	**8,461,198**	**8,165,086**	**7,712,171**
PROFITABILITY						
Mark-up/Return/Interest earned	7,521,051	3,550,116	3,955,607	2,287,972	2,242,063	2,117,169
Mark-up/Return/Interest expensed	(6,500,194)	(2,710,409)	(3,099,597)	(1,436,373)	(1,356,296)	(1,360,752)
Net mark-up/interest income	1,020,857	839,707	856,010	851,599	885,767	756,417
Fee, commission and brokerage income	41,637	60,348	61,204	60,302	39,488	29,699
Capital gain & dividend income	192,288	80,355	277,563	762,621	750,484	371,072
Other income	2,344	20,861	1,670	4,750	-	1,903
Total non markup/interest income	236,269	161,564	340,437	827,673	789,972	402,674
Gross Income	1,257,126	1,001,271	1,196,447	1,679,272	1,675,739	1,159,091
Operating expenses and other charges	(609,415)	(584,028)	(620,227)	(647,335)	(504,340)	(392,775)
Profit before provisions	**647,711**	**417,243**	**576,220**	**1,031,937**	**1,171,399**	**766,316**
Reversals / (Provisions)	34,136	332,101	168,313	(6,648)	(196,135)	(221,033)
Profit before taxation	**681,847**	**749,344**	**744,533**	**1,025,289**	**975,264**	**545,283**
Taxation	(177,543)	(284,934)	(307,865)	(319,675)	(372,793)	(161,690)
Profit after taxation	**504,304**	**464,410**	**436,668**	**705,614**	**602,471**	**383,593**
CASH FLOW STATEMENT - SUMMARY						
Cash flow from operating activities	38,624,252	(10,063,973)	288,299	4,624,456	3,080,661	4,768,958
Cash flow from investing activities	(38,463,255)	10,710,960	626,527	(4,176,030)	(1,549,550)	(4,684,421)
Cash flow from financing activities	(431,123)	(430,994)	(492,431)	(369,302)	(244,515)	(251,097)
Cash and cash equivalents at the beginning of the year	2,398,193	2,182,200	1,759,805	1,680,681	394,085	560,645
* Cash and cash equivalents at the end of the year	2,128,067	2,398,193	2,182,200	1,759,805	1,680,681	394,085
Financial Ratios						
Return on Equity	6.1%	5.7%	5.3%	8.5%	7.6%	5.1%
Return on Assets	0.7%	0.8%	0.8%	2.1%	2.4%	1.9%
Profit before tax ratio	54.2%	74.8%	62.2%	61.1%	58.2%	47.0%
Gross spread ratio	13.6%	23.7%	21.6%	37.2%	39.5%	35.7%
Total Assets to shareholders' fund	11.02	7.14	7.96	4.70	3.33	3.03
Weighted average cost of debt	11.92%	6.88%	5.87%	6.18%	7.54%	9.91%
Capital adequacy ratio (CAR)	15.57%	17.29%	21.45%	28.34%	35.62%	31.17%
Share Information						
Cash dividend per share	7%	7%	7%	8%	6%	4%
Basic and diluted earnings per share	0.82	0.76	0.71	1.15	0.98	0.62
Breakup value per shares	13.58	13.24	13.21	13.76	13.28	12.54

* 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.

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

Building a better working world

To the members of Pak Oman Investment Company Limited

Review Report on the Statement of Compliance with The Best Practices of Code of Corporate Governance Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the best practices of Corporate Governance (the Regulations) prepared by the Board of Directors of Pak Oman Investment Company Limited (the Company) for the year ended 31 December 2019. The Regulation is no longer applicable on Development Financial Institutions (DFIs) vide BPRD Circular no. 14 dated October 20, 2016 issued by the State Bank of Pakistan. However, DFIs are expected to continue to follow the best practices on corporate governance.

The responsibility for voluntary compliance with the Regulation 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 Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 Regulations as applicable to the Company for the year ended 31 December 2019.

EY Ford Rhodes
Chartered Accountants

Place: Karachi

Date: 14 February 2020

Statement of Compliance with the Best Practices of Code of Corporate Governance

For the Year Ended December 31, 2019

SBP vide BPRD Circular No. 14 dated October 20, 2016 has advised that the requirement in terms of Prudential Regulation G-1 with regards to the applicability of Code of Corporate Governance (CCG) shall no longer be applicable on DFIs. However, it is expected that all DFIs will continue to follow the best practices of Corporate Governance. Accordingly, this statement is being presented to comply with the best practices of Corporate Governance i.e. Code of Corporate Governance.

The Company has complied with best practices contained in the Code following manner:

1. The Board of Directors ("the Board") of the Company comprises of 5 non-executive directors and one executive director. All the directors are nominees of the respective joint venture partner governments under requirements of the Joint Venture Agreement (JVA) between them. At present the Board includes:

Category	Names
Executive Director	• Mr. Bahauddin Khan, MD & CEO
Non-Executive Directors	• H.E. Yahya Bin Said Bin Abdullah Al-Jabri • Mr. M. Zubair Motiwala • H.H. Juland Jaifar Salim Al Said • Mr. Haitham Yousuf Juma Al Zadjali • Mr. Omar Hamid Khan

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

2. One casual vacancy occurred on the Board during the year ended December 31, 2019. Mr. Omar Hamid Khan was appointed in place of Mr. Noor Ahmed.

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. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

5. (a) The Company has prepared a "Statement of Ethics & Business Practices ("the Code of Conduct") and has ensured that appropriate steps have been taken to disseminate it

throughout the Company along with its supporting policies and procedures, including posting the same on the Company's website (www.pakoman.com).

(b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.

6. The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.

7. The Board has developed and enforced appropriate policy related matters on conflict of interest, the clauses of which are contained in relevant policies to lay down circumstances or considerations when person may be deemed to have actual or potential conflict of interests, and the procedures for disclosing such interest.

8. The Board has developed and implemented policy related matters on anti-corruption, the clause of which are contained in the relevant policies to minimize actual or perceived corruption in the Company.

9. The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.

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

11. Directors are conversant with 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. In compliance of best practices four directors have completed the Director's Training Certification under the Directors Training Program as prescribed by SECP and one director is exempt from the said certification. The Board is encouraging other members to get the Directors Training Certification as soon as possible.

12. The Board has carried out the performance evaluation of its members, including the Chairman and the Chief Executive, on the basis of 'Board Self Evaluation' (BSE) process. The Self Evaluation of the Members of the Board and its Sub-Committees was conducted under the supervision of Pakistan Institute of Corporate Governance (PICG). The Board has also monitored and assessed the performance of senior management on annual basis.

13. The meetings of the Board of Directors were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose; and

    (a) The Board has met at least four times during the year.

(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.

(c) The minutes of the meetings were appropriately recorded and circulated.

14. The Board has reviewed and approved the related party transactions placed before it after recommendations of the Audit Committee. A party wise record of transactions entered into with the related parties during the year has been maintained.

15. The Board has approved the profit and loss account for, and Statement of Financial Position as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the company's website. Monthly accounts were also prepared and circulated amongst the board members.

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

Committee	**Name of Chairman / Members**
Audit Committee	Mr. Haitham Yousuf Juma Al Zadjali - Chairman Mr. M. Zubair Motiwala – Member H.H. Juland Jaifar Salim Al Said – Member Mr. Omar Hamid Khan – Member
Executive Committee	H.E. Yahya Bin Said Bin Abdullah Al-Jabri - Chairman Mr. M. Zubair Motiwala– Member H.H. Juland Jaifar Salim Al Said – Member Mr. Omar Hamid Khan – Member Mr. Bahauddin Khan – Member
Remuneration & Compensation Committee	H.E. Yahya Bin Said Bin Abdullah Al-Jabri – Chairman Mr. M. Zubair Motiwala – Member H.H. Juland Jaifar Salim Al Said – Member Mr. Bahauddin Khan – Member
Risk Committee	Mr. M. Zubair Motiwala - Chairman H.H. Juland Jaifar Salim Al Said – Member Mr. Haitham Yousuf Juma Al Zadjali – Member

17. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.

18. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and Act and fully describes the salient matters required to be disclosed.

19. The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company.

20. A formal and transparent procedure for fixing the remuneration of Director has been in place.

21. The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer, before approval of the Board.

22. The Audit Committee has met at least once every quarter of the financial year ended December 31, 2019. These meetings were held prior to the approval of interim results by the Board of Directors. The Chief Executive and Chairman of the Board are not members of the Audit Committee.

23. The Board has set up an effective internal audit function, which has an Audit Charter, duly approved by the Audit Committee, and which worked in accordance with the applicable standards.

24. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

25. The Company has complied with all other applicable requirements of the Code.

26. The statutory audit of the Company has been carried out by the audit firm which has been given the satisfactory rating under the 'Quality Control Review' (QCR) Rating Program of the Institute of Chartered Accountant of Pakistan (ICAP).

27. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, other executive and non-executive directors have been taken by the Board.

Yahya Bin Said Bin Abdullah Al-Jabri
Chairman
Karachi: February 12, 2020

Bahauddin Khan
Managing Director & Chief Executive Officer

STATEMENT OF INTERNAL CONTROLS

For the year ended December 31, 2019

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.

An annual assessment on internal controls over financial reporting was conducted by the internal audit department of the company, which was duly endorsed by Audit Committee of the Board in compliance to the regulatory requirement. In addition to this, the Company also submitted the "Long Form Report" (LFR) for the year ended December 31, 2018 to SBP. Deficiencies identified in LFR 2018 have been duly rectified.

The Management considers that the Bank's existing Internal Control System is adequate and has been effectively implemented and monitored; based upon the results derived through ongoing testing of financial reporting controls and internal audits carried out during the year. However, the Management would be continuously evaluating processes to enhance and further strengthen the Internal Control System. 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.

Mohammad Jamal Nasir	**Muhammad Sajjad Arif**	**S. Abdullah Jamal Ahmed**
Chief Financial Officer	Chief Compliance Officer	Chief Internal Auditor

Karachi: February 12, 2020

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PAK OMAN INVESTMENT COMPANY LIMITED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

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EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
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ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITORS' REPORT

To the members of Pak Oman Investment Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pak Oman Investment Company Limited ("the Company"), which comprise the statement of financial position as at 31 December 2019, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flows statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:

   a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

   b) the statement of financial position, the profit or loss account, the statement of comprehensive income, statement of changes in equity and statement of cash flow (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;

   c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Company and the transactions of the Company which have come to our notice have been within the powers of the Company; and

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

Other Matters:

The financial statements of the Company for the year ended 31 December 2018 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon dated 7 March 2019.

The engagement partner on the audit resulting in this independent auditors' report is Omer Chughtai.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 14 February 2020

Pak Oman Investment Company Limited
Unconsolidated Statement of Financial Position
As at 31 December 2019

31 December 2019	31 December 2018		Note	31 December 2019	31 December 2018
(US Dollar in '000)				(Rupees in '000)	
		ASSETS			
990	792	Cash and balances with treasury banks	5	153,271	122,604
12,753	14,696	Balances with other banks	6	1,974,796	2,275,589
52,519	35,094	Lendings to financial institutions	7	8,132,475	5,434,296
383,447	183,622	Investments	8	59,375,922	28,433,357
129,315	132,264	Advances	9	20,024,133	20,480,702
1,299	618	Fixed assets	10	201,211	95,732
-	3	Intangible assets	11	5	437
2,182	2,838	Deferred tax assets	12	337,826	439,439
12,161	5,349	Other assets	13	1,883,175	828,316
594,666	375,276			92,082,814	58,110,472
		LIABILITIES			
-	-	Bills payable		-	-
475,829	258,071	Borrowings	14	73,681,026	39,961,645
55,386	58,189	Deposits and other accounts	15	8,576,392	9,010,490
4	6	Liabilities against assets subject to finance lease	16	610	992
-	-	Subordinated debt		-	-
-	-	Deferred tax liabilities		-	-
9,501	6,424	Other liabilities	17	1,471,325	994,407
540,720	322,690			83,729,353	49,967,534
53,946	52,586	**NET ASSETS**		8,353,461	8,142,938
		REPRESENTED BY			
39,716	39,716	Share capital	18	6,150,000	6,150,000
8,173	7,521	Reserves	19	1,265,504	1,164,643
1,044	255	Surplus on revaluation of assets	20	161,727	39,425
5,013	5,094	Unappropriated profit		776,230	788,870
53,946	52,586			8,353,461	8,142,938

CONTINGENCIES AND COMMITMENTS 21

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Managing Director and Chief Executive	Chief Financial Officer	Director	Director	Director

Pak Oman Investment Company Limited
Unconsolidated Profit and Loss Account
For the year ended 31 December 2019

2019	2018		Note	2019	2018
(US Dollar in '000)				(Rupees in '000)	
48,571	22,927	Mark-up / Return / Interest Earned	22	7,521,051	3,550,116
41,978	17,504	Mark-up / Return / Interest Expensed	23	6,500,194	2,710,409
6,593	5,423	**Net mark-up / interest income**		1,020,857	839,707
		NON MARK-UP / INTEREST INCOME			
269	390	Fee and commission income	24	41,637	60,348
491	347	Dividend income		76,059	53,744
-	-	Foreign exchange income		-	-
-	-	Income / (loss) from derivatives		-	-
751	172	Gain on securities	25	116,229	26,611
15	135	Other income	26	2,344	20,861
1,526	1,044	Total non mark-up / interest income		236,269	161,564
8,119	6,467	**Total Income**		1,257,126	1,001,271
		NON MARK-UP / INTEREST EXPENSES			
3,729	3,566	Operating expenses	27	577,375	552,165
62	55	Workers Welfare Fund		9,572	8,479
145	151	Other charges	28	22,468	23,384
3,936	3,772	Total non mark-up / interest expenses		609,415	584,028
4,183	2,695	**Profit Before Provisions**		647,711	417,243
220	2,145	Reversals / (provisions) and write offs - net	29	34,136	332,101
-	-	Extra ordinary / unusual items		-	-
4,403	4,840	**PROFIT BEFORE TAXATION**		681,847	749,344
(1,147)	(1,840)	Taxation	30	(177,543)	(284,934)
3,256	3,000	**PROFIT AFTER TAXATION**		504,304	464,410
(US $)				(Rupees)	
0.0053	0.0049	**Basic and diluted earnings per share**	31	0.82	0.76

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Managing Director and Chief Executive	Chief Financial Officer	Director	Director	Director

Pak Oman Investment Company Limited

Unconsolidated Statement of Comprehensive Income

For the year ended 31 December 2019

2019	2018		2019	2018
(US Dollar in '000)			(Rupees in '000)	
3,256	3,000	**Profit after taxation for the year**	**504,304**	464,410
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
811	(101)	Movements in deficit on revaluation of investments - net of tax	**125,561**	(15,662)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
77	45	Remeasurement gain on defined benefit obligations - net of tax	**11,892**	6,984
(21)	(55)	Movement in deficit on revaluation of non-banking	**(3,259)**	(8,453)
56	(10)		**8,633**	(1,469)
4,123	2,889	**Total comprehensive income**	**638,498**	447,279

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Managing Director and Chief Executive	**Chief Financial Officer**	**Director**	**Director**	**Director**

Pak Oman Investment Company Limited
Unconsolidated Cash Flow Statement
For the year ended 31 December 2019

2019	2018		Note	2019	2018
(US Dollar in '000)				(Rupees in '000)	
		CASH FLOW FROM OPERATING ACTIVITIES			
4,403	4,840	Profit before taxation		681,847	749,344
(491)	(347)	Less: Dividend income		(76,059)	(53,744)
3,912	4,493			605,788	695,600
		Adjustments:			
265	283	Depreciation		41,033	43,877
158	-	Depreciation on right-of-use assets		24,419	-
3	3	Amortization		432	470
(220)	(2,145)	(Reversals) / provisions and write offs - net	29	(34,136)	(332,101)
(15)	(22)	Gain on sale of fixed assets		(2,344)	(3,480)
103	-	Mark-up / return / profit / interest expensed on lease liability against right-of-use assets		16,025	-
2	1	Finance charges on leased assets		241	140
149	-	Unrealised loss / (gain) on revaluation of investments classified as held-for-trading		23,100	(70)
445	(1,880)			68,770	(291,164)
4,357	2,613			674,558	404,436
		(Increase) / Decrease in operating assets			
(17,425)	(21,931)	Lendings to financial institutions		(2,698,179)	(3,396,008)
50,069	7,295	Held-for-trading securities		7,753,027	1,129,543
3,135	(9,026)	Advances		485,392	(1,397,641)
(5,947)	(502)	Other assets (excluding advance taxation)		(920,953)	(77,774)
29,832	(24,164)			4,619,287	(3,741,880)
		Increase / (decrease) in operating liabilities			
-	-	Bills payable		-	-
217,758	(30,004)	Borrowings		33,719,381	(4,646,045)
(2,803)	(9,627)	Deposits		(434,098)	(1,490,659)
2,428	(2,726)	Other liabilities (excluding current taxation)		376,208	(421,673)
217,383	(42,357)			33,661,491	(6,558,377)
251,572	(63,908)			38,955,336	(9,895,821)
(2,138)	(1,086)	Income tax paid		(331,084)	(168,152)
249,434	(64,994)	**Net cash flow from / (used in) operating activities**		38,624,252	(10,063,973)
		CASH FLOW FROM INVESTING ACTIVITIES			
(248,868)	69,057	Net investments in available-for-sale securities		(38,536,680)	10,693,261
-	-	Net investments in held-to-maturity securities		-	-
491	347	Dividend received		76,059	53,744
(42)	(279)	Investments in operating fixed assets		(6,434)	(43,171)
25	46	Proceeds from sale of fixed assets		3,800	7,126
(248,394)	69,171	**Net cash flow (used in) / from investing activities**		(38,463,255)	10,710,960
		CASH FLOW FROM FINANCING ACTIVITIES			
(4)	(3)	Payments of lease obligations		(623)	(494)
(2,780)	(2,780)	Dividend paid		(430,500)	(430,500)
(2,784)	(2,783)	**Net cash flow used in financing activities**		(431,123)	(430,994)
(1,744)	1,394	**(Decrease) / Increase in cash and cash equivalents**		(270,126)	215,993
15,487	14,093	Cash and cash equivalents at beginning of the year	32	2,398,193	2,182,200
13,743	15,487	**Cash and cash equivalents at end of the year**	32	2,128,067	2,398,193

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Managing Director and Chief Executive	Chief Financial Officer	Director	Director	Director

Pak Oman Investment Company Limited
Unconsolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital	------ (Reserves) --------- Statutory reserve	General reserve	Surplus / (deficit) on -	Non-banking assets	Unappropriated profit	Total
	------------------------	------------------------	------------------------	(Rupees in '000)	------------------------	------------------------	------------------------
Balance as at 01 January 2018	6,150,000	1,060,131	11,630	8,160	55,380	838,056	8,123,357
Total comprehensive income							
Profit after taxation	-	-	-	-	-	464,410	464,410
Other comprehensive loss - net of tax	-	-	-	(15,662)	(8,453)	6,984	(17,131)
Total comprehensive income for the year ended 31 December 2018	-	-	-	(15,662)	(8,453)	471,394	447,279
Transfer to statutory reserve	-	92,882	-	-	-	(92,882)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	2,802	2,802
Transaction with owners recorded directly in equity							
Final cash dividend - 31 December 2017 declared subsequent to the year end (Rs. 0.7 per share)	-	-	-	-	-	(430,500)	(430,500)
Balance as at 31 December 2018	6,150,000	1,153,013	11,630	(7,502)	46,927	788,870	8,142,938
Total comprehensive income							
Profit after taxation	-	-	-	-	-	504,304	504,304
Other comprehensive loss - net of tax	-	-	-	125,561	(3,259)	11,892	134,194
Total comprehensive income for the year ended 31 December 2018	-	-	-	125,561	(3,259)	516,196	638,498
Transfer to statutory reserve	-	100,861	-	-	-	(100,861)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	2,525	2,525
Transaction with owners recorded directly in equity							
Final cash dividend - 31 December 2018 declared subsequent to the year end (Rs. 0.7 per share)	-	-	-	-	-	(430,500)	(430,500)
Balance as at 31 December 2019	**6,150,000**	**1,253,874**	**11,630**	**118,059**	**43,668**	**776,230**	**8,353,461**

The annexed notes 1 to 45 form an integral part of these unconsolidated financial statements.

Managing Director and Chief Executive | **Chief Financial Officer** | **Director** | **Director** | **Director**

Pak Oman Investment Company Limited
Notes to the Unconsolidated Financial Statements
For the year ended 31 December 2019

1. STATUS AND NATURE OF BUSINESS

Pak Oman Investment Company Limited (the Company) was incorporated as a private limited company on 23 July 2001. Subsequently, on 17 March 2004 the Company was converted into a public company. The Company is a joint venture between the Government of Pakistan and the Government of the Sultanate of Oman. The Company's objectives 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 company. The registered office of the Company is situated at 1st Floor, Block A, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The Company operates a branch at Lahore and other representative offices at Islamabad, Gwadar and Muscat. The Company is designated as a Development Financial Institution (DFI) under the BPD Circular Letter No. 35 dated 28 October, 2003 issued by the State Bank of Pakistan.

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of the IFRS, requirements of the Companies Act, 2017 and the said directives shall prevail.

- The SBP through its BSD Circular letter No. 11 dated 11 September 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Further, SECP has deferred the implementation of IFRS 7 'Financial Instruments: Disclosures' through SRO 411(1)/2008. Accordingly, the requirements of these IFRS and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these unconsolidated financial statements.

2.2 Separate financial statements

These unconsolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02 dated 25 January 2018 effective from the accounting year ending 31 December 2019.

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

These unconsolidated financial statements have been presented in Pakistani Rupees, which is the Company's functional and presentation currency.

2.3 US Dollar equivalent

The US Dollar amounts shown in the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income and unconsolidated cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 154.8476 to 1 US Dollar has been used for 2019 and 2018 as it was the prevalent rate as on 31 December 2019.

2.4 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

The Company has adopted the following standards and amendment to IFRSs which became effective for the current year:

Standard, Interpretation or Amendment

IFRIC 23 - Uncertainty over Income Tax Treatments
IFRS 15 - Revenue from contracts with customers
IFRS 16 - Leases
Amendment to IAS 28 - Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures
Amendments to IAS 19 - Employee Benefits - Plan Amendment, Curtailment or Settlement

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement
  - IAS 12 Income Taxes
  - IAS 23 Borrowing Costs

The adoption of the above standards / amendment to accounting standards did not have any effect on these unconsolidated financial statements. The nature and effect of the changes as a result of adoption of IFRS 15 and IFRS 16 are in Note 2.4.1 and 2.4.2 below respectively:

2.4.1 In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which replaces all existing revenue requirements and related interpretations and is effective for annual periods beginning on or after 01 January 2018 (SECP effective date 01 July 2018). IFRS 15 redefined the principles for recognising revenue and is applicable to all contracts with customers other than contracts in the scope of other standards (e.g., interest and fee income integral to financial instruments which would be in the scope of IFRS 9 and lease income). Certain requirements in IFRS 15 are also relevant for the recognition and measurement of gains or losses on disposal of non-financial assets that are not in the ordinary course of business.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Many of the Company's revenue streams (e.g., interest income, gains and losses on financial instruments) are outside the scope of IFRS 15 and, therefore, accounting for those streams did not change as a result of the adoption of IFRS 15. The Company's revenue streams that are within the scope of IFRS 15 relate to fee and commission income disclosed in note 24.

The company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The company elected to apply the standard to all contracts as at 1 January 2019.The cumulative effect of initial application of IFRS 15 was not material to the financial statements and hence not disclosed.

2.4.2 IFRS 16 Leases supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model.

The Company has lease contracts for various properties. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease.

In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other asset and other liabilities, respectively.

Upon adoption of IFRS 16, the Company applied the recognition and measurement approach of IFRS 16 for all leases, except for short-term leases and leases of low-value assets. The Company has adopted modified retrospective approach upon transition to IFRS 16. The standard also provides practical expedients, which have been applied by the Company.

Accordingly, the Company recognised right-of-use assets and lease liabilities for those leases where the Company is the lessee and which were previously accounted for as operating leases. The right-of-use assets and lease liabilities were recognised on the present value of future cash flows, discounted using the incremental borrowing rate at the date of initial application.

The effect of adoption of IFRS 16 as at January 1, 2019 (increase/ (decrease)) is as follows:

	January 1, **(Rupees in**
Assets	
Right-of-use (RoU) asset	147,229
Prepayments	(6,030)
Total Assets	141,199
Liabilities	
Lease liability	141,199

The carrying amounts of the Company's right-of-use assets, lease liabilities and the movements during the year is as below:

	31-Dec-19	
	RoU asset	**Lease liability**
	(Rupees in '000)	
As at January 1, 2019	147,229	141,199
Addition	-	-
Depreciation	(21,741)	-
Borrowing Cost	-	16,025
Payments	-	(23,310)
As at December 31, 2019	125,488	133,914

Had this standard not been applied, assets and liabilities would have been lower by Rs.125.488 million and Rs.133.914 million respectively. Rent expense would have been higher by Rs.25.388 million and depreciation charge and mark-up expense would have been lower by Rs.21.741 million and Rs.16.025 million respectively.

2.5 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following IFRS as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- IFRS 14 'Regulatory Deferral Accounts' permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting framework, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and profit and loss account and statement of other comprehensive income, and specific disclosures are required. IFRS 14 was originally issued by IASB in January 2014 with Initial application date for a period beginning on or after 01 January 2016. During November 2019, the SECP modified the effective date for applicability of IFRS 14 for the annual reporting periods beginning on or after 01 July 2019.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. SBP has also directed the Bank/DFI to conduct an impact assessment as at 31 December 2019 which is due to be submitted to SBP by 30 April 2020 which is in process at the moment.

The above amendments are not likely to have an impact on Company's unconsolidated financial statements except for IFRS 9 'Financial instruments' the company is currently evaluating the impact of the said standard. In addition to above Standards, there are certain new and amended standards, interpretations and amendments that are mandatory for accounting periods beginning on or after 01 January 2020 but are considered not to be relevant to the Company's operations and therefore, are not detailed in these unconsolidated financial

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 17 – Insurance Contracts	01 January 2021

2.6 Use of estimates and judgments

The preparation of unconsolidated financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and associated assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experiences, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the unconsolidated financial statements are in respect of the following:

a) Provision against non-performing advances

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

b) Impairment of available-for-sale investments

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

c) Classification of investments

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

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

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

d) Income taxes

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

e) Fixed assets, depreciation and amortization

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

f) Employees' benefit plans

The liabilities for employees' benefit plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets and future salary increases as disclosed in note 34. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

g) Non- banking assets acquired in satisfaction of claims

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

h) Provisions against off - balance sheet obligations

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

3. BASIS OF MEASUREMENT

3.1 These unconsolidated financial statements have been prepared under the historical cost convention except for certain investments, derivative financial instruments and certain non - banking assets acquired in satisfaction of claims which are revalued as referred to in notes 4.4, 4.5 and 4.22.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year, except for changes explained in note 2.4.2:

4.1 Cash and cash equivalents

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

4.2 Revenue recognition

Mark-up / return / interest income is recognised on a accrual basis taking into account effective yield on the asset, except where recovery is considered doubtful, the income is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the SBP.

Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account over the remaining period through effective interest method.

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

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

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

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

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

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

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

4.3 Investments

The Company classifies its investments other than those in subsidiary and associates based on the following categories as per SBP guidelines:

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

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

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

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

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

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

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

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

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

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

4.4 Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair 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.

4.5 Advances and net investment in finance lease

4.5.1 Advances

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

4.5.2 Provision against non-performing advances

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

4.5.3 Net investment in lease

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

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

4.6 Fixed assets

4.6.1 Property and equipment – owned

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to profit and loss account applying the straight-line method at rates stated in note 10.1.

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

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

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

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

4.6.2 Property and equipment - leased

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

4.6.3 Capital work-in-progress

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

4.6.4 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right of Use Assets

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

ii) Lease Liability

At the commencement date of the lease, the Company recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

4.6.5 Intangible assets

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

Intangible assets having a finite life are amortised using the straight-line method over their estimated useful lives, at the rate stated in note 11.

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

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

4.7 Repurchase and resale agreements

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

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

4.8 Taxation

4.8.1 Current

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

4.8.2 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 unconsolidated financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

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

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

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

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

4.10 Borrowings

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

4.11 Staff retirement benefits

4.11.1 Defined benefit plan

The Company operates a funded-gratuity scheme for all its permanent employees. The scheme was established on 1 November 2002 and approved by the Commissioner of Income Tax with effect from 31 January 2003. Contribution to the fund is made every year based on actuarial valuation. The actuarial valuation is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. All actuarial gains and losses are recognized in unconsolidated Statement of Comprehensive Income in the periods in which they occur. The actuarial valuation was conducted as at 31 December 2019.

4.11.2 Defined contribution plan

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

4.12 Compensated absences

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

4.13 Foreign currencies translation

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

4.14 Provisions

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

However, provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.15 Offsetting

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

4.16 Dividend and reserves

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

4.17 Impairment

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

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

4.18 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at 31 December 2019

4.19 Financial instruments

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

4.20 Certificates of investment

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

4.21 Segment information

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

Business segments

- **Corporate finance**

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

- **Trading & sales**

  Involves the businesses of equity trading and fixed income securities.

- **Commercial banking**

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

4.22 Non- banking assets acquired in satisfaction of claims.

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

4.23 Statutory reserve

Every Bank / DFI incorporated in Pakistan is required to transfer 20% of its profit to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit of the DFI is to be transferred to this reserve.

5. CASH AND BALANCES WITH TREASURY BANKS	Note	2019	2018
		(Rupees in '000)	
In hand			
local currency		256	297
foreign currency		221	198
		477	495
With State Bank of Pakistan in			
Local currency current account	5.1	151,637	121,861
With National Bank of Pakistan in			
Local currency current account		1,157	248
		153,271	122,604

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

6. BALANCES WITH OTHER BANKS

In Pakistan:			
In current accounts		3,072	17,776
In deposit accounts	6.1	1,968,309	2,257,310
		1,971,381	2,275,086
Outside Pakistan:			
In current accounts		3,415	503
		1,974,796	2,275,589

6.1 These include term deposit receipts (TDRs) of Rs. 1,950 million (2018: Rs. 2,250 million) maturing between January 2020 to June 2020 (2018: January 2019 to March 2019). These carry mark-up rates ranging from 14.50% to 14.75% (2018: 9.35% to 12%) per annum.

7. LENDINGS TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings (Reverse Repo)	7.1	8,132,475	5,434,296

7.1 These are short-term lendings to different financial institutions secured against government securities as disclosed in note 7.3 which are purchased under resale obligations. These carry mark-up rates ranging from 13.15% to 13.70% (2019: 9.95% to 10.45%) per annum and will mature in January 2020 to February 2020 (2019: January 2019).

7.2 Particulars of lendings

In local currency	8,132,475	5,434,296

7.3 Securities held as collateral against Lending to financial institutions

	Note	2019			2018		
		Held by the Company	Further Given as collateral	Total	Held by the Company	Further Given as collateral	Total
		(Rupees in '000)					
Market Treasury Bills		242,608	2,776,578	3,019,186	-	1,912,589	1,912,589
Pakistan Investment Bonds		14,000	5,099,289	5,113,289	46,000	3,475,707	3,521,707
	7.3.1	256,608	7,875,867	8,132,475	46,000	5,388,296	5,434,296

7.3.1 Market value of these securities amount to Rs. 8,193 million (2018: Rs. 5,447 million).

8 INVESTMENTS

	2019				2018			
	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
	---------- (Rupees in '000) ----------							
8.1 Investments by types								
Held-for-trading securities								
Federal Government securities	14,975,537	-	(25,480)	14,950,057	22,528,724	-	(3,246)	22,525,478
Non-Government debt securities	-	-	-	-	199,840	-	866	200,706
	14,975,537	-	(25,480)	14,950,057	22,728,564	-	(2,380)	22,726,184
Available-for-sale securities								
Federal Government securities	39,217,557	-	199,422	39,416,979	1,405,393	-	(43,262)	1,362,131
Shares	346,266	(120,266)	-	226,000	347,333	(121,333)	-	226,000
Non-Government debt securities	3,963,355	(463,477)	(33,142)	3,466,736	3,237,772	(467,723)	32,843	2,802,892
	43,527,178	(583,743)	166,280	43,109,715	4,990,498	(589,056)	(10,419)	4,391,023
Associates	1,045,951	(70,726)	-	975,225	1,045,951	(70,726)	-	975,225
Subsidiary	498,300	(157,375)	-	340,925	498,300	(157,375)	-	340,925
Total Investments	60,046,966	(811,844)	140,800	59,375,922	29,263,313	(817,157)	(12,799)	28,433,357

8.2 Investments by segments

	2019				2018			
	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
	(Rupees in '000)							
Federal Government Securities								
- Pakistan Investment Bonds	18,056,662	-	183,761	18,240,423	4,439,651	-	(44,134)	4,395,517
- Market treasury bills	36,136,432	-	(9,819)	36,126,613	19,494,466	-	(2,374)	19,492,092
	54,193,094	-	173,942	54,367,036	23,934,117	-	(46,508)	23,887,609
Shares								
- Unlisted companies	346,266	(120,266)	-	226,000	347,333	(121,333)	-	226,000
	346,266	(120,266)	-	226,000	347,333	(121,333)	-	226,000
Non-Government debt securities								
- Term finance certificate - listed	819,406	(180,980)	(727)	637,699	1,311,670	(175,984)	23,133	1,158,819
- Term finance certificate - unlisted	2,128,642	(121,452)	(39,230)	1,967,960	1,431,708	(130,694)	(1,032)	1,299,982
- Sukuk certificates	1,015,307	(161,045)	6,815	861,077	694,234	(161,045)	11,608	544,797
	3,963,355	(463,477)	(33,142)	3,466,736	3,437,612	(467,723)	33,709	3,003,598
Associates								
- Japan Power Generation Limited	70,726	(70,726)	-	-	70,726	(70,726)	-	-
- Pak Oman Microfinance Bank Limited	384,708	-	-	384,708	384,708	-	-	384,708
- Pak Oman Advantage Islamic Income Fund	165,025	-	-	- 165,025	165,025	-	-	- 165,025
- Pak Oman Islamic Asset Allocation Fund	92,414	-	-	92,414	92,414	-	-	92,414
- Pak Oman Advantage Asset Allocation Fund	84,078	-	-	- 84,078	84,078	-	-	- 84,078
- Pak Oman Government Securities Fund	249,000	-	-	249,000	249,000	-	-	249,000
	1,045,951	(70,726)	-	975,225	1,045,951	(70,726)	-	975,225
Subsidiary								
- Pak Oman Asset Management Company Limited	498,300	(157,375)	-	340,925	498,300	(157,375)	-	340,925
Total investments	60,046,966	(811,844)	140,800	59,375,922	29,263,313	(817,157)	(12,799)	28,433,357

8.2.1 Investments given as collateral

	2019				2018			
	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
	(Rupees in '000)							
Federal Government Securities								
- Pakistan Investment Bonds	16,895,051	-	176,137	17,071,188	3,827,167	-	(44,398)	3,782,769
- Market treasury bills	32,635,824	-	(8,013)	32,627,811	18,374,587	-	(2,253)	18,372,334
	49,530,875	-	168,124	49,698,999	22,201,754	-	(46,651)	22,155,103
Shares								
- Unlisted companies	226,000	-	-	226,000	226,000	-	-	226,000
	226,000	-	-	226,000	226,000	-	-	226,000
Associates								
Japan Power Generation Limited	70,726	(70,726)	-	-	70,726	(70,726)	-	-
Total investments	49,827,601	(70,726)	168,124	49,924,999	22,498,480	(70,726)	(46,651)	22,381,103

8.3 **Provision for diminution in value of investments**

	2019	2018
	(Rupees in '000)	
8.3.1 Opening balance	817,157	925,801
Charges / reversals		
Charge for the year	-	-
Reversals for the year	(5,313)	(37,533)
	(5,313)	(37,533)
Transfers - net	-	(71,111)
Closing balance	811,844	817,157

8.3.2 **Particulars of provision against debt securities**

Category of classification	2019		2018	
	NPI	Provision	NPI	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	483,926	463,477	488,172	467,723
Total	483,926	463,477	488,172	467,723

8.4 Quality of Available-For-Sale securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

Federal Government Securities - Government guaranteed

	Note	Cost 2019	Cost 2018
		(Rupees in '000)	
Pakistan Investment Bonds	8.7	13,391,082	1,405,393
Market Treasury Bills	8.8	25,826,475	-
		39,217,557	1,405,393

Shares
Unlisted companies

	2019 Cost	2019 Break-up / carrying value	2018 Cost	2018 Break-up / carrying value
	(Rupees in '000)			
Alhamra Avenue (Private) Limited	50,000	-	50,000	-
Pakistan Textile City Limited (Note 8.6.2)	50,000	-	50,000	-
Techlogix International Limited	20,266	-	21,333	-
Orient Power Company (Private) Limited (Note 21.2)	226,000	226,000	226,000	226,000
	346,266	226,000	347,333	226,000

Non Government Debt Securities

	2019	2018
Categorization based on long-term rating by credit rating agency	Cost	
Listed	(Rupees in '000)	
- AAA	19,710	234,924
- AA+, AA, AA-	147,259	167,117
- A+, A, A-	441,318	384,573
- BBB+, BBB, BBB-	49,851	49,851
	658,138	836,465
Unlisted		
- AA+, AA, AA-	1,500,375	895,775
- A+, A, A-	1,185,916	1,017,360
- BBB+, BBB, BBB-	135,000	-
- CCC and below	483,926	488,172
	3,305,217	2,401,307
	3,963,355	3,237,772

8.5 **Investment in associates**

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

8.5.2

	2019	2018	2019	2018	Holding	Break-up value per share / (Rupees)	Latest available unaudited financial statements	Name of the chief executive
	Number of shares / units		(Rupees in '000)					
Quoted								
Japan Power Generation Limited (JPGL)	**17,622,878**	17,622,878	**70,726**	70,726	11.29%	**(42.59)**	30-June-17*	Mr. Amir Sana is the official liquidator
Pak Oman Islamic Asset Allocation Fund	**2,000,000**	2,000,000	**92,414**	92,414	39.44%	**49.15**	31-Dec-19**	Ms. Sadaf Kazmi
Pak Oman Advantage Asset Allocation Fund	**2,000,000**	2,000,000	**84,078**	84,078	88.10%	**48.14**	31-Dec-19**	Ms. Sadaf Kazmi
Pak Oman Advantage Islamic Income Fund	**3,269,170**	3,269,170	**165,025**	165,025	91.78%	**54.78**	31-Dec-19**	Ms. Sadaf Kazmi
Pak Oman Government Securities Fund	**23,660,643**	23,660,643	**249,000**	249,000	99.67%	**11.29**	31-Dec-19**	Ms. Sadaf Kazmi
Unquoted								
Pak Oman Microfinance Bank Limited	**38,470,788**	38,470,788	**384,708**	384,708	16.67%	**10.31**	31-Dec-19 *	Mr. Teizoon Kisat
			1,045,951	1,045,951				

**Published Net Asset Value
* Unaudited financial statements

8.5.3 The above associates are incorporated in Pakistan.

8.5.4 Associates - Key Information

	Pak Oman Advantage Islamic Income Fund **	Pak Oman Islamic Asset Allocation Fund **	Pak Oman Advantage Asset Allocation Fund **	Pak Oman Government Securities Fund **	Japan Power Generation Limited ***	Pak Oman Microfinance Bank ***
	(Rupees in '000)					
Assets	199,189	257,088	113,514	273,722	11,856,868	4,664,689
Liabilities	4,039	7,867	4,237	5,656	17,673,828	2,283,780
Total income	25,555	29,457	8,200	30,805	-	777,350
Profit / (loss) before taxation	17,514	20,386	3,282	23,939	-	51,607
Profit / (loss) after taxation	17,514	20,386	3,282	23,939	-	44,319

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

8.6 **Investments in Subsidiary**

	2019	2018	2019	2018	Percentage of holding	Break-up value per share / units	Latest available unaudited financial statements	Name of the chief executive
	Number of shares		(Rupees in '000)		%	(Rupees)		
Pak Oman Asset Management Company Limited (Note 8.6.3)	**515,405,844**	515,405,844	**498,300**	498,300	96.96%	0.381	31-Dec-19	Ms. Sadaf Kazmi

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

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

8.6.3 During the year, the management has carried out impairment testing of its investment in subsidiary as required by IAS 36 - "Impairment of Assets". The recoverable amount of this investment have been computed using 'value in use' computations. Value in use computations were performed using discounted cash flows methodology, covering cash flow projections for a period of 5 years

8.7 The investments in Pakistan investment bonds are maturing upto September 2029 (2018: June 2028) and the effective yield ranges from 11.04% to 14.64% (2018: 6.80 % to 11.08%) per annum

8.8 Market treasury bills carry yield ranging 13.10% to 14% (2018: 8.72% to 10.31%) per annum with maturities upto September 2020 (2018: February 2019).

9 ADVANCES

		Performing		Non-performing		Total	
		2019	2018	2019	2018	2019	2018
		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Loans, cash credits, running finances, etc.	9.1 & 9.3	19,619,927	20,120,701	678,329	711,233	20,298,256	20,831,934
Margin trading		277,746	229,460	-	-	277,746	229,460
Advances - Gross		19,897,673	20,350,161	678,329	711,233	20,576,002	21,061,394
Provision against advances							
Specific		-	-	551,656	580,479	551,656	580,479
General		213	213	-	-	213	213
	9.5	213	213	551,656	580,479	551,869	580,692
Advances - net of provision		19,897,460	20,349,948	126,673	130,754	20,024,133	20,480,702

9.1 Includes Net investment in Finance Lease

	2019			2018		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	(Rupees in '000)					
Lease rentals receivable	521,501	1,136,894	1,658,395	711,875	905,100	1,616,975
Residual value	152,032	100,418	252,450	216,398	158,497	374,895
Minimum lease payments	673,533	1,237,312	1,910,845	928,273	1,063,597	1,991,870
Financial charges for future periods	(169,502)	(276,149)	(445,651)	(117,511)	(107,816)	(225,327)
Present value of minimum lease payments	504,031	961,163	1,465,194	810,762	955,781	1,766,543

9.1.1 In respect of the aforementioned finance leases the Company holds an aggregate sum of Rs. 236.911 million (2018: Rs. 356.216 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (note 17).

9.2 Particulars of advances (Gross)

	2019	2018
	(Rupees in '000)	
In local currency	20,576,002	21,061,394

9.3 Staff loans include personal loans and house loans given to employees in accordance with their terms of appointment. House loans carry mark-up at a rate of 5 (2018: 5) percent per annum, while no mark-up is charged on personal loans.

9.4 Advances include Rs. 678 million (2018: Rs 711 million) which have been placed under the non-performing status as detailed below:

Category of Classification	2019 Non Performing Loans	2019 Provision	2018 Non Performing Loans	2018 Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	-	-	-	
Substandard	-	-	26,912	-
Doubtful	182,104	90,000	182,820	90,000
Loss	496,225	461,656	501,501	490,479
	678,329	551,656	711,233	580,479

9.5 **Particulars of provision against advances**

	Note	2019 Specific	2019 General	2019 Total	2018 Specific	2018 General	2018 Total
		(Rupees in '000)					
Opening balance		580,479	213	580,692	875,047	213	875,260
Charge for the year		1,039	-	1,039	-	-	-
Reversals		(29,862)	-	(29,862)	(294,568)	-	(294,568)
		(28,823)	-	(28,823)	(294,568)	-	(294,568)
Amounts written off	9.7	-	-	-	-	-	-
Closing balance		551,656	213	551,869	580,479	213	580,692

9.5.1 **Particulars of provision against advances**

	2019 Specific	2019 General	2019 Total	2018 Specific	2018 General	2018 Total
	(Rupees in '000)					
In local currency	551,656	213	551,869	580,479	213	580,692
In foreign currencies	-	-	-	-	-	-
	551,656	213	551,869	580,479	213	580,692

9.6 In accordance with BPRD Circular No. 6 dated 26 June 2014 issued by the SBP, the Company has availed the benefit of FSV against the non-performing advances. As of 31 December 2019, the Company has availed total accumulated FSV benefit amounting to Rs. 14.8 million (net of tax Rs. 10.5 million). Accordingly, accumulated profit of Rs.10.5 million (net of transfer to statutory reserves Rs. 8.4 million) will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the Company as required by the aforementioned SBP directives.

		Note	2019	2018
			(Rupees in '000)	
9.7	**Particulars of write offs**			
9.7.1	Against provisions			
	Directly charged to profit and loss account		-	-
			-	-
10	FIXED ASSETS			
	Property and equipments	10.1	201,211	95,732

10.1 Property and Equipments

	2019								
	Office premises*	Right of use assets	Improvements	Office equipments	Computer equipments	Furniture and fixtures	Vehicles	Assets held under finance lease - Vehicle	Total
	(Rupees in '000)								
As at 01 January 2019									
Cost	42,126	-	31,019	9,060	17,871	10,786	88,222	1,972	201,056
Accumulated depreciation	(30,187)	-	(10,397)	(7,485)	(15,977)	(7,087)	(32,974)	(1,217)	(105,324)
Net book value	11,939	-	20,622	1,575	1,894	3,699	55,248	755	95,732
Year ended 31 December 2019									
Opening net book value	11,939	-	20,622	1,575	1,894	3,699	55,248	755	95,732
Additions		147,229	2,130	2,201	301	1,802	-	-	153,663
Disposals	-	-	-	(234)	-	(99)	(1,123)	-	(1,456)
Depreciation charge	(2,106)	(21,741)	(2,678)	(841)	(975)	(1,488)	(16,505)	(394)	(46,728)
Closing net book value	**9,833**	**125,488**	**20,074**	**2,701**	**1,220**	**3,914**	**37,620**	**361**	**201,211**
As at 31 December 2019									
Cost	42,126	147,229	33,149	10,620	14,760	11,932	79,837	1,972	341,625
Accumulated depreciation	(32,293)	(21,741)	(13,075)	(7,919)	(13,540)	(8,018)	(42,217)	(1,611)	(140,414)
Net book value	**9,833**	**125,488**	**20,074**	**2,701**	**1,220**	**3,914**	**37,620**	**361**	**201,211**
Rate of depreciation (percentage)	**5%**	**-**	**10%**	**20%**	**33.33%**	**20%**	**20%**	**20%**	

	2018								
	Office premises*	Right of use assets	Improvements	Office equipments	Computer equipments	Furniture and fixtures	Vehicles	Assets held under finance lease - Vehicle	Total
	(Rupees in '000)								
As at 01 January 2018									
Cost	42,126	-	30,655	11,307	16,376	11,654	77,688	1,972	191,778
Accumulated depreciation	(28,081)	-	(7,820)	(8,972)	(14,587)	(6,647)	(43,855)	(822)	(110,784)
Net book value	14,045	-	22,835	2,335	1,789	5,007	33,833	1,150	80,994
Year ended 31 December 2018									
Opening net book value	14,045	-	22,835	2,335	1,789	5,007	33,833	1,150	80,994
Additions			364	667	1,583	405	40,152	-	43,171
Disposals	-	-	-	(21)	-	(251)	(3,374)	-	(3,646)
Depreciation charge	(2,106)	-	(2,577)	(1,406)	(1,478)	(1,462)	(15,363)	(395)	(24,787)
Closing net book value	11,939	-	20,622	1,575	1,894	3,699	55,248	755	95,732
As at 31 December 2018									
Cost	42,126	-	31,019	9,060	17,871	10,786	88,222	1,972	201,056
Accumulated depreciation	(30,187)	-	(10,397)	(7,485)	(15,977)	(7,087)	(32,974)	(1,217)	(105,324)
Net book value	11,939	-	20,622	1,575	1,894	3,699	55,248	755	95,732
Rate of depreciation (percentage)	5%	-	10%	20%	33.33%	20%	20%	20%	

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

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

	2019	2018
	(Rupees in '000)	
Improvements	**2,656**	2,656
Office equipments	**6,492**	6,160
Computer equipments	**12,147**	14,546
Furniture and fixtures	**4,233**	4,533
Vehicles	**9,187**	1,722
	34,715	29,617

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

Description	Cost	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	(Rupees in '000)					
Vehicles						
Toyota Corolla	1,593	-	319	319	Company policy	Mr. Faraz Sajid Khan (Executive)
Suzuki Cultus	1,044	-	209	209	Company policy	Mr. Altaf Sadruddin (Executive)
Suzuki Cultus	1,044	-	209	209	Company policy	Mr. Mohammad Nadeem (Executive)
Honda Civic	2,388	278	964	686	Company policy	Mr. Khurram Faizyab (Former Executive)
Honda Civic	2,316	845	1,823	978	Company policy	Mr. Nafees Ahmad (Former Executive)
	8,385	**1,123**	**3,524**	**2,401**		
Furniture and fixture	250	-	-	-	Company policy	Mr. Khurram Faizyab (Former Executive)
Furniture and fixture	250	47	47	-	Company policy	Mr. Nafees Ahmad (Former Executive)
Others	4,209	286	229	(57)		
	13,094	1,456	3,800	2,344		

11 INTANGIBLE ASSETS

	Computer software 2019	Computer software 2018
	(Rupees in '000)	
As at 01 January		
Cost	10,356	10,356
Accumulated amortisation and impairment	(9,919)	(9,449)
Net book value	437	907
Year ended 31 December		
Opening net book value	437	907
Additions	-	-
Disposals	-	-
Amortisation charges	(432)	(470)
Closing net book value	5	437
As at 31 December		
Cost	10,356	10,356
Accumulated amortisation and impairment	(10,351)	(9,919)
Net book value	5	437
Rate of amortisation	33%	33%

12 DEFERRED TAX ASSETS

	1 January 2019	Recognized in: Profit and loss account	Recognized in: Recognised in OCI	31 December 2019
	(Rupees in '000)			
Deductible Temporary Differences on				
Provision for diminution in the value of investments	209,000	5,924	-	214,924
Assets subject to finance leases	66	6	-	72
Amortisation of premium on Federal Government Securities	2,555	(2,644)	-	(89)
Provision against non-performing advances	162,594	(2,552)	-	160,042
Revaluation on investments classified as available-for-sale	2,917	-	(51,138)	(48,221)
Revaluation on investments classified as held-for-trading	667	6,722	-	7,389
Net Investment in finance leases	71,793	(70,134)	-	1,659
	449,592	(62,678)	(51,138)	335,776
Taxable Temporary Differences on				
Accelerated tax depreciation allowances	(1,388)	7,085	-	5,697
Revaluation on Non-banking assets	(8,765)	5,852	(734)	(3,647)
	(10,153)	12,937	(734)	2,050
	439,439	(49,741)	(51,872)	337,826

	1 January 2018	Recognized in: Profit and loss account	Recognized in: Recognised in OCI	31 December 2018
	(Rupees in '000)			
Deductible Temporary Differences on				
Provision for diminution in the value of investments	235,190	(26,190)	-	209,000
Assets subject to finance leases	59	7	-	66
Amortisation of premium on Federal Government Securities	3,722	(1,167)	-	2,555
Provision against non-performing advances	262,578	(99,984)	-	162,594
Revaluation on investments classified as available-for-sale	(3,497)	-	6,414	2,917
Revaluation on investments classified as held-for-trading	737	(70)	-	667
Net Investment in finance leases	76,419	(4,626)	-	71,793
	575,208	(132,030)	6,414	449,592
Taxable Temporary Differences on				
Accelerated tax depreciation allowances	(12)	(1,376)	-	(1,388)
Revaluation on Non-banking assets	(17,126)	3,840	4,521	(8,765)
	(17,138)	2,464	4,521	(10,153)
	558,070	(129,566)	10,935	439,439

13 OTHER ASSETS

	Note	2019	2018
		(Rupees in '000)	
Income/ Mark-up accrued in local currency - net of provision		1,073,195	454,034
Mark-up / profit receivable on purchase of securities		314,240	13,373
Security deposits		4,288	4,288
Prepayments		9,567	13,225
Taxation		152,630	-
Non-banking assets acquired in satisfaction of claims	13.1	252,174	267,226
Staff Gratuity	34.2	15,447	9,928
Others		130	1,066
		1,821,671	763,140
Less: Provision held against other assets		-	-
Other assets (net of provisions)		1,821,671	763,140
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	13.1	61,504	65,176
		1,883,175	828,316

13.1 Market value of non-banking assets acquired in satisfaction of claims		375,990	374,538

13.1.1 Non-banking assets acquired in satisfaction of claims

Opening Balance	332,402	390,282
Disposals	-	(38,791)
Depreciation	(18,724)	(19,089)
Closing Balance	313,678	332,402

13.1.2 Gain/Loss on Disposal of Non-banking assets acquired in satisfaction of claims

Disposal Proceeds	-	46,000
less		
- Cost	-	32,096
- Impairment / Depreciation	-	(3,477)
	-	28,619
Gain/Loss	-	17,381

14 BORROWINGS

	Note	2019	2018
Secured			
Borrowings from the State Bank of Pakistan:			
- Long term financing facility (LTFF)	14.2	2,612,588	2,128,804
Repurchase agreement borrowings	14.3	48,861,903	25,823,942
Long term borrowings	14.4	5,208,880	6,123,133
Short term running finance	14.5	515,324	581,897
Bai Muajjal	14.6	8,208,161	1,296,869
Total secured		65,406,856	35,954,645
Unsecured			
Placements	14.7	2,285,013	3,007,000
Murabaha financing	14.8	5,989,157	1,000,000
Total unsecured		8,274,170	4,007,000
		73,681,026	39,961,645

14.1 Particulars of borrowings with respect to currencies

In local currency	73,681,026	39,961,645

14.2 The Company has entered into agreements for financing with the SBP of long term finance for export oriented projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the date of maturity of the finances by directly debiting the current account maintained by the Company with the SBP. The mark up rates ranges from 2% to 4.50% (2018: 2% to 4.50%) per annum. These are repayable within 10 years (2018: 10 years).

14.3 The mark up rate on these repurchase agreement borrowings, maturing in January 2020 (2018: January 2019), ranges between 13.15% to 13.55% (2018: 10.19% to 10.40%) per annum. Securities having cost of Rs. 49,007 million (2018: Rs 25,809 million) have been pledged against these borrowings.

14.4 The mark up rate on these long-term borrowings ranges from 13.75% to 14.38% (2018: 8.35% to 11.14%) per annum. The above facilities are secured against advances receivable.

14.5 The mark up rate on these short-term running finance facility is three months KIBOR + 0.25% (2018: three months KIBOR + 0.25%). The above facility are secured against loan and advances receivable.

14.6 The mark up rate on these Bai Muajjal secured against government securities, maturing in March 2020 to September 2020 (2018: April 2019) is 13% to 13.42% (2018: 6.56%) per annum.

14.7 The mark up rate on these placements, maturing in January 2020 (2018: January 2019 to February 2019) ranges between 13% to 13.36% (2018: 10.25% to 11%) per annum.

14.8 The mark up rate on these murabaha financing, maturing in January 2020 to February 2020 (2018: January 2019) is 13% to 13.90% (2018: 10.50%) per annum.

15 DEPOSITS AND OTHER ACCOUNTS

	2019		2018	
	In local currency	Total	In local currency	Total
	(Rupees in '000)			
Certificates of investment				
Financial institutions	12,000	12,000	2,961,000	2,961,000
Others	8,564,392	8,564,392	6,049,490	6,049,490
	8,576,392	8,576,392	9,010,490	9,010,490

15.1 The rate of return on deposits maturing between January 2020 to December 2020 (2018: January 2019 to December 2019) ranges between 10.50% to 13.69% (2018: 3.90% to 10.60%) per annum.

15.2 These include Certificate of Investments purchased by gratuity fund of the Company amounting to Rs. nil (2018: 5.49 million) and by provident fund of the Company amounting to Rs nil (2018: nil).

15.3 Composition of deposits

	2019	2018
	(Rupees in '000)	
Individuals	1,692,105	1,235,734
Government (Federal and Provincial)	700,000	1,226,596
Public Sector Entities	-	311,569
Banking Companies	-	2,400,000
Non-Banking Financial Institutions	12,000	536,000
Private Sector	6,172,287	3,300,591
	8,576,392	9,010,490

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2019			2018		
	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	628	18	610	431	49	382
Later than one year and upto five years	-	-	-	628	18	610
	628	18	610	1,059	67	992

16.1 The Company has entered into lease agreements with financial institutions for lease of vehicle. Lease rentals are payable in monthly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate of 7.90% (2018: 7.90%) per annum. At the end of lease term, the Company has option to acquire the assets, subject to adjustment of security deposits.

17 OTHER LIABILITIES

	Note	2019	2018
		(Rupees in '000)	
Mark-up/ Return/ Interest payable in local currency		800,475	338,454
Accrued expenses		224,816	204,068
Security deposits against investment in finance leases	9.1.1	253,411	356,216
Taxation		-	45,795
Lease liability against right-of-use assets	17.1	133,914	-
Withholding tax and sales tax payable		3,778	2,072
Others		54,931	47,802
		1,471,325	994,407

17.1 Lease liability against right-of-use assets

	2019	2018
As at January 1, 2019	141,199	-
Addition	-	-
Borrowing Cost	16,025	-
Payments	(23,310)	-
As at December 31, 2019	133,914	-

18 SHARE CAPITAL

18.1 Authorized Capital

2019	2018		2019	2018
(Number of shares)			(Rupees in '000)	
1,000,000,000	1,000,000,000	Ordinary shares of Rs.10 each	10,000,000	10,000,000

18.2 Issued, subscribed and paid-up

2019	2018		2019	2018
(Number of shares)			(Rupees in '000)	
		Ordinary shares of Rs. 10 each		
600,000,000	600,000,000	- Fully paid in cash	6,000,000	6,000,000
15,000,000	15,000,000	- Issued as bonus shares	150,000	150,000
615,000,000	615,000,000		6,150,000	6,150,000

18.3 The Ministry of Finance on behalf of the Government of Pakistan and the Sultanate of Oman through its Ministry of Finance each holds 307,495,900 (2018: 307,495,900) ordinary shares of the Company, while 4,100 (2018: 4,100) ordinary shares each are held by the Secretary - Economic Affairs Division, Government of Pakistan and Ministry of Commerce and Industry, Sultanate of Oman.

19 RESERVES

19.1 According to BPD Circular No. 15 dated 31 May 2004 issued by SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve.

20 SURPLUS ON REVALUATION OF ASSETS

	2019	2018
	(Rupees in '000)	
Surplus / (deficit) on revaluation of		
- Available for sale securities	166,280	(10,419)
- Non-banking assets acquired in satisfaction of claims	61,504	65,176
	227,784	54,757
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	(48,221)	2,917
- Non-banking assets acquired in satisfaction of claims	(17,836)	(18,249)
	(66,057)	(15,332)
	161,727	39,425

	2019	2018
	(Rupees in '000)	

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

	2019	2018
Surplus on revaluation as at January 01,	65,176	79,114
Realised on disposal during the year	-	(10,172)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	(3,672)	(3,766)
	61,504	65,176
Less: Related deferred tax liability on:		
- Revaluation as at January 01,	(18,901)	(22,152)
- Realised on disposal during the year	-	2,849
- Incremental depreciation charged during the year	1,065	1,054
	(17,836)	(18,249)
	43,668	46,927

20.1.1 Surplus on revaluation of non-banking asset arising on the property located in Lahore having a market value of Rs 375.990 million (2018: Rs 374.538 million). The factors taken include the nature, physical condition of building & civil structure, location, market feedback, the property buying and selling activity, buyers' purchasing power, prevailing market conditions, return on investment, adverse factors, threats and opportunities of real estate industry, etc.

21 CONTINGENCIES AND COMMITMENTS

	Note	2019	2018
		(Rupees in '000)	
Transaction related contingent liability:			
Standby letter of credit		532,162	208,513
Pledge of shares on behalf of Japan Power Generation Limited	21.1	70,726	70,726
Pledge of shares on behalf of Orient Power Company (Private) Limited	21.2	226,000	226,000
Commitments for:			
Purchase of Government securities		11,774,285	13,944,874
Sale of Government securities		2,925,786	2,869,539
Commitments for advances and net investment in finance leases		1,066,750	2,042,040
Securities given as collateral against loan taken by Pak Oman Asset Management Company Limited	21.3	136,000	334,000

21.1 Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2018: Rs. 70.726 million) are pledged as security on behalf of that associate company against a syndicate finance facility obtained by it (the associate company).

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

21.3 PIBs having face value amounting to Rs. 136 million (2018: Rs 334 million) which have been collateralized against a loan sanctioned to Pak Oman Asset Management Company Limited from Habib Bank Limited for the acquisition of Askari Investment Management Limited (AIML).

22 MARK-UP / RETURN / INTEREST EARNED

	Note	2019	2018
		(Rupees in '000)	
On:			
a) Loans and advances		**2,508,468**	1,796,952
b) Investments		**4,442,929**	1,277,175
c) Lendings to financial institutions		**386,643**	366,630
d) Balances with banks		**183,011**	109,359
		7,521,051	3,550,116

23 MARK-UP / RETURN / INTEREST EXPENSED

	Note	2019	2018
Deposits		**847,743**	680,203
Borrowings		**5,636,426**	2,030,206
Lease liability against right-of-use assets		**16,025**	-
		6,500,194	2,710,409

24 FEE AND COMMISSION INCOME

	Note	2019	2018
Credit related fees		**29,554**	35,044
Investment banking fees		**7,668**	20,385
Commission on guarantees		**2,305**	3,552
Underwriting commission of Government securities auction		**2,110**	1,367
		41,637	60,348

25 GAIN/(LOSS) ON SECURITIES

	Note	2019	2018
Realised	25.1	**139,329**	26,541
Unrealised - held for trading		**(23,100)**	70
		116,229	26,611

25.1 Realised gain on:

	Note	2019	2018
Federal Government Securities		**130,029**	6,836
Non Government debt securities		**7,540**	(5,556)
Shares		**1,760**	25,261
		139,329	26,541

26 OTHER INCOME

	Note	2019	2018
Gain on sale of fixed assets - net		**2,344**	3,480
Gain on sale of non-banking assets - net		**-**	17,381
		2,344	20,861

27 OPERATING EXPENSES

	Note	2019	2018
		(Rupees in '000)	
Total compensation expense	27.1	**411,862**	388,398
Property expense			
Rent & taxes		**827**	24,460
Utilities cost		**3,376**	2,830
Security (including guards)		**597**	596
Repair & maintenance (including janitorial charges)		**7,363**	7,440
Depreciation on right-of-use assets		**24,419**	-
Depreciation		**2,106**	2,106
		38,688	37,432
Information technology expenses			
Software maintenance		**976**	1,170
Hardware maintenance		**169**	17
Depreciation		**975**	1,478
Amortisation	11	**432**	470
Network charges		**2,656**	1,781
Others		**1,299**	814
		6,507	5,730
Other operating expenses			
Directors' fees and allowances		**29,409**	25,645
Legal & professional charges		**5,451**	6,918
Travelling & conveyance		**11,260**	12,477
Depreciation	27.4	**37,952**	40,293
Training & development		**1,137**	1,015
Postage & courier charges		**499**	396
Communication		**6,113**	6,151
Stationery & printing		**1,398**	1,304
Marketing, advertisement & publicity		**1,621**	839
Donations	27.2	**875**	1,520
Auditors' remuneration	27.3	**1,549**	3,807
Membership and subscriptions		**1,510**	1,652
Transportation		**8,683**	8,920
Insurance		**2,833**	1,883
Finance charges on leased assets		**241**	140
Entertainment and canteen expenses		**3,985**	2,805
Others		**5,802**	4,840
		120,318	120,605
Total operating expenses		**577,375**	552,165

27.1 Total compensation expenses

	Note	2019	2018
		(Rupees in '000)	
Fees and Allowances etc		-	-
Employees' Remuneration			
i) Fixed		**281,366**	280,123
ii) Variable			
of which;			
a) Cash Bonus /Awards etc		**85,000**	62,000
b) Bonus & Awards in shares etc		-	-
Charge for defined benefit plan	34.6	**15,694**	17,789
Contribution to defined contribution plan		**17,027**	17,356
Utilities		**1,349**	1,372
Medical		**9,122**	7,007
Others		**2,304**	2,751
Grand total		**411,862**	388,398

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

27.2.1 Donations made in excess of Rs 0.5 million to a single donee are as follows:

	2019	2018
	(Rupees in '000)	
Daimer Bhasha and Mohmand Dam Fund	-	1,000
	-	1,000

27.3 Auditors' remuneration

	2019	2018
Audit fee	736	736
Half yearly review	204	204
Special certifications and sundry advisory services	537	2,614
Out-of-pocket expenses	72	253
	1,549	3,807

27.4 This includes depreciation on non-banking assets Rs 18.724 (2018: Rs 19.089) million.

28 OTHER CHARGES

	Note	2019	2018
		(Rupees in '000)	
Penalties imposed by State Bank of Pakistan		600	2,976
Fees, commission and others		21,868	20,408
		-	-
		22,468	23,384

29 (REVERSALS) / PROVISIONS & WRITE OFFS - NET

	Note	2019	2018
(Reversals) / provisions for diminution in value of investments	8.3.1	(5,313)	(37,533)
(Reversals) / provisions against loans & advances	9.5	(28,823)	(294,568)
		(34,136)	(332,101)

30 TAXATION

	2019	2018
Current	127,802	127,484
Prior years	-	27,884
Deferred	49,741	129,566
	177,543	284,934

30.1 Relationship between tax expense and accounting profit

	2019	2018
Profit before taxation	681,847	749,344
Tax at the applicable rate of 29%	197,736	217,310
Tax effect due to change in tax rate	(16,326)	37,205
Tax effect of income taxed at different rate	(10,993)	(8,236)
Tax effect of capital loss / (gain) on listed shares and mutual funds	-	(109)
Prior year	-	27,884
Super Tax	-	8,984
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge	7,126	1,896
	177,543	284,934

30.2 Tax contingencies

The Income tax Department has amended the deemed assessment orders for the tax years 2004, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018, wherein major issues raised by the authorities were related to applicability of Workers Welfare Fund (WWF), disallowance of allocation of common expenses and disallowance of losses claimed on early termination of leased assets. The Company's appeals are pending at various appellate forums. For the tax year 2005 and 2008, the Commissioner Inland Revenue (Appeals) [CIR(A)] has adjudicated that the proceeding initiated by the department under section 122(5A) for respective tax years were barred in time, thereby, the amended assessment order has been annulled. Thereafter, the department being aggravated by the CIR(A) decision, filed appeal before the Appellate Tribunal Inland Revenue for the respective tax years. Further, for the matter of WWF, Supreme Court (SC) in its recent decision has annulled the amendments made through Finance Act 2006 and 2008. However, Federal Board of Revenue (FBR) has now filed review petition in the SC against the SC decision in the matter of WWF. Management estimates that sufficient provisions have been made and no further provision is required.

31 BASIC AND DILUTED EARNINGS PER SHARE

		2019	2018
Profit after taxation	*Rupees in '000*	**504,304**	464,410
Weighted average number of ordinary shares in issue	*Numbers in '000*	**615,000**	615,000
Basic and diluted earnings per share	*Rupees*	**0.82**	0.76

31.1 There were no convertible dilutive potential ordinary shares outstanding on 31 December 2018 and 2019.

32 CASH AND CASH EQUIVALENTS

	Note	2019	2018
		(Rupees in '000)	
Cash and balances with treasury banks	5	153,271	122,604
Balances with other banks	6	1,974,796	2,275,589
		2,128,067	2,398,193

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

	2019				
	Borrowings	Deposits and other accounts	Liabilities Liabilities against assets	Other liabilities	Total
	(Rupees in '000)				
Balance as at 01 January 2019	39,961,645	9,010,490	992	994,407	49,967,534
Changes from financing cash flows					
Receipts from sub - ordinated loans - net	-	-	-	-	-
Dividend paid	-	-	-	-	-
Total changes from financing cash flows	-	-	-	-	-
Liability - related					
Changes in bills payable	-	-	-	-	-
Changes in borrowings	33,719,381	-	-	-	33,719,381
Changes in deposits and other accounts	-	(434,098)	-	-	(434,098)
Changes in Liabilities against assets subject to finance lease			(382)	-	(382)
Changes in other liabilities					
- Cash based					-
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	476,918	476,918
Transfer of profit to reserve	-	-	-	-	-
Profit for the year	-	-	-	-	-
Other comprehensive income - net of tax	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-
	33,719,381	(434,098)	(382)	476,918	33,761,819
Balance as at 31 December 2019	73,681,026	8,576,392	610	1,471,325	83,729,353

	2018				
	Liabilities				
	Borrowings	Deposits and other accounts	Liabilities against assets subject to finance lease	Other liabilities	Total
	(Rupees in '000)				
Balance as at 01 January 2018	44,607,690	10,501,149	1,346	1,435,848	56,546,033
Changes from financing cash flows					
Receipts from sub - ordinated loans - net	-	-	-	-	-
Dividend paid	-	-	-	-	-
Total changes from financing cash flows	-	-	-	-	-
Liability - related					
Changes in bills payable	-	-	-	-	-
Changes in borrowings	(4,646,045)	-	-	-	(4,646,045)
Changes in deposits and other accounts	-	(1,490,659)	-	-	(1,490,659)
Changes in Liabilities against assets subject to finance lease			(354)	-	(354)
Changes in other liabilities					
- Cash based					-
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	(441,441)	(441,441)
Transfer of profit to reserve	-	-	-	-	-
Profit for the year	-	-	-	-	-
Other comprehensive income - net of tax	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-
	-	-	-	-	-
	(4,646,045)	(1,490,659)	(354)	(441,441)	(6,578,499)
Balance as at 31 December 2018	**39,961,645**	**9,010,490**	**992**	**994,407**	**49,967,534**

33 STAFF STRENGTH

	2019	2018
	(Number)	
Permanent	64	61
Temporary / contractual	29	28
Company's own staff strength at end of the year	93	89
Outsourced	-	-
Total staff strength	93	89

34 DEFINED BENEFIT PLAN

34.1 General Description

The Company operates a funded-gratuity scheme for all its permanent employees. The scheme was established on 1 November 2002 and approved by the Commissioner of Income Tax with effect from 31 January 2003. Contribution to the fund is made every year based on actuarial valuation. The actuarial valuation is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. All actuarial gains and losses are recognized in unconsolidated Statement of Comprehensive Income in the periods in which they occur. The actuarial valuation was conducted as at 31 December 2019.

Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2019	2018
	(Number)	
Gratuity fund	64	61

34.1.1 Principal actuarial assumptions

The latest actuarial valuation for defined benefit plan scheme was carried out as at 31 December 2019 using the Projected Unit Credit Method (PUCM). The following significant assumptions were used for the actuarial valuation:

	2019	2018
	(Percent per annum)	
Discount rate	12.50	13.25
Expected short term rate of increase in salary levels	11.50	8.25
Expected long term rate of increase in salary levels	11.50	11.25
Expected rate of return on plan assets	12.50	13.25

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

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

34.2 Reconciliation of receivable from defined benefit plan

	Note	2019	2018
		(Rupees in '000)	
Present value of defined benefit obligation	34.3	142,772	127,610
Fair value of plan assets	34.4	(158,219)	(137,538)
Receivable	34.5	(15,447)	(9,928)

34.3 Movement in defined benefit obligation

	2019	2018
Obligation at the beginning of the year	127,610	141,181
Current service cost	17,305	18,828
Interest cost	15,368	10,920
Benefits paid during the year	(23,257)	(17,642)
Remeasurement gain	5,746	(25,677)
Obligation at the end of the year	142,772	127,610

34.4 Movement in fair value of plan assets

	Note	2019	2018
Fair value at the beginning of the year		137,538	148,490
Interest income on plan assets		16,979	11,959
Contribution by the Company - net		4,464	10,572
Benefits paid during the year		(23,257)	(17,642)
Remeasurement (loss) / gain on plan assets		22,495	(15,841)
Fair value at the end of the year	34.7	158,219	137,538

34.5 Movement in receivable under defined benefit plan

	Note	2019	2018
Opening balance		(9,928)	(7,309)
Charge for the year	34.6	15,694	17,789
Re-measurement gain recognised in other comprehensive income during the year		(16,749)	(9,836)
Contributions by the Company - net		(4,464)	(10,572)
Closing balance		(15,447)	(9,928)

34.6 Charge for defined benefit plans

34.6.1 Cost recognised in the profit and loss

	2019	2018
Current service cost	17,305	18,828
Net interest on defined benefit asset	(1,611)	(1,039)
	15,694	17,789

34.6.1 Re-measurement recognised in OCI during the year

	2019	2018
Loss / (gain) on obligation		
-Experience / Financial adjustment	5,746	(25,677)
Actuarial loss / (gain) on plan assets	(22,495)	15,841
Total re-measurements recognised in OCI	(16,749)	(9,836)

34.7 Components of plan assets

Particulars	Note	2019 (Rupees in '000)	2019 %	2018 (Rupees in '000)	2018 %
Market Treasury Bills		-	-	-	-
Pakistan Investment Bonds		103,211	65.23	79,892	58.09
Special Saving Certificates (SSCs)		-	-	-	-
Term Deposit receipts		54,828	34.65	50,110	36.43
Term Finance Certificates					
- WorldCall Telecom Limited		-	-	623	0.39
Certificate of Investments	34.7.1	-	-	5,706	3.61
Bank balance		180	0.12	1,207	0.76
		158,219	100.00	137,538	99.28

34.7.1 These include Certificate of Investment held with the Company. These carry mark-up at rates nil (2018: 9.90) percent per annum.

34.8 Sensitivity analysis

	2019 (Rupees in '000)	2018 (Rupees in '000)
1% increase in discount rate	(9,589)	(8,748)
1% decrease in discount rate	10,863	9,899
1 % increase in expected rate of salary increase	11,551	10,644
1 % decrease in expected rate of salary increase	(10,350)	(9,536)

34.9 Maturity profile of defined benefit obligation

Benefit payments

The average duration of the benefit obligation at 31 December 2019 is 7.16 years (2018: 7.31 years).

Distribution of timing of benefit payments

Years	2019 (Rupees in '000)	2018 (Rupees in '000)
1	4,305	4,885
2	4,569	4,942
3	4,843	4,903
4	89,773	73,858
5	8,533	3,469
6 to 10	65,246	66,235
11 and above	337,843	353,114

	2019	2018
34.10 Expected contributions to be paid to the funds in the next financial year	15,639	8,716
34.11 Expected charge / (reversal) for the next financial year	15,639	14,392

34.12 Funding Policy

The Company is contributing the amount to the fund as per Actuarial advice.

34.13 The significant risk associated with the staff retirement benefit schemes are as follows:

Asset volatility
The risk arises when the future earnings are lower than expectation. This risk is measured at a plan level over the obligation period of the current population. The company assets are either invested in fixed securities or cash. None of the investment is placed in equities.

Changes in bond yields
The risk arises when the actual return on plan assets is lower than expectation.

Inflation risk
The most common type of retirement benefit is one where the benefit is linked with last drawn salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Life expectancy
The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Withdrawal rate
The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

Investment Risks:
The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

35 DEFINED CONTRIBUTION PLAN

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

35.2 Contribution made during the year

	2019 (Rupees in '000)	2018 (Rupees in '000)
Contribution from the Company	17,027	17,356
Contribution from employees	17,027	17,356
	34,054	34,712

The number of employees covered under the defined contribution plan as at 31 December 2019 : 64 (31 December 2018: 61).

36. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

36.1 Total Compensation Expenses

Items	2019				
	Directors		President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Non-Executives			
Fees and Allowances etc.	6,551	22,858	-	-	-
Managerial Remuneration					
i) Fixed	-	-	84,007	90,781	25,680
ii) Total Variable					
of which					
a) Cash Bonus / Awards	-	-	22,853	14,650	2,875
b) Bonus & Awards in Shares	-	-	-	-	-
Charge for defined benefit plan	-	-	4,542	5,544	1,139
Contribution to defined contribution plan	-	-	4,413	6,405	1,737
Utilities	-	-	1,056	293	-
Others	-	-	221	163	449
Total	6,551	22,858	117,092	117,836	31,880
Number of Persons	1	5 *	1	12	7

* During the year 2019, Government of Islamic Republic of Pakistan has nominated Mr. Omar Hamid Khan, Special Secretary Finance - Ministry of Finance, as director of Pak Oman Investment Company limited in place of Mr. Noor

Items	2018				
	Directors		President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Non-Executives			
Fees and Allowances etc.	5,730	19,915	-	-	-
Managerial Remuneration					
i) Fixed	-	-	91,369	92,295	23,183
ii) Total Variable					
of which					
a) Cash Bonus / Awards	-	-	35,000	19,750	2,975
b) Bonus & Awards in Shares	-	-	-	-	-
Charge for defined benefit plan	-	-	3,063	6,355	1,530
Contribution to defined contribution plan	-	-	4,153	6,470	1,492
Utilities	-	-	1,112	260	-
Others	-	-	275	162	-
Total	5,730	19,915	134,972	125,292	29,180
Number of Persons	1	5 *	1	12	7

* During the year 2018, Government of Sultanate of Oman has nominated Mr. Haitham Yousuf Juma Al Zadjali , as director of Pak Oman Investment Company Limited in place of Mr. Hamed Sloom Mubarak Al Athobi.

36.2 The managing director and certain executives are provided with free use of Company's maintained cars.

36.3 **Remuneration paid to Directors for participation in Board and Committee Meetings**

Sr. No.	Name of Director	2019					
		Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				Total Amount Paid
			Executive Committee	Audit Committee	Risk Committee	Remuneration & Compensation Committee	
		Rs. in '000'					
1	H.E. Yahya Bin Said Bin Abdullah Al-Jabri	5,345	754	-	-	452	6,551
2	H.H. Juland Jaifar Salim Al Said	4,290	754	598	598	452	6,692
3	Mr. Haitham Yousuf Juma Al Zadjali	4,290	-	598	598	-	5,486
4	Mr. M.Zubair Motiwala	2,930	598	598	598	297	5,021
5	Mr. Omar Hamid Khan	3,621	614	458	-	-	4,693
6	Mr. Noor Ahmed	686	140	140	-	-	966
	Total	21,162	2,860	2,392	1,794	1,201	29,409

During the year 2019, Government of Islamic Republic of Pakistan has nominated Mr. Omar Hamid Khan, Special Secretary Finance - Ministry of Finance, as director of Pak Oman Investment Company limited in place of Mr. Noor Ahmed.

Sr. No.	Name of Director	2018					
		Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				Total Amount Paid
			Executive Committee	Audit Committee	Risk Committee	Remuneration & Compensation Committee	
		Rs. in '000'					
1	H.E. Yahya Bin Said Bin Abdullah Al-Jabri	4,586	628	-	-	516	5,730
2	Mr. Hamed Sloom Mubarak Al Athobi	662		113	113	-	888
3	H.H Juland Jaifar Salim Al Said	3,707	628	489	489	516	5,829
4	Mr. Haitham Yousuf Juma Al Zadjali	3,045	-	376	376		3,797
5	Mr. M.Zubair Motiwala	3,079	628	353	489	516	5,065
6	Mr. Noor Ahmed	3,219	628	489	-	-	4,336
	Total	18,298	2,512	1,820	1,467	1,548	25,645

During the year 2018, Government of Sultanate of Oman has nominated Mr. Haitham Yousuf Juma Al Zadjali , as director of Pak Oman Investment Company Limited in place of Mr. Hamed Sloom Mubarak Al Athobi.

37 FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices and has been disclosed in note 8. Unquoted equity investments, other than investments in associates and subsidiary, are determined on the basis of break-up value of these investments as per the latest available audited financial statements. The provision for impairment of investments has been determined in accordance with the Company's accounting policy as stated in notes 2.5 and 4.4 to these unconsolidated financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision against advances has been calculated in accordance with the Company's accounting policy as stated in note 4.6.2.

The re-pricing profile, effective rates and maturity are stated in notes 42.4.1 and 42.4.2 respectively.

37.1 Fair Value of financial assets

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

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

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

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

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

37.2 On-balance sheet financial instruments

	2019		2018	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
Assets				
Cash and balances with treasury banks	153,271	153,271	122,604	122,604
Balances with other banks	1,974,796	1,974,796	2,275,589	2,275,589
Lendings to financial institutions	8,132,475	8,132,475	5,434,296	5,434,296
Investments	59,375,922	59,321,136	28,433,357	28,386,382
Advances	20,024,133	20,024,133	20,480,702	20,480,702
Other assets	1,391,853	1,391,853	472,761	472,761
	91,052,450	90,997,664	57,219,309	57,172,334
Liabilities				
Borrowings	73,681,026	73,681,026	39,961,645	39,961,645
Deposits and other accounts	8,576,392	8,576,392	9,010,490	9,010,490
Liabilities against assets subject to finance lease	610	610	992	992
Other liabilities	1,471,325	1,471,325	948,612	948,612
	83,729,353	83,729,353	49,921,739	49,921,739
	7,323,097	7,268,311	7,297,570	7,250,595
Off-balance sheet financial instruments	-	-	-	-

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Federal Government Securities	PKRV / PKFRV rates (MUFAP rates)
Listed securities	PSX Rates
Mutual funds	Net asset values
Unlisted equity investments	Break - up value as per latest available audited financial statements.

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the

37.3 The carrying value of all financial assets and liabilities in the unconsolidated financial statements approximate to their fair values except for certain investment in an associate.

37.4 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On balance sheet financial instruments	2019			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	54,367,036	-	54,367,036
Non-Government Debt Securities	-	3,466,736	-	3,466,736
Mutual funds	640,864	-	-	640,864
Financial assets - disclosed but not measured at fair value				
Investments	-	-	951,633	951,633

On balance sheet financial instruments	2018			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	23,887,609	-	23,887,609
Shares		-	-	-
Non-Government Debt Securities	-	3,003,598	-	3,003,598
Mutual funds	624,631	-	-	624,631
Financial assets - disclosed but not measured at fair value				
Investments	-	-	951,633	-

38 SEGMENT INFORMATION

38.1 Segment Details with respect to Business Activities

	2019			
	Corporate Banking	Investment Banking	Treasury	Total
	(Rupees in '000)			
Profit & Loss				
Net mark-up/return/profit	505,148	(128,121)	643,830	1,020,857
Non mark-up / return / interest income	33,841	84,192	118,236	236,269
Total Income	538,989	(43,929)	762,066	1,257,126
Segment direct expenses	329,868	50,253	229,294	609,415
Reversals	(28,823)	(5,313)	-	(34,136)
Profit before tax	237,944	(88,869)	532,772	681,847
Balance Sheet				
Cash & Bank balances	-	-	2,128,067	2,128,067
Investments	-	3,675,713	55,700,209	59,375,922
Lendings to financial institutions			8,132,475	8,132,475
Advances - performing	19,619,714	-	277,746	19,897,460
non- performing	126,673	-		126,673
Others	827,947	550,481	1,043,789	2,422,217
Total Assets	20,574,334	4,226,194	67,282,286	92,082,814
Borrowings	16,880,052	3,356,971	53,444,002	73,681,026
Subordinated debt	-	-	-	-
Deposits & other accounts	1,916,249	393,618	6,266,525	8,576,392
Others	525,669	55,925	890,341	1,471,935
Total liabilities	19,321,970	3,806,515	60,600,868	83,729,353
Equity	1,252,364	419,679	6,681,418	8,353,461
Total Equity & liabilities	20,574,334	4,226,194	67,282,286	92,082,814
Contingencies & Commitments	1,598,912	432,726	14,700,071	16,731,709

	2018			
	Corporate Banking	Investment Banking	Treasury	Total
	(Rupees in '000)			
Profit & Loss				
Net mark-up/return/profit	593,708	(53,448)	299,447	839,707
Non mark-up / return / interest income	38,596	111,106	11,862	161,564
Total Income	632,304	57,658	311,309	1,001,271
Segment direct expenses	300,362	99,248	184,418	584,028
(Reversals) / Provisions	(294,568)	(37,533)	-	(332,101)
Profit before tax	626,510	(4,057)	126,891	749,344
Balance Sheet				
Cash & Bank balances	-	-	2,398,193	2,398,193
Investments	-	3,083,646	25,349,711	28,433,357
Lendings to financial institutions	-	-	5,434,296	5,434,296
Advances - performing	20,120,488	-	229,460	20,349,948
- non-performing	130,754	-	-	130,754
Others	612,405	532,478	219,041	1,363,924
Total Assets	20,863,647	3,616,124	33,630,701	58,110,472
Borrowings	14,789,955	2,443,804	22,727,886	39,961,645
Subordinated debt	-	-	-	-
Deposits & other accounts	3,235,074	560,709	5,214,707	9,010,490
Others	585,705	39,775	369,919	995,399
Total liabilities	18,610,734	3,044,288	28,312,512	49,967,534
Equity	2,252,913	571,836	5,318,189	8,142,938
Total Equity & liabilities	20,863,647	3,616,124	33,630,701	58,110,472
Contingencies & Commitments	2,250,553	630,726	16,814,413	19,695,692

39 TRUST ACTIVITIES

The Company is acting as a trustee to Term Finance Certificates and Sukuk issued by Askari Bank Limited, Pak Arab Fertilizers Limited, Al-Arabia Sugar Mills Limited, Shakarganj Food Products Limited, United Bank Limited, Kashf Foundation and Masood Textile Mills Limited. The Company is holding the trust properties in fiduciary capacity on behalf of the relevant beneficiaries. In this behalf, the Company is fulfilling all its obligations and duties in accordance with the provisions of the respective trust documents.

40 RELATED PARTY TRANSACTIONS

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

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

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

40.1 Subsidiary

Pak Oman Asset Management Company Limited

40.2 Associates

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

40.3 Key management personnel

All heads of departments
Directors

40.4 Retirement benefit fund

Defined benefit plan
Defined contribution plan

40.5 Other related party

Orient Power Company (Private) Limited
Ismail Industries Limited
K- Electric
Oman LNG, Sultanate of Oman
Diamond Textile Mills (Pvt.) Limited
Civil Aviation Authority
Pakistan LNG Limited
Public Private Partnership Authority

40.6 Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2019						2018					
	Directors	Key management personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties
	(Rupees in '000)											
Investments												
Opening balance	-	-	498,300	1,045,951	-	226,000	-	-	498,300	1,045,951	-	226,000
Investment made during the year	-	-	-	-	-	500,000	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	498,300	1,045,951	-	726,000	-	-	498,300	1,045,951	-	226,000
Provision for diminution in value of investments	-	-	157,375	70,726	-	-	-	-	157,375	70,726	-	-
Advances												
Opening balance	-	43,626	-	68,200	-	72,916	-	32,399	-	68,200	-	114,232
Addition during the year	-	15,400	-	-	-	453,566	-	11,744	-	-	-	-
Repaid during the year		(20,539)				(47,023)	-	(9,468)	-	-	-	(41,316)
Transfer in / (out) - net	-	-	-	-	-	-	-	8,951	-	-	-	-
Closing balance	-	38,487	-	68,200	-	479,459	-	43,626	-	68,200	-	72,916
Provision held against advances	-	-	-	68,200	-	-	-	-	-	68,200	-	-

	2019						2018					
	Directors	Key management personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties
	(Rupees in '000)											
Other Assets												
Interest / mark-up accrued	-	-	-	-	-	3,241	-	-	-	-	-	2,045
Receivable from staff retirement fund	-	-	-	-	15,447	-	-	-	-	-	9,928	-
Other receivable												
Provision against other assets	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts												
Opening balance	-	909	-	-	5,492	-	-	1,168	-	450,000	36,626	-
Received during the year	-	64,629	-	-	102,997	-	-	30,281	-	1,000,000	241,156	-
Withdrawn during the year	-	(61,456)	-	-	(108,489)	-	-	(30,540)	-	(1,450,000)	(272,290)	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	4,082	-	-	-	-	-	909	-	-	5,492	-
Other Liabilities												
Interest / mark-up payable	-	33	-	-	-	-	-	3	-	-	2	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities												
Outright sale of Securities			14,537	1,385,342	909,630		-	-	231,070	965,241	250,474	-
Outright purchase of Securities	-	-	69,576	243,315	720,365	-	-	-	115,646	4,978	94,955	-
Contingencies and Commitments												
Other contingencies	-	-	136,000	70,726	-	226,000	-	-	334,000	70,726	-	226,000

40.7 Related party transactions

	Note	2019 Directors	2019 Key management personnel	2019 Subsidiaries	2019 Associates	2019 Retirement benefit funds	2019 Other related parties	2018 Parent	2018 Directors	2018 Key management personnel	2018 Subsidiaries	2018 Associates	2018 Retirement benefit funds	2018 Other related parties
		(Rupees in '000)												
Income														
Mark-up / return / interest earned		-	2,104	-	-	-	35,252	-	-	2,014	-	-	-	8,922
Fee and commission income		-	-	1,505	-	-	-	-	-	-	3,386	-	-	-
Dividend income		-	-	-	30,448	-	45,200	-	-	-	-	18,305	-	33,900
Net gain on sale of securities		-	-	-	295	-	69	-	-	-	-	-	-	-
Other income		-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-	-
Expense														
Mark-up / return / interest paid		-	647	-	-	1,067	-	-	-	141	-	5,362	1,871	-
Operating expenses	36	-	-	-	-	-	-	-	-	-	-	-	-	-
Directors' fees and allowances		29,409	-	-	-	-	-	-	25,645	-	-	-	-	-
Compensation expenses		117,092	117,836	-	-	-	-	-	134,972	125,292	-	-	-	-
Contribution to defined contribution plan		-	-	-	-	17,027	-	-	-	-	-	-	17,356	-
Charge for defined benefit plan		-	-	-	-	15,694	-	-	-	-	-	-	17,789	-

41 CAPITAL ADEQUACY

41.1 Capital management policies and procedures

The Company's objectives when managing capital are:

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

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

SBP requires each development financial institution to: (a) hold the minimum level of the regulatory capital of Rs. 6 billion as at 31 December 2009 and in future periods till further notification issued by SBP, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset as per the CAMELS Rating assigned to the institution or above the minimum prescribed level of 12.50%.

Capital Structure

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

- Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer note 41.3).

Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and Share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1 (refer note 41.3).

Tier 2 capital, which includes Subordinated debt/ Instruments, share premium of issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), Net of tax reserves on revaluation of fixed assets and equity investments and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2 (refer note 41.3).

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

The Company calculates capital requirement as per Basel III regulatory framework, using the following approaches:

- Credit risk	Standardized approach
- Market risk	Standardized approach
- Operational risk	Basic indicator approach

The table refer in note 41.3 summarizes the composition of regulatory capital and the ratios of the Company for the year ended 31 December 2019.

Scope of application

The Basel III Framework for capital adequacy is applicable to the Company both at the consolidated level (including subsidiaries) and also on standalone basis.

41.2 The Company's CAR as at 31 December 2019 was 15.57% of its risk weighted exposure.

The calculation of capital adequacy enables the DFIs' to assess the long term soundness. The Company has successfully managed in the past and will in the future its Capital requirements/ needs. Based on the directives of the Board, the Company has built a health portfolio of assets and liabilities focusing on quality. CAR of 15.57% demonstrates that the company is geared to absorb major risks / shocks in the present market scenario. The Company meets its capital needs through clean placements (LOP & COI) and short and long term lines from commercial institutions.

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

41.3 Capital adequacy, leverage ratio & liquidity requirements

	2019	2018
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	6,150,000	6,150,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	5,907,186	5,760,301
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	5,907,186	5,760,301
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	5,907,186	5,760,301
Risk Weighted Assets (RWAs):		
Credit Risk	27,604,147	30,256,061
Market Risk	8,301,000	1,003,458
Operational Risk	2,039,196	2,051,664
Total	37,944,343	33,311,183
Common Equity Tier 1 Capital Adequacy ratio	15.57%	17.29%
Tier 1 Capital Adequacy Ratio	15.57%	17.29%
Total Capital Adequacy Ratio	15.57%	17.29%
Capital requirements		
CET1 minimum ratio	6.00%	6.00%
Tier1 minimum ratio	7.50%	7.50%
Total Capital minimum ratio	10.00%	10.00%
Capital Conservation Buffer (CCB)	2.50%	1.90%
Total Capital plus CCB	12.50%	11.90%

Standardized Approach of Basel II is used for calculating Capital Adequacy for Credit and Market Risk while Basic indicator Approach is used for calculating Capital Adequacy for Operational Risk.

	2019	2018
Leverage Ratio (LR):		
Eligible Tier-1 Capital	5,907,186	5,760,301
Total Exposures	91,226,753	66,450,096
Leverage Ratio	6.48%	8.67%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	6,227,965	6,503,094
Total Net Cash Outflow	9,139,548	16,808,490
Liquidity Coverage Ratio	68%	39%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	21,887,939	20,705,300
Total Required Stable Funding	21,507,690	18,970,216
Net Stable Funding Ratio	101.77%	109.15%

41.4 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time shall be placed on the website. The link to the full disclosure is available at http://www.pakoman.com

42. RISK MANAGEMENT

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

Risk management organisation

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

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

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

42.1 Credit risk

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

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

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

Types of exposures and ECAI's used

Exposures	**JCR-VIS**	**PACRA**
Corporate	Yes	Yes
Banks	Yes	Yes

Credit exposures subject to Standardised Approach

Exposure	**Rating Category**	2019			2018		
		Amount Outstanding	**Deduction CRM***	**Net amount**	Amount Outstanding	Deduction CRM*	Net amount
		(Rupees in '000)					
Corporate	0	-	-	-	-	-	-
	1	572,378	-	572,378	804,976	-	804,976
	2	9,228,034	(85,549)	9,142,485	10,365,263	-	10,365,263
	3-4	1,802,032	(21,875)	1,780,157	808,705	-	808,705
	5-6	-	-	-	-	-	-
	Unrated	7,749,611	(248,961)	7,500,650	7,456,600	-	7,456,600
		19,352,055	(356,385)	18,995,670	19,435,544	-	19,435,544
Banks	0	-	-	-	-	-	-
	1	10,107,271	-	10,107,271	5,429,885	-	5,429,885
	2-3	879,291	-	879,291	30,000	-	30,000
	4-5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
		10,986,562	-	10,986,562	5,459,885	-	5,459,885
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 4 to these financial statements. Reconciliation in the provision against non-performing advances has been disclosed in note 9.5 of these financial statements.

Particulars of company's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

42.1.1 *Lendings to financial institutions*

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)					
Public/ Government	**2,007,082**	350,000	**-**	-	**-**	-
Private	**6,125,393**	5,084,296	**-**	-	**-**	-
	8,132,475	5,434,296	**-**	-	**-**	-

42.1.2 *Investment in debt securities*

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)					
Textile	**81,090**	81,090	**81,090**	81,090	**60,641**	60,641
Electronics and electrical appliances	**85,000**	85,000	**85,000**	85,000	**85,000**	85,000
Power (electricity), Gas, Water, Sanitary	**555,958**	103,456	**-**	-	**-**	-
Transport, Storage and Communication	**180,980**	185,226	**180,980**	185,226	**180,980**	185,226
Financial	**56,996,969**	26,600,505	**15,404**	15,404	**15,404**	15,404
Others	**256,452**	316,452	**121,452**	121,452	**121,452**	121,452
	58,156,449	27,371,729	**483,926**	488,172	**463,477**	467,723

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)					
Public/ Government	**54,643,109**	24,384,351	**-**	-	**-**	-
Private	**3,513,340**	2,987,378	**483,926**	488,172	**463,477**	467,723
	58,156,449	27,371,729	**483,926**	488,172	**463,477**	467,723

42.1.3 *Advances*

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Textile	4,196,626	4,695,334	348,278	356,355	337,256	345,332
Chemical and Pharmaceuticals	215,756	174,968	-	-	-	-
Cement	372,865	408,512	-	-	-	-
Sugar	840,000	1,246,563	-	-	-	-
Automobile and transportation equipment	280,085	291,759	-	-	-	-
Electronics and electrical appliances	796,726	617,857	50,000	50,000	50,000	50,000
Construction	487,770	485,492	-	-	-	-
Power (electricity), Gas, Water, Sanitary	2,697,361	1,929,344	68,200	68,200	68,200	68,200
Wholesale and Retail Trade	113,514	35,476	-	-	-	-
Transport, Storage and Communication	2,335,948	2,976,830	-	-	-	-
Financial	1,383,158	2,472,857	5,161	5,161	5,161	5,161
Services	1,410,456	1,311,753	2,104	2,219	-	-
Individuals	103,834	105,161	-	-	-	-
Others	5,341,903	4,309,488	204,586	229,298	91,039	111,786
	20,576,002	21,061,394	678,329	711,233	551,656	580,479

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Public/ Government	888,472	1,138,820	-	-	-	-
Private	19,687,530	19,922,574	678,329	711,233	551,656	580,479
	20,576,002	21,061,394	678,329	711,233	551,656	580,479

42.1.4 *Contingencies and Commitments*

Credit risk by industry sector

	2019	2018
	(Rupees in '000)	
Textile	-	439,900
Chemical and Pharmaceuticals	165,000	-
Cement	-	91,490
Automobile and transportation equipment	-	18,880
Construction	-	287,500
Power (electricity), Gas, Water, Sanitary	-	115,290
Wholesale and Retail Trade	-	-
Transport, Storage and Communication	322,230	-
Services	68,400	154,970
Others	511,120	934,010
	1,066,750	2,042,040

Credit risk by public / private sector

	2019	2018
Public/ Government	-	-
Private	1,066,750	2,042,040
	1,066,750	2,042,040

42.1.5 **Concentration of Advances**

The Company's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 8,293.350 million (2018: Rs 9,009.177 million) are as following:

	2019	2018
	(Rupees in '000)	
Funded	8,293,350	9,009,177
Non Funded	-	-
Total Exposure	8,293,350	9,009,177

The sanctioned limits against these top 10 exposures aggregated to Rs 11,458 million 2018: Rs 11,235 million)

Total funded classified therein

	2019		2018	
	Amount	Provision held	Amount	Provision held
	(Rupees in '000)			
OAEM				
Substandard	-	-	26,912	-
Doubtful	182,104	90,000	182,820	90,000
Loss	496,225	461,656	501,501	490,479
Total	678,329	551,656	711,233	580,479

42.1.6 **Advances - Province/Region-wise Disbursement & Utilization**

2019							
	Disbursements	Utilization					
Province/Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Sindh	5,528,204	1,053,246	2,498,562	272,771	1,044,566	659,059	-

2018							
	Disbursements	Utilization					
Province/Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Sindh	6,852,557	2,481,142	2,289,848	175,000	600,000	1,306,567	-

42.2 Market Risk

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

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

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

42.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	153,271	-	153,271	122,604	-	122,604
Balances with other banks	1,974,796	-	1,974,796	2,275,589	-	2,275,589
Lendings to financial institutions	8,132,475	-	8,132,475	5,434,296	-	5,434,296
Investments	5,008,886	54,367,036	59,375,922	4,345,042	24,088,315	28,433,357
Advances	20,024,133	-	20,024,133	20,480,702	-	20,480,702
Fixed assets	201,211	-	201,211	95,732	-	95,732
Intangible assets	5	-	5	437	-	437
Deferred tax assets	337,826	-	337,826	439,439	-	439,439
Other assets	1,883,175	-	1,883,175	828,316	-	828,316
	37,715,778	54,367,036	92,082,814	34,022,157	24,088,315	58,110,472

42.2.2 Foreign Exchange Risk

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

	2019		2018	
	Foreign Currency Assets	Net foreign currency exposure	Foreign Currency Assets	Net foreign currency exposure
United States Dollar	79	79	75	75
Omani Riyal	3,336	3,336	428	428
	3,415	3,415	503	503

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	(36)	-	(7)	-
- Other comprehensive income	-	-	-	-

42.2.3 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.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on				
- Profit and loss account *	-	-	-	(145,335)
- Other comprehensive income	(167,024)	-	-	-

* Equity position includes Equity shares and Bank's TFC tier II

42.3 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.

	2019		2018	
	Banking book	**Trading book**	Banking book	Trading book
Impact of 1% change in interest rates on				
Profit and loss account *	**-**	**(89,883)**	208,123	(268,912)
Other comprehensive income *	**76,816**	**(251,347)**	(10,069)	94,173

* Earning approach

42.3.1 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate	2019										
		Total	Exposed to yield / interest risk									Non-interest bearing financial
			Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		153,271	-	-	-	-	-	-	-	-	-	153,271
Balances with other banks	14.57%	1,974,796	168,309	1,000,000	800,000	-	-	-	-	-	-	6,487
Lending to financial institutions	13.51%	8,132,475	6,274,475	1,858,000	-	-	-	-	-	-	-	-
Investments	13.65%	59,375,922	3,819,443	13,703,277	14,385,684	17,150,994	6,802,538	1,030,959	-	940,877	-	1,542,150
Advances	14.40%	20,024,133	5,388,953	7,329,363	4,592,682	267,563	349,487	402,355	752,617	901,724	30,305	9,084
Other assets		1,391,853	-	-	-	-	-	-	-	-	-	1,391,853
		91,052,450	15,651,180	23,890,640	19,778,366	17,418,557	7,152,025	1,433,314	752,617	1,842,601	30,305	3,102,845
Liabilities												
Borrowings	13.08%	73,681,026	56,371,933	4,669,097	4,828,742	5,467,972	349,744	401,389	743,043	849,106	-	-
Deposits and other accounts	13.14%	8,576,392	1,739,958	3,916,419	990,182	1,929,833	-	-	-	-	-	-
Liabilities against assets subject to finance leases	7.91%	610	33	66	102	409	-	-	-	-	-	-
Other liabilities		1,471,325	-	-	-	-	-	-	-	-	-	1,471,325
		83,729,353	58,111,924	8,585,582	5,819,026	7,398,214	349,744	401,389	743,043	849,106	-	1,471,325
On-balance sheet gap		7,323,097	(42,460,744)	15,305,058	13,959,340	10,020,343	6,802,281	1,031,925	9,574	993,495	30,305	1,631,520
Off-balance sheet financial instruments												
Commitments in respect of												
- forward foreign exchange contracts		-	-	-	-	-	-	-	-	-	-	-
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(42,460,744)	15,305,058	13,959,340	10,020,343	6,802,281	1,031,925	9,574	993,495	30,305	
Cumulative yield / interest risk sensitivity gap			(42,460,744)	(27,155,686)	(13,196,346)	(3,176,003)	3,626,278	4,658,203	4,667,777	5,661,272	5,691,577	

Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate	2018										
			Exposed to yield / interest risk									
		Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		122,604	-	-	-	-	-	-	-	-	-	122,604
Balances with other banks	11.16%	2,275,589	1,807,310	450,000	-	-	-	-	-	-	-	18,279
Lending to financial institutions	10.29%	5,434,296	5,434,296	-	-	-	-	-	-	-	-	-
Investments	10.00%	28,433,357	5,343,907	15,509,449	1,642,334	3,955,879	-	-	-	439,638	-	1,542,150
Advances	10.37%	20,480,702	7,986,474	7,069,036	3,100,982	312,865	270,359	302,455	583,931	820,655	22,497	11,448
Other assets		472,761	-	-	-	-	-	-	-	-	-	472,761
		57,219,309	20,571,987	23,028,485	4,743,316	4,268,744	270,359	302,455	583,931	1,260,293	22,497	2,167,242
Liabilities												
Borrowings	9.63%	39,961,645	29,523,454	3,869,961	4,544,599	114,538	254,377	294,050	569,392	791,274	-	-
Deposits and other accounts	9.51%	9,010,490	5,527,212	2,548,652	303,652	630,974	-	-	-	-	-	-
Liabilities against assets subject to finance leases	7.91%	992	31	62	94	195	610	-	-	-	-	-
Other liabilities		948,612	-	-	-	-	-	-	-	-	-	948,612
		49,921,739	35,050,697	6,418,675	4,848,345	745,707	254,987	294,050	569,392	791,274	-	948,612
On-balance sheet gap		7,297,570	(14,478,710)	16,609,810	(105,029)	3,523,037	15,372	8,405	14,539	469,019	22,497	1,218,630
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts		-	-	-	-	-	-	-	-	-	-	-
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(14,478,710)	16,609,810	(105,029)	3,523,037	15,372	8,405	14,539	469,019	22,497	
Cumulative yield / interest risk sensitivity gap			(14,478,710)	2,131,100	2,026,071	5,549,108	5,564,480	5,572,885	5,587,424	6,056,443	6,078,940	

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

42.3.3 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.

Operational risk

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

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

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

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

42.4 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.

42.4.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Company

	2019														
	Total	Upto 1 day	Over 1 days to 7 days	Over 7 days to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 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	153,271	-	-	153,271	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,974,796	-	24,796	150,000	-	-	1,000,000	800,000	-	-	-	-	-	-	-
Lending to financial institutions	8,132,475	-	4,019,186	1,335,214	920,075	1,858,000	-	-	-	-	-	-	-	-	-
Investments	59,375,922	-	35,562	88	3,216,122	5,592,773	724,790	9,557,497	17,250,408	252	7,115,008	1,205,846	3,068,758	11,308,818	300,000
Advances	20,024,133	-	62,083	39,020	538,737	659,910	832,212	2,089,447	1,333,155	1,198,049	4,522,506	3,194,334	3,804,632	1,694,743	55,305
Fixed assets	201,211	-	-	-	3,215	3,211	3,211	8,415	8,704	8,704	30,680	18,027	24,864	92,182	-
Intangible assets	5	-	-	-	5	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	337,826	-	-	-	(66,451)	874	874	(5,408)	(28,560)	(28,560)	(34,546)	(13,188)	291,210	220,883	697
Other assets	1,883,175	-	40,856	292,185	117,699	417,424	271,013	654,313	83,535	1,862	-	-	4,286	-	-
	92,082,814	-	4,182,483	1,969,778	4,729,402	8,532,192	2,832,100	13,104,264	18,647,242	1,180,307	11,633,648	4,405,019	7,193,752	13,316,626	356,002
Liabilities															
Borrowings from financial institutions	73,681,026	-	48,912,240	4,215,042	3,244,651	1,448,221	970,876	3,301,155	5,874,709	732,890	2,379,371	1,009,722	743,043	849,106	-
Deposits and other accounts	8,576,392	-	394,452	156,152	1,189,354	1,392,821	2,523,598	990,182	381,528	1,548,305	-	-	-	-	-
Liabilities against assets subject to finance leases	610	-	-	-	33	33	33	102	104	305	-	-	-	-	-
Others liabilities	1,471,325	-	128,272	84,864	221,539	71,063	557,774	99,233	183,776	24,826	31,759	23,784	41,866	3,069	-
	83,729,353	-	49,434,964	4,456,058	4,655,577	2,912,138	4,052,281	4,390,672	6,440,117	2,306,326	2,410,630	1,033,506	784,909	852,175	-
Net assets	8,353,461	-	(45,252,481)	(2,486,280)	73,825	5,620,054	(1,220,182)	8,713,592	12,207,125	(1,126,019)	9,223,018	3,371,513	6,408,843	12,464,451	356,002
Share capital	6,150,000														
Reserves	1,265,504														
Unappropriated profit	776,230														
Surplus on revaluation of assets - net of tax	161,727														
	8,353,461														

	Total	Upto 1 day	Over 1 days to 7 days	Over 7 days to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 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	122,604	-	-	122,604	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,275,589	-	325,589	-	1,500,000	-	450,000	-	-	-	-	-	-	-	-
Lending to financial institutions	5,434,296	-	3,655,372	978,924	800,000	-	-	-	-	-	-	-	-	-	-
Investments	28,433,357	-	4,808,638	-	16,902	14,752,272	37,005	261,412	365,467	3,682,130	189,587	296,553	2,724,397	1,298,994	-
Advances	20,480,702	-	172,994	25,469	287,381	527,795	578,478	1,664,887	1,232,952	1,400,976	4,927,768	3,739,143	3,853,904	1,988,284	80,671
Fixed assets	95,732	-	-	-	2,824	2,823	2,823	7,386	6,577	6,577	24,666	23,253	12,285	6,518	-
Intangible assets	437	-	-	-	287	75	75	-	-	-	-	-	-	-	-
Deferred tax assets	439,439	-	-	-	(52,145)	(18,353)	(18,353)	(28,707)	(17,420)	(17,420)	(47,183)	(11,078)	361,702	287,650	746
Other assets	828,316	-	88,610	40,038	99,106	99,506	61,081	429,408	5,060	1,219	-	-	4,288	-	-
	58,110,472	-	9,051,203	1,167,035	2,654,355	15,364,118	1,111,109	2,334,386	1,592,636	5,073,482	5,094,836	4,047,871	6,956,576	3,581,446	81,417
Liabilities															
Borrowings from financial institutions	39,961,645	-	27,636,960	-	1,836,494	1,280,331	406,297	2,221,093	631,257	639,574	2,091,963	1,590,343	836,059	791,274	-
Deposits and other accounts	9,010,490	-	3,066,064	318,325	2,142,823	998,914	1,549,738	303,652	222,241	408,733	-	-	-	-	-
Liabilities against assets subject to finance leases	992	-	-	-	31	31	31	94	96	99	610	-	-	-	-
Others Liabilities	994,407	-	140,609	4,159	46,773	57,438	382,205	150,705	7,679	51,455	27,546	44,935	77,834	3,069	-
	49,967,534	-	30,843,633	322,484	4,026,121	2,336,714	2,338,271	2,675,544	861,273	1,099,861	2,120,119	1,635,278	913,893	794,343	-
Net assets	8,142,938	-	(21,792,430)	844,551	(1,371,766)	13,027,404	(1,227,162)	(341,158)	731,363	3,973,621	2,974,719	2,412,593	6,042,683	2,787,103	81,417
Share capital	6,150,000														
Reserves	1,164,643														
Unappropriated profit	788,870														
Surplus on revaluation of investment - net of	39,425														
	8,142,938														

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

42.4.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Company

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	2019									
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	153,271	153,271	-	-	-	-	-	-	-	-
Balances with other banks	1,974,796	174,796	1,000,000	800,000	-	-	-	-	-	-
Lending to financial institutions	8,132,475	6,274,475	1,858,000	-	-	-	-	-	-	-
Investments	59,375,922	3,251,772	6,317,563	9,557,497	17,250,660	7,115,008	1,205,846	3,068,758	11,308,818	300,000
Advances	20,024,133	639,840	1,492,122	2,089,447	2,531,204	4,522,506	3,194,334	3,804,632	1,694,743	55,305
Intangible assets	5	5	-	-	-	-	-	-	-	-
Deferred tax assets	337,826	(66,451)	1,748	(5,408)	(57,119)	(34,546)	(13,188)	291,210	220,883	697
Other assets	1,883,175	450,740	688,437	654,313	85,397	-	-	4,288	-	-
Fixed assets	201,211	3,215	6,421	8,415	17,407	30,680	18,027	24,864	92,182	-
	92,082,814	10,881,663	11,364,291	13,104,264	19,827,549	11,633,648	4,405,019	7,193,752	13,316,626	356,002
Liabilities										
Borrowings from financial institutions	73,681,026	56,371,933	2,419,097	3,301,155	6,607,599	2,379,371	1,009,722	743,043	849,106	-
Deposits and other accounts	8,576,392	1,739,958	3,916,419	990,182	1,929,833	-	-	-	-	-
Liabilities against assets subject to finance leases	610	33	66	102	409	-	-	-	-	-
Others liabilities	1,471,325	434,675	628,837	99,233	208,602	31,259	23,784	41,866	3,065	-
	83,729,353	58,546,599	6,964,419	4,390,672	8,746,443	2,410,630	1,033,506	784,909	852,175	-
Net assets	8,353,461	(47,664,936)	4,399,872	8,713,592	11,081,106	9,223,018	3,371,513	6,406,843	12,464,451	356,002
Share capital	6,150,000									
Reserves	1,265,504									
Unappropriated profit	776,230									
Surplus on revaluation of investment - net of tax	161,727									
	8,353,461									

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	2018									
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	122,604	122,604	-	-	-	-	-	-	-	-
Balances with other banks	2,275,589	1,825,589	450,000	-	-	-	-	-	-	-
Lending to financial institutions	5,434,296	5,434,296	-	-	-	-	-	-	-	-
Investments	28,433,357	4,825,540	14,789,277	261,412	4,047,597	189,587	296,553	2,724,397	1,298,994	-
Advances	20,480,702	485,844	1,106,273	1,664,887	2,633,928	4,927,768	3,739,143	3,853,904	1,988,284	80,671
Other assets	828,316	227,754	160,587	429,408	6,279	-	-	4,288	-	-
Fixed assets	95,732	2,824	5,646	7,386	13,154	24,666	23,253	12,285	6,518	-
Intangible assets	437	287	150	-	-	-	-	-	-	-
Deferred tax assets	439,439	(52,145)	(36,706)	(28,707)	(34,840)	(47,183)	(11,078)	361,702	287,650	746
	58,110,472	12,872,593	16,475,227	2,334,386	6,666,118	5,094,836	4,047,871	6,956,576	3,581,446	81,417
Liabilities										
Borrowings from financial institutions	39,961,645	29,473,454	1,686,628	2,221,093	1,270,831	2,091,963	1,590,343	836,059	791,274	-
Deposits and other accounts	9,010,490	5,527,212	2,548,652	303,652	630,974	-	-	-	-	-
Liabilities against assets subject to finance leases	992	31	62	94	195	610	-	-	-	-
Others Liabilities	994,407	191,541	439,643	150,705	59,134	27,546	44,935	77,834	3,069	-
	49,967,534	35,192,238	4,674,985	2,675,544	1,961,134	2,120,119	1,635,278	913,893	794,343	-
Net assets	8,142,938	(22,319,645)	11,800,242	(341,158)	4,704,984	2,974,719	2,412,593	6,042,683	2,787,103	81,417
Share capital	6,150,000									
Reserves	1,164,643									
Unappropriated profit	788,870									
Surplus on revaluation of investment - net of tax	39,425									
	8,142,938									

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

43. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in their meeting held on 12 February 2020 have:

- proposed 7% cash dividend amounting to Rs. 430.5 million subject to the approval of the members at the annual general meeting.

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

44. GENERAL

44.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

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

45. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on 12 February 2020 by the Board of Directors of the Company.

Managing Director and Chief Executive	**Chief Financial Officer**	**Director**	**Director**	**Director**

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PAK OMAN INVESTMENT COMPANY LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

EY
Building a better working world

EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITORS' REPORT

To the members of Pak Oman Investment Company Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Pak Oman Investment Company Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated and Consolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and consolidated financial statements and our auditors' reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters:

The financial statements of the Group for the year ended 31 December 2018 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon dated 7 March 2019.

The engagement partner on the audit resulting in this independent auditors' report is Omer Chughtai.

EY Ford Rhodes

Chartered Accountants

Place: Karachi

Date: 14 February 2020

Pak Oman Investment Company Limited
Consolidated Statement of Financial Position
As at 31 December 2019

31 December 2019 (US Dollar in '000)	31 December 2018 (US Dollar in '000)		Not	31 December 2019 (Rupees in '000)	31 December 2018 (Rupees in '000)
		ASSETS			
990	793	Cash and balances with treasury banks	5	153,272	122,740
12,758	14,815	Balances with other banks	6	1,975,535	2,294,067
52,519	35,094	Lendings to financial institutions	7	8,132,475	5,434,296
381,504	183,031	Investments	8	59,074,973	28,341,835
129,315	132,272	Advances	9	20,024,133	20,482,056
1,503	669	Fixed assets	10	232,765	103,626
1,442	1,705	Intangible assets	11	223,278	264,069
2,125	2,602	Deferred tax assets	12	329,034	402,873
13,255	6,142	Other assets	13	2,052,573	951,091
595,411	377,123			92,198,038	58,396,653
		LIABILITIES			
-	-	Bills payable		-	-
476,556	259,960	Borrowings	14	73,793,526	40,254,145
55,386	58,189	Deposits and other accounts	15	8,576,392	9,010,490
4	6	Liabilities against assets subject to finance lease	16	610	992
-	-	Subordinated debt		-	-
-	-	Deferred tax liabilities		-	-
10,446	6,962	Other liabilities	17	1,617,609	1,078,033
542,392	325,117			83,988,137	50,343,660
53,019	52,006	**NET ASSETS**		8,209,901	8,052,993
		REPRESENTED BY			
39,716	39,716	Share capital	18	6,150,000	6,150,000
8,173	7,521	Reserves	19	1,265,504	1,164,643
1,044	255	Surplus on revaluation of assets	20	161,727	39,425
4,046	4,460	Unappropriated profit		626,494	690,607
52,979	51,952	Equity attributable to shareholder of holding company		8,203,725	8,044,675
40	54	Non-Controlling Interest	21	6,176	8,318
53,019	52,006			8,209,901	8,052,993

CONTINGENCIES AND COMMITMENTS 22

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Managing Director and Chief Executive

Chief Financial Officer

Director

Director

Director

Pak Oman Investment Company Limited
Consolidated Statement of Profit and Loss Account
For the year ended 31 December 2019

2019 (US Dollar in '000)	2018 (US Dollar in '000)		Note	2019 (Rupees in '000)	2018 (Rupees in '000)
48,711	23,071	Mark-up / Return / Interest Earned	23	7,542,742	3,572,436
42,164	17,665	Mark-up / Return / Interest Expensed	24	6,529,065	2,735,373
6,547	5,406	**Net mark-up / interest income**		1,013,677	837,063
		NON MARK-UP / INTEREST INCOME			
567	941	Fee and commission income	25	87,782	145,703
295	229	Dividend income		45,612	35,438
-	-	Foreign exchange income		-	-
-	-	Income / (loss) from derivatives		-	-
680	220	Gain on securities	26	105,307	34,136
315	89	Share of profit / (loss) from associates - net of tax		48,820	13,796
98	212	Other income	27	15,150	32,813
1,955	1,691	Total non mark-up / interest income		302,671	261,886
8,502	7,097	**Total Income**		1,316,348	1,098,949
		NON MARK-UP / INTEREST EXPENSES			
4,603	4,208	Operating expenses	28	712,729	651,558
62	55	Workers Welfare Fund		9,572	8,479
145	151	Other charges	29	22,468	23,384
4,810	4,414	Total non mark-up / interest expenses		744,769	683,421
3,692	2,683	Profit Before Provisions		571,579	415,528
220	2,145	Reversals / (provisions) and write offs - net	30	34,136	332,101
-	-	Extra ordinary / unusual items		-	-
3,912	4,828	**PROFIT BEFORE TAXATION**		605,715	747,629
(1,001)	(1,815)	Taxation	31	(155,026)	(280,994)
2,911	3,013	**PROFIT AFTER TAXATION**		450,689	466,635
		ATTRIBUTABLE TO:			
2,924	3,014	Shareholders of the holding company		452,831	466,459
(14)	1	Non-controlling interest		(2,142)	176
2,910	3,015			450,689	466,635
(US $)				(Rupees)	
0.0048	0.0049	**Basic and diluted earnings per share attributable to shareholders of the holding**	32	0.74	0.76

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Managing Director and Chief Executive	Chief Financial Officer	Director	Director	Director

Pak Oman Investment Company Limited
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

2019	2018		2019	2018
(US Dollar in '000)			(Rupees in '000)	
2,911	3,013	Profit after taxation for the year	**450,689**	466,635
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
811	(101)	Movements in deficit on revaluation of investments - net of tax	**125,561**	(15,684)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
77	45	Remeasurement gain on defined benefit obligations - net of tax	**11,892**	6,984
(21)	(55)	Movement in deficit on revaluation of non-	**(3,259)**	(8,453)
56	(10)		**8,633**	(1,469)
3,778	2,902	**Total comprehensive income**	**584,883**	449,482
		ATTRIBUTABLE TO:		
3,792	2,901	Shareholders of the holding company	**587,025**	449,306
(14)	1	Non-controlling interest	**(2,142)**	176
3,778	2,902		**584,883**	449,482

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Managing Director and Chief Executive	Chief Financial Officer	Director	Director	Director

Pak Oman Investment Company Limited

Consolidated Cash Flow Statement

For the year ended 31 December 2019

2019	2018		Note	2019	2018
(US Dollar in '000)				(Rupees in '000)	
		CASH FLOW FROM OPERATING ACTIVITIES			
3,912	4,828	Profit before taxation		605,715	747,629
(295)	(229)	Less: Dividend income		(45,612)	(35,438)
3,617	4,599			560,103	712,191
		Adjustments:			
272	295	Depreciation		42,145	45,664
166	-	Depreciation on right-of-use assets		25,698	-
3	3	Amortization		432	470
(220)	(2,145)	(Reversals) / provisions and write offs - net		(34,136)	(332,101)
261	-	Impairment on goodwill		40,359	-
(15)	(22)	Gain on sale of fixed assets		(2,374)	(3,480)
(315)	(89)	Share of profit from associates - net of tax		(48,820)	(13,796)
109	-	Mark-up / return / profit / interest expensed on lease liability against right-of-use assets		16,916	
2	1	Finance charges on leased assets		241	140
149	(50)	Unrealised gain on revaluation of investments classified as held-for-trading		23,100	(7,791)
412	(2,007)			63,561	(310,894)
4,029	2,592			623,664	401,297
		(Increase) / Decrease in operating assets			
(17,425)	(21,931)	Lendings to financial institutions		(2,698,179)	(3,396,008)
51,539	7,749	Held-for-trading securities		7,980,757	1,199,908
3,143	(9,022)	Advances		486,746	(1,396,987)
(5,967)	(463)	Other assets (excluding advance taxation)		(923,627)	(71,704)
31,290	(23,667)			4,845,697	(3,664,791)
		Increase / (decrease) in operating liabilities			
-	-	Bills payable		-	-
216,596	(31,673)	Borrowings		33,539,381	(4,904,545)
(2,803)	(9,627)	Deposits		(434,098)	(1,490,659)
2,539	(2,750)	Other liabilities (excluding current taxation)		393,150	(425,890)
216,332	(44,050)			33,498,433	(6,821,094)
251,651	(65,125)			38,967,794	(10,084,588)
(2,166)	(1,159)	Income tax paid		(335,465)	(179,396)
249,485	(66,284)	**Net cash (used in) / from operating activities**		38,632,329	(10,263,984)
		CASH FLOW FROM INVESTING ACTIVITIES			
(248,868)	69,057	Net investments in available-for-sale securities		(38,536,680)	10,693,261
197	1,330	Sale of associates		30,517	205,994
295	229	Dividend received		45,612	35,438
(210)	(279)	Investments in operating fixed assets		(32,485)	(43,171)
25	46	Proceeds from sale of fixed assets		3,830	7,126
(248,561)	70,383	**Net cash from investing activities**		(38,489,206)	10,898,648
		CASH FLOW FROM FINANCING ACTIVITIES			
(4)	(3)	Payments of lease obligations		(623)	(494)
(2,780)	(2,780)	Dividend paid		(430,500)	(430,500)
(2,784)	(2,783)	**Net cash used in financing activities**		(431,123)	(430,994)
(1,860)	1,316	**Increase in cash and cash equivalents**		(288,000)	203,670
15,608	14,292	Cash and cash equivalents at beginning of the year	33	2,416,807	2,213,137
13,748	15,608	**Cash and cash equivalents at end of the year**	33	2,128,807	2,416,807

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Managing Director and Chief Executive	Chief Financial Officer	Director	Director	Director

Pak Oman Investment Company Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital	(Reserves)		Surplus / (deficit) on		Unappropriated profit	Sub total	Non-controlling interest	Total
		Statutory reserve	General reserve	Investments	Non-banking assets				
	(Rupees in '000)								
Balance as at 01 January 2018	6,150,000	1,060,131	11,630	8,182	55,380	737,744	8,023,067	8,142	8,031,209
Total comprehensive income									
Profit after taxation	-	-	-	-	-	466,459	466,459	176	466,635
Other comprehensive loss - net of tax	-	-	-	(15,684)	(8,453)	6,984	(17,153)	-	(17,153)
Total comprehensive income for the year ended 31 December 2018	-	-	-	(15,684)	(8,453)	473,443	449,306	176	449,482
Transfer to statutory reserve	-	92,882	-	-	-	(92,882)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	2,802	2,802	-	2,802
Transaction with owners recorded directly in equity									
Final cash dividend - 31 December 2017 declared subsequent to the year end (Rs. 0.7 per share)	-	-	-	-	-	(430,500)	(430,500)	-	(430,500)
Balance as at 31 December 2018	6,150,000	1,153,013	11,630	(7,502)	46,927	690,607	8,044,675	8,318	8,052,993
Total comprehensive income									
Profit after taxation	-	-	-	-	-	452,831	452,831	(2,142)	450,689
Other comprehensive loss - net of tax	-	-	-	125,561	(3,259)	11,892	134,194	-	134,194
Total comprehensive income for the year ended 31 December 2019	-	-	-	125,561	(3,259)	464,723	587,025	(2,142)	584,883
Transfer to statutory reserve	-	100,861	-	-	-	(100,861)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	2,525	2,525	-	2,525
Transaction with owners recorded directly in equity									
Final cash dividend - 31 December 2018 declared subsequent to the year end (Rs. 0.7 per share)	-	-	-	-	-	(430,500)	(430,500)	-	(430,500)
Balance as at 31 December 2019	6,150,000	1,253,874	11,630	118,059	43,668	626,494	8,203,725	6,176	8,209,901

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Managing Director and Chief Executive	Chief Financial Officer	Director	Director	Director

Pak Oman Investment Company Limited
Notes to the Consolidated Financial Statements
For the year ended 31 December 2019

1. STATUS AND NATURE OF BUSINESS

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

1.1.1 Holding Company

Pak-Oman Investment Company Limited - POICL (the "holding company" or "parent") was incorporated as a private limited company on 23 July 2001. Subsequently, on 17 March 2004 the holding company was converted into a public company. The Company 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 company. The registered office of the Company is situated at 1st Floor, Block A, Finance and Trade Centre, Shahrah-e-Faisal, Karachi, Pakistan. The holding company operates a branch at Lahore and other representative offices at Islamabad, Gwadar and Muscat. The holding company is designated as a Development Financial Institution (DFI) under the BPD Circular Letter No. 35 dated 28 October, 2003 issued by the State Bank of Pakistan.

1.1.2 Subsidiary Company

Pak-Oman Asset Management Company Limited (the "subsidiary company" or "POAMCL") was incorporated in Pakistan under the repealed Companies Ordinance, 1984 on 28 July 2006 as an unlisted public limited company having its registered office at Icon House, 83-C, 12th Commercial street Phase- II Extension, DHA Karachi, Pakistan. POAMCL obtained certificate of commencement of business on 31 October 2006. The principal activities of the subsidiary company includes investment advisory and asset management services.

In 2017, the subsidiary company had purchased 100% shares of Askari Investment Management Limited for a consideration of Rs. 551 million. The acquisition is effective from the close of business as on 31 May 2017 under a Share Purchase Agreement dated 10 January 2017. Askari Investment Management Limited has been merged with Pak Oman AMCL effective from 30 October 2017 and accordingly seven funds of Askari Investment Management Limited are now under the management of the subsidiary company as disclosed in note 41.1.

1.2 The Group's associates are as follows:

Entity	Country of Incorporati	Nature of business	Holding %	
			2019	2018
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.	91.78	70.44
Pak Oman Islamic Asset Allocation fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	39.44	30.98
Pak Oman Advantage Asset Allocation Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	88.10	88.66
Pak Oman Government	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	99.67	98.68
Pak Oman Microfinance Bank Limited	Pakistan	Incorporated under the repealed Companies Ordinance, 1984 and is engaged in providing micro finance services to the poor and under served segment of the society.	16.67	16.67
Japan Power Generation Limited	Pakistan	Incorporated under the repealed Companies Ordinance, 1984 and is engaged in generation of power and its supply to WAPDA.	11.29	11.29

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of the IFRS, requirements of the Companies Act, 2017 and the said directives shall prevail.

- The SBP has deferred the applicability of International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the SECP has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' on banks/DFIs through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these IFRS and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these consolidated financial statements.

2.2 Consolidated financial statements

These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02 dated 25 January 2018 effective from the accounting year ending 31 December 2019.

These consolidated financial statements have been prepared from the information available in the audited financial statements of the holding company for the year ended 31 December 2019 and the audited financial statements of the subsidiary (POAMCL) for the year ended 31 December 2019. The financial statements used for the equity accounting of associates are disclosed in Note 8.5.2.

These consolidated financial statements have been presented in Pakistani Rupees which is the Group's functional and presentation currency.

2.3 US Dollar equivalent

The US Dollar amounts shown in the consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income and consolidated cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 154.8476 to 1 US Dollar has been used for 2019 and 2018 as it was the prevalent rate as on 31 December 2019.

2.4 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year

The Group has adopted the following standards and amendment to IFRSs which became effective for the current year:

Standard, Interpretation or Amendment

IFRIC 23 - Uncertainty over Income Tax Treatments
IFRS 15 - Revenue from contracts with customers
IFRS 16 - Leases
Amendment to IAS 28 - Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures
Amendments to IAS 19 - Employee Benefits - Plan Amendment, Curtailment or Settlement

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement
  - IAS 12 Income Taxes
  - IAS 23 Borrowing Costs

The adoption of the above standards / amendment to accounting standards did not have any effect on these consolidated financial statements. The nature and effect of the changes as a result of adoption of IFRS 15 and IFRS 16 are in Note 2.4.1 and 2.4.2 below respectively:

2.4.1 In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which replaces all existing revenue requirements and related interpretations and is effective for annual periods beginning on or after 1 July 2018. IFRS 15 redefined the principles for recognising revenue and is applicable to all contracts with customers other than contracts in the scope of other standards (e.g., interest and fee income integral to financial instruments which would be in the scope of IFRS 9 and lease income). Certain requirements in IFRS 15 are also relevant for the recognition and measurement of gains or losses on disposal of non-financial assets that are not in the ordinary course of business.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Many of the Holding company's revenue streams (e.g., interest income, gains and losses on financial instruments) are outside the scope of IFRS 15 and, therefore, accounting for those streams did not change as a result of the adoption of IFRS 15. The Company's revenue streams that are within the scope of IFRS 15 relate to fee and commission income disclosed in Note 25

The Holding company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The company elected to apply the standard to all contracts as at 1 January 2019.The cumulative effect of initial application of IFRS 15 was not material to the financial statements and hence not disclosed.

2.4.2 IFRS 16 Leases supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model.

The Group has lease contracts for various properties. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease.

In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other asset and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied the recognition and measurement approach of IFRS 16 for all leases, except for short-term leases and leases of low-value assets. The Group has adopted modified retrospective approach upon transition to IFRS 16. The standard also provides practical expedients, which have been applied by the Group.

Accordingly, the Group recognised right-of-use assets and lease liabilities for those leases where the Group is the lessee and which were previously accounted for as operating leases. The right-of-use assets and lease liabilities were recognised on the present value of future cash flows, discounted using the incremental borrowing rate at the date of initial application.

The effect of adoption of IFRS 16 as at January 1, 2019 (increase/ (decrease)) is as follows:

	January 1, (Rupees
Assets	
Right-of-use (RoU) asset	164,741
Prepayments	(6,030)
Total Assets	158,711
Liabilities	
Lease liability	158,711

The carrying amounts of the Group's right-of-use assets, lease liabilities and the movements during the period is as below:

	31 December 2019	
	RoU asset	Lease liability
	(Rupees in '000)	
As at January 1, 2019	164,741	158,711
Addition	-	-
Depreciation	(22,379)	-
Borrowing cost	-	16,916
Payments	-	(24,201)
As at December 31, 2019	142,362	151,426

Had this standard not been applied, assets and liabilities would have been lower by Rs.142.362 million and Rs.150.198 million respectively. Rent expense would have been higher by Rs.25.388 million and depreciation charge and mark-up expense would have been lower by Rs.22.379 million and Rs.16.916 million respectively.

2.5 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective

The following IFRS as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- IFRS 14 'Regulatory Deferral Accounts' permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting framework, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and profit and loss account and statement of other comprehensive income, and specific disclosures are required. IFRS 14 was originally issued by IASB in January 2014 with Initial application date for a period beginning on or after 01 January 2016. During November 2019, the SECP modified the effective date for applicability of IFRS 14 for the annual reporting periods begining on or after 01 July 2019.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 July 2018 and 01 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. SBP has also directed the Banks / DFI to conduct an impact assessment as at 31 December 2019 which is due to be submitted to SBP by 30 April 2020 which is in process at the moment.

The above amendments are not likely to have an impact on Group's consolidated financial statements except for IFRS 9 'Financial instruments' the Group is currently evaluating the impact of the said standard. In addition to above Standards, there are certain new and amended standards, interpretations and amendments that are mandatory for accounting periods beginning on or after 01 January 2020 but are considered not to be relevant to the Group's operations and therefore, are not detailed in these consolidated financial statements.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	**IASB Effective date (annual periods beginning on or after)**
IFRS 17 – Insurance Contracts	01 January 2021

2.6 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and associated assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experiences, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the consolidated financial statements are in respect of the following:

- Provision against non-performing advances (note 4.5.2 and 9)
- Impairment of available-for-sale investments (4.3 and 8)
- Classification of investments (note 4.3 and 8)
- Income taxes (note 4.9 and 31)
- Fixed assets, depreciation and amortization (note 4.6.1, 10 and 11)
- Employees' benefit plans (note 4.11 and 35)
- Non- banking assets acquired in satisfaction of claims (note 4.24 and 20)
- Goodwill (notes 4.26 & 11)

3. BASIS OF MEASUREMENT

3.1 These consolidated financial statements have been prepared under the historical cost convention except for certain investments, derivative financial instruments and certain non - banking assets acquired in satisfaction of claims which are revalued as referred to in notes 4.4, 4.5 and 4.24.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year, except for changes explained in note 2.4.2:

4.1 Cash and cash equivalents

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

4.2 Revenue recognition

Mark-up / return / interest income is recognised on a accrual basis taking into account effective yield on the asset, except where recovery is considered doubtful, the income is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the SBP.

Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account over the remaining period through effective interest method.

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

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

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

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

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

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

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

Remuneration for investment advisory and asset management services are recognised on an accrual basis.

Advisory fees are recognized as revenue when the related services are performed.

4.3 Investments

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

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

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

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

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV / PKFRV) or Mutual Funds Association of Pakistan (MUFAP) or the Pakistan Stock Exchange (PSX).

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

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

Associates

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

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

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

The SECP through a notification no. SRO 56(1)/2016 dated 28 January 2016, directed that the requirements of consolidation under section 228 of the Companies Act, 2017 and IFRS 10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust Structure. Accordingly, the aforesaid requirements have not been considered in the preparation of these consolidated financial statements.

4.4 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 consolidated profit and loss account.

4.5 Advances and net investment in finance lease

4.5.1 Advances

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

4.5.2 Provision against non-performing advances

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

4.5.3 Net investment in lease

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

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

4.6 Fixed assets

4.6.1 Property and equipment – owned

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to consolidated profit and loss account applying the straight-line method at rates stated in note 10.1.

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

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

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

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

4.6.2 Property and equipment - leased

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

4.6.3 Capital work-in-progress

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

4.6.4 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) **Right of Use Assets**

At the commencement date of the lease, the right-of-use asset is initially measured at the present value of lease liability. Subsequently, RoU assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. RoU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

ii) **Lease Liability**

At the commencement date of the lease, the Group recognises lease liability measured at the present value of the consideration (lease payments) to be made over the lease term and is adjusted for lease prepayments. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. After the commencement date, the carrying amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made.

4.7 Intangible assets

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

Intangible assets having a finite life are amortised using the straight-line method over their estimated useful lives, at the rate stated in note 11.

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

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

4.8 Repurchase and resale agreements

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

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

4.9 Taxation

4.9.1 Current

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

4.9.2 Deferred

The Group accounts for deferred taxation using the balance sheet liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the 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.

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

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

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

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

4.10 Borrowings

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

4.11 Staff retirement benefits

4.11.1 Defined benefit plan

The holding company operates a funded-gratuity scheme for all its permanent employees. The scheme was established on 1 November 2002 and approved by the Commissioner of Income Tax with effect from 31 January 2003. Contribution to the fund is made every year based on actuarial valuation. The actuarial valuation is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. All actuarial gains and losses are recognized in consolidated statement of comprehensive income in the periods in which they occur. The actuarial valuation was conducted as at 31 December 2019.

4.11.2 Defined contribution plan - the holding company

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

4.11.3 Defined contribution plan - the subsidiary company

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

4.12 Compensated absences

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

4.13 Foreign currency translation

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

4.14 Provisions

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

However, provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.15 Offsetting

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

4.16 Dividend and reserves

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

4.17 Impairment

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

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

4.18 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS, if any, is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares in issue at 31 December 2018.

4.19 Financial instruments

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

4.20 Certificates of investment

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

4.22 Receivables from funds

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

4.23 Segment reporting

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

Business segments

- **Corporate finance**

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

- **Trading & sales**

  Involves the businesses of equity trading and fixed income securities.

- **Commercial banking**

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

- **Asset management**

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

4.24 Non - banking assets acquired in satisfaction of claims.

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

4.25 Statutory reserve

Every Bank / DFI incorporated in Pakistan is required to transfer 20% of its profit to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit of the DFI is to be transferred to this reserve.

4.26 Business combination

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated profit and loss account.

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at cost less accumulated impairment losses, if any. Goodwill acquired in a business combination is tested for impairment annually or whenever there is an indication of impairment, as per the requirements of IAS 36, Impairment of assets. An impairment charge in respect of goodwill is recognized through the consolidated profit and loss account.

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2019	2018
		(Rupees in '000)	
In hand			
local currency		257	433
foreign currency		221	198
		478	631
With State Bank of Pakistan in			
Local currency current account	5.1	151,637	121,861
With National Bank of Pakistan in			
Local currency current account		1,157	248
		153,272	122,740

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

6. BALANCES WITH OTHER BANKS

	Note	2019	2018
In Pakistan:			
In current accounts		3,072	17,776
In deposit accounts	6.1	1,969,048	2,275,788
		1,972,120	2,293,564
Outside Pakistan:			
In current accounts		3,415	503
		1,975,535	2,294,067

6.1 These include term deposit receipts (TDRs) of Rs. 1,950 million (2018: Rs. 2,250 million) maturing between January 2020 to June 2020 (2018: January 2019 to March 2019). These carry mark-up rates ranging from 14.50% to 14.75% (2018: 9.35% to 12%) per annum.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2019	2018
Repurchase agreement lendings (Reverse Repo)	7.1	8,132,475	5,434,296

7.1 These are short-term lendings to different financial institutions secured against government securities as disclosed in note 7.3 which are purchased under resale obligations. These carry mark-up rates ranging from 13.15% to 13.70% (2018: 9.95% to 10.45%) per annum and will mature in January 2020 (2018: January 2019).

7.2 Particulars of lendings

	2019	2018
In local currency	8,132,475	5,434,296

7.3 Securities held as collateral against Lending to financial institutions

	Note	2019			2018		
		Held by the holding company	Further Given as collateral	Total	Held by the holding company	Further Given as collateral	Total
		(Rupees in '000)					
Market Treasury Bills		242,608	2,776,578	3,019,186	-	1,912,589	1,912,589
Pakistan Investment Bonds		14,000	5,099,289	5,113,289	46,000	3,475,707	3,521,707
	7.3.1	256,608	7,875,867	8,132,475	46,000	5,388,296	5,434,296

7.3.1 Market value of these securities amount to Rs. 8,193 million (2018: Rs. 5,447 million).

8 INVESTMENTS

	2019				2018			
	Cost / Amortised Cost	**Provision for diminution**	**Surplus / (deficit)**	**Carrying Value**	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
	---------- (Rupees in '000) ----------							
8.1 Investments by types								
Held-for-trading securities								
Federal Government securities	**14,975,537**	**-**	**(25,480)**	**14,950,057**	22,528,724	-	(3,246)	22,525,478
Non-Government debt securities	**-**	**-**	**-**	**-**	419,849	-	8,587	428,436
	14,975,537	**-**	**(25,480)**	**14,950,057**	22,948,573	-	5,341	22,953,914
Available-for-sale securities								
Federal Government securities	**39,217,557**	**-**	**199,422**	**39,416,979**	1,405,393	-	(43,262)	1,362,131
Shares	**346,266**	**(120,266)**	**-**	**226,000**	347,333	(121,333)	-	226,000
Non-Government debt securities	**3,963,355**	**(463,477)**	**(33,142)**	**3,466,736**	3,237,772	(467,723)	32,843	2,802,892
	43,527,178	**(583,743)**	**166,280**	**43,109,715**	4,990,498	(589,056)	(10,419)	4,391,023
Associates	**1,015,201**	**-**	**-**	**1,015,201**	996,898	-	-	996,898
Total Investments	**59,517,916**	**(583,743)**	**140,800**	**59,074,973**	28,935,969	(589,056)	(5,078)	28,341,835

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8.2 Investments by segments

	2019				2018			
	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
	(Rupees in '000)							
Federal Government Securities								
- Pakistan Investment Bonds	18,056,662	-	183,761	18,240,423	4,439,651	-	(44,134)	4,395,517
- Market treasury bills	36,136,432	-	(9,819)	36,126,613	19,494,466	-	(2,374)	19,492,092
	54,193,094	-	173,942	54,367,036	23,934,117	-	(46,508)	23,887,609
Shares								
- Listed companies	-	-	-	-	-	-	-	-
- Unlisted companies	346,266	(120,266)	-	226,000	347,333	(121,333)	-	226,000
	346,266	(120,266)	-	226,000	347,333	(121,333)	-	226,000
Non-Government debt securities								
- Term finance certificate - listed	1,034,346	(180,980)	(72,493)	780,873	1,049,685	(185,226)	(2,714)	861,745
- Term finance certificate - unlisted	1,913,702	(121,452)	32,536	1,824,786	1,913,702	(121,452)	32,536	1,824,786
- Sukuk certificates	1,015,307	(161,045)	6,815	861,077	694,234	(161,045)	11,608	544,797
- Commercial papers	-	-	-	-	-	-	-	-
	3,963,355	(463,477)	(33,142)	3,466,736	3,657,621	(467,723)	41,430	3,231,328
Associates								
- Japan Power Generation Limited	-	-	-	-	-	-	-	-
- Pak Oman Microfinance Bank Limited	374,337	-	-	374,337	372,261	-	-	372,261
- Pak Oman Advantage Islamic Income Fund	179,100	-	-	179,100	177,363	-	-	177,363
- Pak Oman Islamic Asset Allocation Fund	98,296	-	-	98,296	95,021	-	-	95,021
- Pak Oman Advantage Asset Allocation Fund	96,273	-	-	96,273	93,408	-	-	93,408
- Pak Oman Government Securities Fund	267,185	-	-	267,185	258,845	-	-	258,845
- Askari Soverign Cash Fund	10	-	-	10	-	-	-	-
	1,015,201	-	-	1,015,201	996,898	-	-	996,898
Total investments	59,517,916	(583,743)	140,800	59,074,973	28,935,969	(589,056)	(5,078)	28,341,835

8.2.1 Investments given as collateral

	2019				2018			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
	(Rupees in '000)							
Federal Government Securities								
- Pakistan Investment Bonds	16,895,051	-	176,137	17,071,188	3,827,167	-	(44,398)	3,782,769
- Market treasury bills	32,635,824	-	(8,013)	32,627,811	18,374,587	-	(2,253)	18,372,334
	49,530,875	-	168,124	49,698,999	22,201,754	-	(46,651)	22,155,103
Shares								
- Listed companies	-	-	-	-	-	-	-	-
- Unlisted companies	226,000	-	-	226,000	226,000	-	-	226,000
	226,000	-	-	226,000	226,000	-	-	226,000
Total investments	49,756,875	-	168,124	49,924,999	22,427,754	-	(46,651)	22,381,103

8.3 Provision for diminution in value of investments

	2019	2018
	(Rupees in '000)	
8.3.1 Opening balance	589,056	697,700
Charges / reversals		
Charge for the year	-	-
Reversals for the year	(5,313)	(37,533)
	(5,313)	(37,533)
Transfers - net	-	(71,111)
Amounts written off	-	-
Closing balance	583,743	589,056

8.3.2 Particulars of provision against debt securities

Category of classification	2019		2018	
	NPI	Provision	NPI	Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	483,926	463,477	488,172	467,723
Total	483,926	463,477	488,172	467,723

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8.4 **Quality of Available-For-Sale securities**

Details regarding quality of Available for Sale (AFS) securities are as follows:

Federal Government Securities - Government guaranteed

	Note	Cost 2019	Cost 2018
		(Rupees in '000)	
Pakistan Investment Bonds	8.7	**13,391,082**	1,405,393
Market Treasury Bills	8.8	**25,826,475**	-
		39,217,557	1,405,393

Unlisted Shares

	2019 Cost	2019 Break-up / carrying value	2018 Cost	2018 Break-up / carrying value
	(Rupees in '000)			
Alhamra Avenue (Private) Limited	**50,000**	**-**	50,000	-
Pakistan Textile City Limited	**50,000**	**-**	50,000	-
Techlogix International Limited	**20,266**	**-**	21,333	-
Orient Power Company (Private) Limited (Note 21.2)	**226,000**	**226,000**	226,000	226,000
	346,266	**226,000**	347,333	226,000

Non Government Debt Securities
Categorization based on long-term rating by credit rating agency

	Cost 2019	Cost 2018
	(Rupees in '000)	
Listed		
- AAA	**19,710**	234,924
- AA+, AA, AA-	**147,259**	167,117
- A+, A, A-	**441,318**	384,573
- BBB+, BBB, BBB-	**49,851**	49,851
	658,138	836,465
Unlisted		
- AA+, AA, AA-	**1,500,375**	895,775
- A+, A, A-	**1,185,916**	1,017,360
- BBB+, BBB, BBB-	**135,000**	-
- CCC and below	**483,926**	488,172
	3,305,217	2,401,307
	3,963,355	3,237,772

8.5 **Investment in associates**

8.5.1 The holding company holds investment in ordinary shares of Rs. 10 each in the following entity:

	Number of shares / units 2019	Number of shares / units 2018	Carrying Value 2019 (Rupees in '000)	Carrying Value 2018 (Rupees in '000)	Holding	Break-up value per share / (Rupees)	Latest available unaudited financial statements	Name of the chief executive
8.5.2 **Quoted**								
Japan Power Generation Limited (JPGL) (Note 21.1)	**17,622,878**	17,622,878	**-**	-	11.29%	**(42.59)**	30-June-17*	Mr. Amir Sana is the official liquidator
Pak Oman Islamic Asset Allocation Fund	**2,000,000**	2,000,000	**98,296**	95,021	39.44%	**49.15**	31-Dec-19**	Ms. Sadaf Kazmi
Pak Oman Advantage Asset Allocation Fund	**2,000,000**	2,000,000	**96,273**	93,408	88.10%	**48.14**	31-Dec-19**	Ms. Sadaf Kazmi
Pak Oman Advantage Islamic Income Fund	**3,269,170**	3,269,170	**179,100**	177,363	91.78%	**54.78**	31-Dec-19**	Ms. Sadaf Kazmi
Pak Oman Government Securities Fund	**23,660,643**	23,660,643	**267,185**	258,845	99.67%	**11.29**	31-Dec-19**	Ms. Sadaf Kazmi
- Askari Soverign Cash Fund	**94**	-	**10**	-				
Unquoted								
Pak Oman Microfinance Bank Limited (Note 8.6)	**38,470,788**	38,470,788	**374,337**	372,261	16.67%	**10.31**	31-Dec-19*	Mr. Teizoon Kisat
			1,015,201	996,898				

**Published Net Asset Value
* Unaudited financial statements

8.5.3 The above associates are incorporated in Pakistan.

8.5.4 **Associates - Key Information**

	Pak Oman Advantage Islamic Income Fund **	Pak Oman Islamic Asset Allocation Fund **	Pak Oman Advantage Asset Allocation Fund **	Pak Oman Government Securities Fund **	Japan Power Generation Limited ***	Pak Oman Microfinance Bank ***
	(Rupees in '000)					
Assets	199,189	257,088	113,514	273,722	11,856,868	4,664,689
Liabilities	4,039	7,867	4,237	5,656	17,673,828	2,283,780
Total income	25,555	29,457	8,200	30,805	-	777,350
Profit / (loss) before taxation	17,514	20,386	3,282	23,939	-	51,607
Profit / (loss) after taxation	17,514	20,386	3,282	23,939	-	44,319

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

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

8.7 The investments in Pakistan investment bonds are maturing upto September 2029 (2018: June 2028) and the effective yield ranges from 11.04% to 14.64% (2018: 6.80 % to 11.08%) per annum.

8.8 Market treasury bills carry yield ranging 13.10% to 14% (2018: 8.72% to 10.31%) per annum with maturities upto September 2020 (2018: February 2019).

9 ADVANCES

	Note	Performing 2019	Performing 2018	Non-performing 2019	Non-performing 2018	Total 2019	Total 2018
		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Loans, cash credits, running finances, etc.	9.1 & 9.3	**19,619,927**	20,122,055	**678,329**	711,233	**20,298,256**	20,833,288
Margin trading		**277,746**	229,460	**-**	-	**277,746**	229,460
Advances - Gross		**19,897,673**	20,351,515	**678,329**	711,233	**20,576,002**	21,062,748
Provision against advances							
Specific		**-**	-	**551,656**	580,479	**551,656**	580,479
General		**213**	213	**-**	-	**213**	213
	9.5	**213**	213	**551,656**	580,479	**551,869**	580,692
Advances - net of provision		**19,897,460**	20,351,302	**126,673**	130,754	**20,024,133**	20,482,056

9.1 Includes Net investment in Finance Lease

	2019 Not later than one year	2019 Later than one and less than five years	2019 Total	2018 Not later than one year	2018 Later than one and less than five years	2018 Total
	(Rupees in '000)					
Lease rentals receivable	**521,501**	**1,136,894**	**1,658,395**	711,875	905,100	1,616,975
Residual value	**152,032**	**100,418**	**252,450**	216,398	158,497	374,895
Minimum lease payments	**673,533**	**1,237,312**	**1,910,845**	928,273	1,063,597	1,991,870
Financial charges for future periods	**(169,502)**	**(276,149)**	**(445,651)**	(117,511)	(107,816)	(225,327)
Present value of minimum lease payments	**504,031**	**961,163**	**1,465,194**	810,762	955,781	1,766,543

9.1.1 In respect of the aforementioned finance leases the Group holds an aggregate sum of Rs. 236.911 million (2018: Rs. 356.216 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (note 17).

9.2 Particulars of advances (Gross)

	2019	2018
	(Rupees in '000)	
In local currency	**20,576,002**	21,062,748

9.3 Staff loans include personal loans, car loan and house loans given to employees in accordance with their terms of appointment. House loans carry mark-up at a rate of 5 (2018: 5) percent per annum, while no mark-up is charged on personal loans and car loan.

9.4 Advances include Rs. 678 million (2018: Rs 711 million) which have been placed under the non-performing status as detailed below:

Category of Classification	2019		2018	
	Non performing loans	Provision	Non performing loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	26,912	-
Doubtful	182,104	90,000	182,820	90,000
Loss	496,225	461,656	501,501	490,479
	678,329	551,656	711,233	580,479

9.5 **Particulars of provision against advances**

	Note	2019			2018		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		580,479	213	580,692	875,047	213	875,260
Charge for the year		1,039	-	1,039	-	-	-
Reversals		(29,862)	-	(29,862)	(294,568)	-	(294,568)
		(28,823)	-	(28,823)	(294,568)	-	(294,568)
Amounts written off	9.7	-	-	-	-	-	-
Closing balance		551,656	213	551,869	580,479	213	580,692

9.5.1 **Particulars of provision against advances**

	2019			2018		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	551,656	213	551,869	580,479	213	580,692
In foreign currencies	-	-	-	-	-	-
	551,656	213	551,869	580,479	213	580,692

9.6 In accordance with BPRD Circular No. 6 dated 26 June 2014 issued by the SBP, the holding Company has availed the benefit of FSV against the non-performing advances. As of 31 December 2019, the holding Company has availed total accumulated FSV benefit amounting to Rs. 14.8 million (net of tax Rs. 10.5 million). Accordingly, accumulated profit of Rs.10.5 million (net of transfer to statutory reserves Rs. 8.4 million) will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the holding Company as required by the aforementioned SBP directives.

		Note	2019	2018
			(Rupees in '000)	
9.7	**Particulars of write offs**			
9.7.1	Against provisions		-	-
	Directly charged to profit and loss account		-	-
			-	-
10	**FIXED ASSETS**			
	Property and equipments	10.1	232,765	103,626

10.1 Property and Equipments

	2019								
	Office premises*	Right of use assets	Improvements	Office equipments	Computer equipments	Furniture and fixtures	Vehicles	Assets held under finance lease - Vehicle	Total
	(Rupees in '000)								
As at 01 January 2019									
Cost	42,126	-	36,965	11,977	23,921	12,478	92,008	1,972	221,447
Accumulated depreciation	(30,187)	-	(11,984)	(10,231)	(21,922)	(7,745)	(34,535)	(1,217)	(117,821)
Net book value	**11,939**	-	**24,981**	**1,746**	**1,999**	**4,733**	**57,473**	**755**	**103,626**
Year ended 31 December 2019									
Opening net book value	11,939	-	24,981	1,746	1,999	4,733	57,473	755	103,626
Additions	-	164,741	7,168	5,421	301	2,083	-	-	179,714
Disposals	-	-	-	(234)	-	(99)	(1,123)	-	(1,456)
Depreciation charge	(2,106)	(22,379)	(3,319)	(966)	(1,062)	(1,632)	(17,261)	(394)	(49,119)
Closing net book value	**9,833**	**142,362**	**28,830**	**5,967**	**1,238**	**5,085**	**39,089**	**361**	**232,765**
As at 31 December 2019									
Cost	42,126	164,741	44,133	16,757	20,810	13,905	83,623	1,972	388,067
Accumulated depreciation	(32,293)	(22,379)	(15,303)	(10,790)	(19,572)	(8,820)	(44,534)	(1,611)	(155,302)
Net book value	**9,833**	**142,362**	**28,830**	**5,967**	**1,238**	**5,085**	**39,089**	**361**	**232,765**
Rate of depreciation (percentage)	**5%**		**10%**	**20%**	**33.33%**	**20%**	**20%**	**20%**	

	2018								
	Office premises*	Right of use assets	Improvements	Office equipments	Computer equipments	Furniture and fixtures	Vehicles	Assets held under finance lease - Vehicle	Total
	(Rupees in '000)								
As at 01 January 2018									
Cost	42,126	-	36,601	14,224	22,426	13,346	81,474	1,972	212,169
Accumulated depreciation	(28,081)	-	(8,812)	(11,633)	(20,324)	(7,163)	(44,659)	(822)	(121,494)
Net book value	14,045	-	27,789	2,591	2,102	6,183	36,815	1,150	90,675
Year ended 31 December 2018									
Opening net book value	14,045	-	27,789	2,591	2,102	6,183	36,815	1,150	90,675
Additions	-	-	364	667	1,583	405	40,152	-	43,171
Disposals	-	-	-	(21)	-	(251)	(3,374)	-	(3,646)
Depreciation charge	(2,106)	-	(3,172)	(1,491)	(1,686)	(1,604)	(16,120)	(395)	(26,574)
Closing net book value	11,939	-	24,981	1,746	1,999	4,733	57,473	755	103,626
As at 31 December 2018									
Cost	42,126	-	36,965	11,977	23,921	12,478	92,008	1,972	221,447
Accumulated depreciation	(30,187)	-	(11,984)	(10,231)	(21,922)	(7,745)	(34,535)	(1,217)	(117,821)
Net book value	11,939	-	24,981	1,746	1,999	4,733	57,473	755	103,626
Rate of depreciation (percentage)	5%		10%	20%	33.33%	20%	20%	20%	

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

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

	2019	2018
	(Rupees in '000)	
Improvements	2,656	2,656
Office equipments	9,050	8,718
Computer equipments	17,755	20,154
Furniture and fixtures	4,504	4,804
Vehicles	9,187	1,722
	43,152	38,054

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

Description	Cost	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	----------	(Rupees in '000)	----------			
Vehicles						
Toyota Corolla	1,593	-	319	319	Company policy	Mr. Faraz Sajid Khan (Executive)
Suzuki Cultus	1,044	-	209	209	Company policy	Mr. Altaf Sadruddin (Executive)
Suzuki Cultus	1,044	-	209	209	Company policy	Mr. Mohammad Nadeem (Executive)
Honda Civic	2,388	278	964	686	Company policy	Mr. Khurram Faizyab (Former Executive)
Honda Civic	2,316	845	1,823	978	Company policy	Mr. Nafees Ahmad (Former Executive)
	8,385	**1,123**	**3,524**	**2,401**		
Furniture and fixture	250	-	-	-	Company policy	Mr. Khurram Faizyab (Former Executive)
Furniture and fixture	250	47	47	-	Company policy	Mr. Nafees Ahmad (Former Executive)
Others	4,973	286	259	(27)		
	13,858	**1,456**	**3,830**	**2,374**		

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11 INTANGIBLE ASSETS	Note	2019	2018
		(Rupees in '000)	
Computer software	11.1	5	437
Goodwill	11.2	223,273	263,632
		223,278	264,069

11.1 Computer software

	2019	2018
As at 01 January 2019		
Cost	18,767	18,767
Accumulated amortisation and impairment	(18,330)	(17,860)
Net book value	437	907
Year ended 31 December 2019		
Opening net book value	437	907
Additions	-	-
Disposals	-	-
Amortisation charges	(432)	(470)
Closing net book value	5	437
As at 31 December 2019		
Cost	18,767	18,767
Accumulated amortisation and impairment	(18,762)	(18,330)
Net book value	5	437
Rate of amortisation	33%	33%

2018

11.2 Goodwill		2019	2018
		(Rupees in '000)	
Allocation of Goodwill			
Management Rights Value		195,750	195,750
Brand Value		24,487	24,487
Goodwill		43,395	43,395
		263,632	263,632
Less: impairment		(40,359)	-
	11.3	223,273	263,632

11.3 The Pak Oman Asset Managment Company Limited carries the above intangible assets in its financial statements because of past acquisitions of Askari Asset Management Limited. During the year, the management in consultation with an independent firm of Chartered Accountants, carried out the impairment test of the above intangible assets in accordance with the requirements of International Accounting Standard (IAS) - 36 "Impairment of Assets", and accordingly recorded a provision of impairment of Rs. 40.359 million thereagainst.

- Discount rate between 11.5% to 14.6%
- Terminal growth rate of 8%

Management believes that after considering the various scenarios no reasonable possible change in any of the above key assumptions would cause the carrying value to be further materially exceed its recoverable amount.

11.4 As at 31 December 2019, the gross carrying amount of fully amortised intangible assets still in use amounted to Rs. 18.726 million (2018: Rs. 17.358 million).

12 DEFERRED TAX ASSETS

	1 January 2019	Recognized in: Profit and loss account	Recognized in: Recognised in OCI	31 December 2019
	(Rupees in '000)			
Deductible Temporary Differences on				
Provision for diminution in the value of investments	164,935	4,350	-	169,285
Assets subject to finance leases	66	6	-	72
Amortisation of premium on Federal Government Securities	2,555	(2,644)	-	(89)
Provision against non-performing advances	162,594	(2,552)	-	160,042
Revaluation on investments classified as available-for-sale	2,917	-	(51,138)	(48,221)
Revaluation on investments classified as held-for-trading	667	6,722	-	7,389
Net Investment in finance leases	71,793	(70,134)	-	1,659
Accumulated tax losses - POAMCL	7,499	29,348	-	36,847
	413,026	(34,904)	(51,138)	326,984
Taxable Temporary Differences on				
Accelerated tax depreciation allowances	(1,388)	7,085	-	5,697
Revaluation on Non-banking assets	(8,765)	3,840	4,521	(3,647)
	(10,153)	10,925	4,521	2,050
	402,873	(23,979)	(46,617)	329,034

	1 January 2018	Recognized in: Profit and loss account	Recognized in: Recognised in OCI	31 December 2018
	(Rupees in '000)			
Deductible Temporary Differences on				
Provision for diminution in the value of investments	187,977	(23,042)	-	164,935
Assets subject to finance leases	59	7	-	66
Amortisation of premium on Federal Government Securities	3,722	(1,167)	-	2,555
Provision against non-performing advances	262,578	(99,984)	-	162,594
Revaluation on investments classified as available-for-sale	(3,497)	-	6,414	2,917
Revaluation on investments classified as held-for-trading	737	(70)	-	667
Net Investment in finance leases	76,419	(4,626)	-	71,793
Accumulated tax losses - POAMCL		7,499		7,499
	527,995	(121,383)	6,414	413,026
Taxable Temporary Differences on				
Accelerated tax depreciation allowances	(12)	(1,376)	-	(1,388)
Revaluation on Non-banking assets	(17,126)	3,840	4,521	(8,765)
Dividend receivable	-	-	-	-
	(17,138)	2,464	4,521	(10,153)
	510,857	(118,919)	10,935	402,873

13 OTHER ASSETS

	Note	2019	2018
		(Rupees in '000)	
Income/ Mark-up accrued in local currency - net of provision		**1,073,195**	454,508
Mark-up / profit receivable on purchase of securities		**314,240**	13,373
Security deposits		**8,962**	8,262
Prepayments		**12,302**	18,963
Taxation		**196,579**	-
Non-banking assets acquired in satisfaction of claims	13.1	**252,174**	267,226
Receivable from funds under management and investment advisory clients		**112,729**	106,719
Staff Gratuity	35.2	**15,447**	9,928
Others		**5,441**	6,936
		1,991,069	885,915
Less: Provision held against other assets		**-**	-
Other assets (net of provisions)		**1,991,069**	885,915
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		**61,504**	65,176
		2,052,573	951,091

13.1	Market value of non-banking assets acquired in satisfaction of claims	**375,990**	374,538

13.1.1 Non-banking assets acquired in satisfaction of claims

	2019	2018
Opening Balance	**332,402**	390,282
Disposals	**-**	(38,791)
Depreciation	**(18,724)**	(19,089)
Closing Balance	**313,678**	332,402

13.1.2 Gain / loss on disposal of non-banking assets acquired in satisfaction of claims

	2019	2018
Disposal proceeds	-	**46,000**
less		
- Cost	-	**32,096**
- Impairment / depreciation	-	**(3,477)**
	-	**28,619**
Gain / loss	-	**17,381**

14 BORROWINGS

	Note	2019	2018
Secured			
Borrowings from the State Bank of Pakistan:			
- Long term financing facility (LTFF)	14.2	**2,612,588**	2,128,804
Repurchase agreement borrowings	14.3	**48,861,903**	25,823,942
Long term borrowings	14.4	**5,321,380**	6,415,633
Short term running finance	14.5	**515,324**	581,897
Bai Muajjal	14.6	**8,208,161**	1,296,869
Total secured		**65,519,356**	36,247,145
Unsecured			
Placements	14.7	**2,285,013**	3,007,000
Murabaha financing	14.8	**5,989,157**	1,000,000
Total unsecured		**8,274,170**	4,007,000
		73,793,526	40,254,145

14.1 Particulars of borrowings with respect to currencies

	2019	2018
In local currency	**73,793,526**	40,254,145

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14.2 The holding Company has entered into agreements for financing with the SBP of long term finance for export oriented projects to customers. According to the terms of the respective agreements, the SBP has the right to receive the outstanding amount from the Company at the date of maturity of the finances by directly debiting the current account maintained by the Company with the SBP. The mark up rates ranges from 2% to 4.50% (2018: 2% to 4.50%) per annum. These are repayable within 10 years (2018: 10 years).

14.3 The mark up rate on these repurchase agreement borrowings, maturing in January 2020 (2018: January 2019), ranges between 13.15% to 13.55% (2018: 10.19% to 10.40%) per annum. Securities having cost of Rs. 49,007 million (2018: Rs 25,809 million) have been pledged against these borrowings.

14.4 The mark up rate on these long-term borrowings ranges from 13.75% to 14.38% (2018: 8.35% to 11.14%) per annum. The above facilities are secured against advances receivable and Government securities. This also includes Rs 112.5 million (2018: Rs 292.5million) loan availed by POAMCL from Habib Bank Limited. The principal repayment will start from March 2018 and will be fully paid off by May 2022. The said loan was obtained against the security provided by the holding company amounting to Rs. 626 million against the charged on current and future assets of the POAMCL amounting to Rs. 613 million.

14.5 The mark up rate on these short-term running finance facility is three months KIBOR + 0.25% (2018: three months KIBOR + 0.25%). The above facility are secured against loan and advances receivable.

14.6 The mark up rate on these Bai Muajjal secured against government securities, maturing in March 2020 to September 2020 (2018: April 2019) is 13% to 13.42% (2018: 6.56%) per annum.

14.7 The mark up rate on these placements, maturing in January 2020 (2018: January 2019 to February 2019) ranges between 13% to 13.36% (2018: 10.25% to 11%) per annum.

14.8 The mark up rate on these murabaha financing, maturing in January 2020 to February 2020 (2018: January 2019) is 13% to 13.90% (2018: 10.50%) per annum.

15 DEPOSITS AND OTHER ACCOUNTS

	2019		2018	
	In local currency	**Total**	In local currency	Total
	(Rupees in '000)			
Certificates of investment				
Financial institutions	**12,000**	**12,000**	2,961,000	2,961,000
Others	**8,564,392**	**8,564,392**	6,049,490	6,049,490
	8,576,392	**8,576,392**	9,010,490	9,010,490

15.1 The rate of return on deposits maturing between January 2020 to December 2020 (2018: January 2019 to December 2019) ranges between 10.50% to 13.69% (2018: 3.90% to 10.60%) per annum.

15.2 These include Certificate of Investments purchased by gratuity fund of the Company nil (2018: 5.49 million) and by provident fund of the Company amounting to Rs nil (2018: nil).

15.3 Composition of deposits

	2019	2018
	(Rupees in '000)	
Individuals	**1,692,105**	**1,235,734**
Government (Federal and Provincial)	**700,000**	**1,226,596**
Public Sector Entities	**-**	**311,569**
Banking Companies	**-**	**2,400,000**
Non-Banking Financial Institutions	**12,000**	**536,000**
Private Sector	**6,172,287**	**3,300,591**
	8,576,392	9,010,490

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2019			2018		
	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	**628**	**18**	**610**	431	49	382
Later than one year and upto five years	**-**	**-**	**-**	628	18	610
	628	**18**	**610**	1,059	67	992

16.1 The holding company has entered into lease agreements with financial institutions for lease of vehicle. Lease rentals are payable in monthly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate of 7.90% (2018: 7.90%) per annum. At the end of lease term, the holding company has option to acquire the assets, subject to adjustment of security deposits.

17 OTHER LIABILITIES

	Note	2019	2018
		(Rupees in '000)	
Mark-up / return/ interest payable in local currency		**801,896**	340,718
Accrued expenses		**226,853**	224,954
Security deposits against investment in finance leases	9.1.1	**236,911**	356,216
Taxation		-	970
Advance rent		-	4,600
Sales tax and federal excise duty payable		**93,641**	91,012
Lease liability against right-of-use assets		**150,198**	-
Others	17.1	**108,110**	59,563
		1,617,609	1,078,033

17.1 Lease liability against right-of-use assets

As at January 1, 2019	**157,483**	-
Addition	-	-
Borrowing Cost	**16,916**	-
Payments	**(24,201)**	-
As at December 31, 2019	**150,198**	-

17.2 Pak Oman Asset Management Company Limited

Through Finance Act 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. Appeals against these orders were filed in the Supreme Court. Further, as a consequence of passage of 18th Amendment to the Constitution, levy for Workers Welfare was also introduced by the Government of Sindh (Sindh WWF) which was effective from 1 January 2014.

The Supreme Court of Pakistan vide its order dated 10 November 2016 has held that the amendments made in the WWF ordinance by the Finance Act, 2008 were not lawful as this is not in the nature of tax and therefore could not have been introduced through the money bill. The Federal Board of Revenue has filed review petitions against the above judgment with the payer that it may kindly be reviewed in the name of justice. These petitions are currently pending with the Supreme Court of Pakistan.

The parent of the Company (Bank Al Falah Limited) has informed the Company that a legal advice has been obtained by the Pakistan Banks Association which highlights that consequent to filing of these review petitions, a risk has arisen and the judgment is not conclusive or final till the review petitions are decided. Accordingly, the Company has decided not to reverse the charge for WWF recorded in the financial statements till the review petitions are decided.

A showcause notice dated 21 December 2017 was received from Sindh Revenue Board (SRB) demanding Sindh WWF payment of Rs.4,822,059 relating to the year ended 2017, and during last year reminded notice dated 13 March 2018 was received. The Company paid the said amount (SWWF for the year ended 2017) to SBR along with the payment amounting to Rs.2,572,067 relating to year ended 2016. However, no allocation between the Federal Government Levy and Sindh WWF has been made for periods pertaining to 1 January 2014 to 31 December 2019.

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18 SHARE CAPITAL

18.1 Authorized Capital

2019	2018		2019	2018
(Number of shares)			(Rupees in '000)	
1,000,000,000	1,000,000,000	Ordinary shares of Rs.10 each	10,000,000	10,000,000

18.2 Issued, subscribed and paid-up

2019	2018		2019	2018
(Number of shares)			(Rupees in '000)	
		Ordinary shares of Rs. 10 each		
600,000,000	600,000,000	- Fully paid in cash	6,000,000	6,000,000
15,000,000	15,000,000	- Issued as bonus shares	150,000	150,000
615,000,000	615,000,000		6,150,000	6,150,000

18.3 The Ministry of Finance on behalf of the Government of Pakistan and the Sultanate of Oman through its Ministry of Finance each holds 307,495,900 (2018: 307,495,900) ordinary shares of the holding company, while 4,100 (2018: 4,100) ordinary shares each are held by the Secretary - Economic Affairs Division, Government of Pakistan and Ministry of Commerce and Industry, Sultanate of Oman.

19 RESERVES

19.1 According to BPD Circular No. 15 dated 31 May 2004 issued by SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid-up capital and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve.

20 SURPLUS ON REVALUATION OF ASSETS

	2019	2018
	(Rupees in '000)	
Surplus / (deficit) on revaluation of		
- Available for sale securities	166,280	(10,419)
- Non-banking assets acquired in satisfaction of claims	61,504	65,176
	227,784	54,757
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	(48,221)	2,917
- Non-banking assets acquired in satisfaction of claims	(17,836)	(18,249)
	(66,057)	(15,332)
	161,727	39,425

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

	2019	2018
Surplus on revaluation as at January 01,	65,176	79,114
Realised on disposal during the year	-	(10,172)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	(3,672)	(3,766)
	61,504	65,176
Less: Related deferred tax liability on:		
- Revaluation as at January 01,	(18,901)	(22,152)
- Realised on disposal during the year	-	2,849
- Incremental depreciation charged during the year	1,065	1,054
	(17,836)	(18,249)
Surplus on revaluation of assets as at December 31,	43,668	46,927

20.1.1 Surplus on revaluation of non-banking asset arising on the property located in Lahore having a market value of Rs 375.990 million (2018: Rs 374.538 million). The factors taken include the nature, physical condition of building & civil structure, location, market feedback, the property buying and selling activity, buyers' purchasing power, prevailing market conditions, return on investment, adverse factors, threats and opportunities of real estate industry, etc.

21 NON-CONTROLLING INTEREST

	2019	2018
	(Rupees in '000)	
Opening balance	8,318	8,142
Change during the year	(2,142)	176
Closing balance	6,176	8,318

		Note	2019	2018
			(Rupees in '000)	
22	CONTINGENCIES AND COMMITMENTS			
	Transaction related contingent liability:			
	Standby letter of credit		**532,162**	208,513
	Pledge of shares on behalf of Japan Power Generation Limited	22.1	**70,726**	70,726
	Pledge of shares on behalf of Orient Power Company (Private) Limited	22.2	**226,000**	226,000
	Commitments for:			
	Purchase of Government securities		**11,774,285**	13,944,874
	Sale of Government securities		**2,925,786**	2,869,539
	Commitments for advances and net investment in finance leases		**1,066,750**	2,042,040
	Securities given as collateral against loan taken by Pak Oman Asset Management Company Limited	22.3	**136,000**	334,000

22.1 Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2018: Rs. 70.726 million) are pledged as security on behalf of that associate company against a syndicate finance facility obtained by it (the associate company).

22.2 Investment in unlisted shares in Orient Power Company (Private) Limited (related party) aggregating 22,600,000 having a cost of Rs. 226 million are pledged as security against a syndicate finance facility obtained by Orient Power Company (Private) Limited.

22.3 PIBs having face value amounting to Rs. 136 million (2018: Rs 334 million) which have been collateralized against a loan sanctioned to Pak Oman Asset Management Company Limited from Habib Bank Limited for the acquisition of Askari Investment Management Limited (AIML).

22.4 Pak Oman Asset Management Company Limited

22.4.1 In year 2007, the Company had launched POBOP Advantage Plus Fund (the Fund) under the capital subscription and fee sharing agreement with The Bank of Punjab (BOP). BOP had subscribed five million core units and one million non-core units of the aggregate face value of Rs. 250 million and Rs. 500 million respectively. During year 2011 the management rights of the Fund were transferred to another asset management company.

In 2013, BOP filed a suit against the Company before the Honorable High Court of Sindh claiming damages of Rs. 100.4 million in respect of the alleged losses suffered by BOP due to non-honoring of its redemption requests by the Company in year 2009 allegedly violating the NBFC regulations and provisions of the trust deed.

The legal advisor of the Company has opined that the suit is based on factual inconsistencies and the Company has sound defense on legal grounds. Last year, the Company had also lodged a counter claim of Rs. 250 million against BOP for damaging the image and reputation of the Company.

22.4.2 During the years 2013 and 2014, two former employees of the merged entity served notices to the Company and its former Chief Executive Officer. The employees demanded Rs. 28.5 million for defamation and Rs. 0.723 million against settlement of outstanding dues. Later, the employees also filed cases in the Court of District Judge South at Karachi. The legal advisors of the Company are of the view that although the outcome of the case appears to be favourable, the Company's chances of success cannot currently be determined due to the inherently uncertain nature of the litigation. Furthermore, the management expects that an insignificant amount will be required to settle these cases. Accordingly, provision to the extent of Rs. 0.489 million has been recognized on account of settlement of outstanding dues while no provision has been recognized in respect of defamation claim in the financial statements for the year ended 31 December 2019.

		Note	2019	2018
23	**MARK-UP / RETURN / INTEREST EARNED**		(Rupees in '000)	
	On:			
	a) Loans and advances		**2,508,468**	1,796,952
	b) Investments		**4,462,323**	1,298,281
	c) Lendings to financial institutions		**386,643**	366,630
	d) Balances with banks		**185,308**	110,573
			7,542,742	3,572,436
24	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		**847,743**	680,203
	Borrowings		**5,664,406**	2,055,170
	Lease liability against right-of-use assets		**16,916**	-
			6,529,065	2,735,373
25	**FEE AND COMMISSION INCOME**			
	Credit related fees		**29,554**	35,044
	Investment banking fees		**6,163**	21,906
	Commission on guarantees		**2,305**	3,552
	Underwriting commission of Government securities auction		**2,110**	1,367
	Remuneration from funds under management		**45,651**	80,130
	Fee from investments advisory services		**1,999**	3,704
			87,782	145,703
26	**GAIN ON SECURITIES**			
	Realised	*26.1*	**128,407**	26,345
	Unrealised - held for trading		**(23,100)**	7,791
			105,307	34,136
26.1	**Realised gain on:**			
	Federal Government Securities		**130,029**	6,802
	Non-Government debt securities		**(3,382)**	(5,718)
	Shares		**1,760**	25,261
			128,407	26,345
27	**OTHER INCOME**			
	Gain on sale of fixed assets - net		**2,374**	3,480
	Rental income		-	8,200
	Gain on sale of non-banking assets - net		-	17,381
	Scarp sale		-	1,820
	Reversal of liabilities		**9,907**	1,681
	Front end loan		**184**	106
	Income from sub lease		**387**	-
	Others		**2,298**	145
			15,150	32,813

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28 OPERATING EXPENSES

	Note	2019	2018
		(Rupees in '000)	
Total compensation expense	28.1	**455,925**	433,811
Property expense			
Rent & taxes		**7,487**	36,740
Utilities cost		**4,456**	3,902
Security (including guards)		**967**	903
Repair & maintenance (including janitorial charges)		**7,936**	7,955
Depreciation on right-of-use assets		**25,698**	-
Depreciation		**2,106**	2,106
		48,650	51,606
Information technology expenses			
Software maintenance		**976**	1,283
Hardware maintenance		**169**	17
Depreciation		**1,062**	1,686
Amortisation	11	**432**	470
Network charges		**2,656**	2,100
Others		**1,299**	814
		6,594	6,370
Other operating expenses			
Directors' fees and allowances		**29,409**	25,645
Directors' fees and allowances - Subsidiary		**8,109**	5,140
Legal & professional charges		**13,986**	18,038
Travelling & conveyance		**11,705**	14,536
Depreciation	28.4	**38,977**	41,872
Training & development		**1,137**	1,015
Postage & courier charges		**499**	447
Communication		**6,712**	6,471
Stationery & printing		**2,159**	1,580
Marketing, advertisement & publicity		**1,654**	1,090
Donations	28.2	**875**	1,520
Auditors' remuneration	28.3	**2,159**	4,139
Membership and subscriptions		**7,686**	10,172
Transportation		**9,039**	8,920
Insurance		**5,269**	4,539
Finance charges on leased assets		**241**	140
Entertainment and canteen expenses		**4,177**	3,217
Shahriah advisor fee		**-**	300
Distribution commission		**6,152**	5,932
Impairment of goodwill		**40,359**	-
Others		**11,256**	5,058
		201,560	159,771
Total operating expenses		**712,729**	651,558

28.1 Total compensation expenses

	Note	2019	2018
Fees and Allowances etc		**-**	-
Employees' Remuneration			
i) Fixed		**324,083**	317,101
ii) Variable			
of which;			
a) Cash Bonus /Awards etc		**85,000**	62,000
b) Commission		**-**	2,307
Charge for defined benefit plan	35.6	**15,694**	17,789
Contribution to defined contribution plan		**18,373**	19,259
Rent and house maintenance		**-**	-
Utilities		**1,349**	1,510
Medical		**9,122**	8,317
Others		**2,304**	5,528
		455,925	433,811

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

28.2.1 Donations made in excess of Rs 0.5 million to a single donee are as follows:

	2019	2018
	(Rupees in '000)	
Daimer Bhasha and Mohmand Dam Fund	-	1,000
	-	1,000

28.3 Auditors' remuneration

	2019	2018
Audit fee	736	736
Half yearly review	204	204
Auditors' remuneration of subsidiary company	610	332
Special certifications and sundry advisory services	537	2,614
Out-of-pocket expenses	72	253
	2,159	4,139

28.4 This includes depreciation on non-banking assets Rs 18.724 (2018: Rs 19.089) million.

29 OTHER CHARGES

	Note	2019	2018
		(Rupees in '000)	
Penalties imposed by State Bank of Pakistan		600	2,976
Fees, commission and others		21,868	20,408
		22,468	23,384

30 (REVERSALS) / PROVISIONS & WRITE OFFS - NET

	Note	2019	2018
(Reversals) / provisions for diminution in value of investments	8.3.1	(5,313)	(37,533)
(Reversals) / provisions against loans & advances	9.5	(28,823)	(294,568)
		(34,136)	(332,101)

31 TAXATION

	2019	2018
Current	133,059	134,191
Prior years	-	27,884
Deferred	21,967	118,919
	155,026	280,994

31.1 Relationship between tax expense and accounting profit

	2019	2018
Profit before taxation	605,715	747,629
Tax at the applicable rate of 29%	175,657	216,812
Tax effect due to change in tax rate	-	34,057
Deferred tax asset (recognized) / not recognized	(5,257)	(7,499)
Tax effect of income taxed at different rate	(10,993)	(7,647)
Income subject to minimum tax	-	6,707
Tax effect of capital loss / (gain) on listed shares and mutual funds	-	(109)
Prior year	-	27,884
Super tax	-	8,984
Others	-	1,949
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income tax charge	(4,381)	(144)
	155,026	280,994

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31.2 Tax contingencies

31.2.1 Pak Oman Investment Company Limited

The Income tax Department has amended the deemed assessment orders for the tax years 2004, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018, wherein major issues raised by the authorities were related to applicability of Workers Welfare Fund (WWF), disallowance of allocation of common expenses and disallowance of losses claimed on early termination of leased assets. The Company's appeals are pending at various appellate forums. For the tax year 2005 and 2008, the Commissioner Inland Revenue (Appeals) [CIR(A)] has adjudicated that the proceeding initiated by the department under section 122(5A) for respective tax years were barred in time, thereby, the amended assessment order has been annulled. Thereafter, the department being aggravated by the CIR(A) decision, filed appeal before the Appellate Tribunal Inland Revenue for the respective tax years. Further, for the matter of WWF, Supreme Court (SC) in its recent decision has annulled the amendments made through Finance Act 2006 and 2008. However, Federal Board of Revenue (FBR) has now filed review petition in the SC against the SC decision in the matter of WWF. Management estimates that sufficient provisions have been made and no further provision is required.

31.2.2 Pak Oman Asset Management Company Limited

As per the requirement of Finance Act 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of Management Company has been applied effective from 13 June 2013. The management is of the view that since the remuneration is already subject to provincial sales tax as explained in note 18.2, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by the Mutual Fund Association of Pakistan and the Honorable High Court of Sindh has issued stay order against such levy.

During 2016, the Honorable Sindh High Court, in its judgment dated 30 June 2016, on the Constitutional Petition instituted by MUFAP declared that the provisions of the Federal Excise Act, 2005, insofar as they relate to providing or rendering of services, are ultra vires to the 18th amendment of the Constitution with effect from 01 July 2011, the date on which Sindh Sales Tax on Services Act, 2011 came into force. However, the Federal Board of Revenue (FBR) has right to challenge the decision in the Supreme Court of Pakistan within 90 days of the above decision of the Court, and the petition of the Management Company is still pending in the Court; therefore, as a matter of prudence, the Company has maintained the accumulated provision against FED amounting to Rs. 78.345 million as of 31 December 2019.

Through Finance Act 2016, FED on services rendered by Non-Banking Financial Institutions (NBFIs) including Asset Management Companies, which are already subject to provincial sales tax, has been withdrawn. Accordingly, no FED has been charged on the remuneration of the Company for period subsequent to 30 June 2016.

The Company has been selected for audit under section 214-C of the Ordinance for the tax year 2012. Tax authorities have passed orders under section 122(1) of the ordinance making certain additions amounted to the loss declared in the return filed by the Company. Further Taxation Officer has charged capital gain tax amounting to Rs. 1.514 million at 10%. As a result total tax payable for tax year 2012 increased by Rs. 1.05 million. Tax officer has also disallowed the total tax credit in respect of advance tax paid / collected during the tax year 2012 except for the tax collected under section 153 of the Ordinance amounted to Rs. 2.092 million. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) against the orders passed by the tax officer and the hearing on the case has been done. However, based on the opinion of the tax advisor, management is confident that the matter would be decided in favor of the Company.

As at 31 December 2019, deferred tax asset amounting to Rs. 50,838,679 (31 December 2018: Rs. 42,495,563) has not been recognised as the management considers that there is uncertainty with regards to availability of future profits against which such assets can be adjusted. The unrecognised deferred tax asset has been arising on account of accumulated tax losses and deductible temporary differences.

32 BASIC AND DILUTED EARNINGS PER SHARE

		2019	2018
Profit attributable to shareholders of the holding company	*Rupees in '000*	**452,831**	466,459
Weighted average number of ordinary shares in issue	*Numbers in '000*	**615,000**	615,000
Basic and diluted earnings per share attributable to shareholders of holding company	*Rupees*	**0.74**	0.76

32.1 There were no convertible dilutive potential ordinary shares outstanding on 31 December 2018 and 2019.

33 CASH AND CASH EQUIVALENTS

	Note	2019	2018
		(Rupees in '000)	
Cash and balances with treasury banks	5	153,272	122,740
Balances with other banks	6	1,975,535	2,294,067
		2,128,807	2,416,807

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

	2019					
	Borrowings	Deposits and other accounts	Sub-ordinated debt	Liabilities against assets subject to finance lease	Other liabilities	Total
Balance as at 01 January 2019	40,254,145	9,010,490	-	992	1,078,033	50,343,660
Changes from financing cash flows						
Receipts from subordinated debts - net	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
Total changes from financing cash flows	-	-	-	-	-	-
Liability - related						
Changes in bills payable	-	-	-	-	-	-
Changes in borrowings	33,539,381	-	-	-	-	33,539,381
Changes in deposits and other accounts	-	(434,098)	-	-	-	(434,098)
Changes in Liabilities against assets subject to finance lease				(382)	-	(382)
Changes in other liabilities						
- Cash based						-
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	539,576	539,576
Transfer of profit to reserve	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-
Other comprehensive income - net of tax	-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-
	33,539,381	(434,098)	-	(382)	539,576	33,644,477
Balance as at 31 December 2019	**73,793,526**	**8,576,392**	-	**610**	**1,617,609**	**83,988,137**

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	2018					
	Borrowings	Deposits and other accounts	Sub-ordinated debt	Liabilities against assets subject to finance lease	Other liabilities	Total
Balance as at 01 January 2018	45,158,690	10,501,149	-	1,346	1,528,228	57,189,413
Changes from financing cash flows						
Receipts from subordinated debts - net	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
Total changes from financing cash flows	-	-	-	-	-	-
Liability - related						
Changes in bills payable	-	-	-	-	-	-
Changes in borrowings	(4,904,545)	-	-	-	-	(4,904,545)
Changes in deposits and other accounts	-	(1,490,659)	-	-	-	(1,490,659)
Changes in Liabilities against assets subject to finance lease				(354)	-	(354)
Changes in other liabilities						
- Cash based	-	-	-	-	-	-
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan					(450,195)	(450,195)
Transfer of profit to reserve	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-
Other comprehensive income - net of tax	-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-
	(4,904,545)	(1,490,659)	-	(354)	(450,195)	(6,845,753)
Balance as at 31 December 2018	**40,254,145**	**9,010,490**	-	**992**	**1,078,033**	**50,343,660**

34 STAFF STRENGTH

	2018	2018
	(Number)	
Permanent	81	79
Temporary / contractual	39	39
Group's own staff strength at end of the year	120	118
Outsourced	-	-
'Total staff strength	120	118

35 DEFINED BENEFIT PLAN

35.1 General Description

The holding company operates a funded-gratuity scheme for all its permanent employees. The scheme was established on 1 November 2002 and approved by the Commissioner of Income Tax with effect from 31 January 2003. Contribution to the fund is made every year based on actuarial valuation. The actuarial valuation is carried out using the Projected Unit Credit Method (PUCM). Under this method, the cost of providing gratuity is charged to the consolidated profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. All actuarial gains and losses are recognized in consolidated statement of comprehensive income in the periods in which they occur. The actuarial valuation was conducted as at 31 December 2019.

Number of Employees under the scheme	2019	2018
	(Number)	
The number of employees covered under the following defined benefit schemes are:		
Gratuity fund	64	61

35.1.1 Principal actuarial assumptions

The latest actuarial valuation for defined benefit plan scheme was carried out as at 31 December 2019 using the Projected Unit Credit Method (PUCM). The following significant assumptions were used for the actuarial valuation:

	2019	2018
	(Percent per annum)	
Discount rate	**12.50**	13.25
Expected short term rate of increase in salary levels	**11.50**	8.25
Expected long term rate of increase in salary levels	**11.50**	11.25
Expected rate of return on plan assets	**12.50**	13.25

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

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

		Note	2019	2018
			(Rupees in '000)	
35.2	**Reconciliation of receivable from defined benefit plan**			
	Present value of defined benefit obligation	*35.3*	**142,772**	127,610
	Fair value of plan assets	*35.4*	**(158,219)**	(137,538)
	Receivable	*35.5*	**(15,447)**	(9,928)
35.3	**Movement in defined benefit obligation**			
	Obligation at the beginning of the year		**127,610**	141,181
	Current service cost		**17,305**	18,828
	Interest cost		**15,368**	10,920
	Benefits paid during the year		**(23,257)**	(17,642)
	Remeasurement gain		**5,746**	(25,677)
	Obligation at the end of the year		**142,772**	127,610
35.4	**Movement in fair value of plan assets**			
	Fair value at the beginning of the year		**137,538**	148,490
	Interest income on plan assets		**16,979**	11,959
	Contribution by the holding company - net		**4,464**	10,572
	Benefits paid during the year		**(23,257)**	(17,642)
	Remeasurement (loss) / gain on plan assets		**22,495**	(15,841)
	Fair value at the end of the year	*35.7*	**158,219**	137,538
35.5	**Movement in receivable under defined benefit plan**			
	Opening balance		**(9,928)**	(7,309)
	Charge for the year	*35.6*	**15,694**	17,789
	Re-measurement gain recognised in other comprehensive income during the year		**(16,749)**	(9,836)
	Contributions by the holding company - net		**(4,464)**	(10,572)
	Closing balance		**(15,447)**	(9,928)
35.6	**Charge for defined benefit plans**			
35.6.1	**Cost recognised in the profit and loss**			
	Current service cost		**17,305**	18,828
	Net interest on defined benefit asset		**(1,611)**	(1,039)
			15,694	17,789
35.6.2	**Re-measurement recognised in OCI during the year**			
	Loss / (gain) on obligation			
	-Experience / Financial adjustment		**5,746**	(25,677)
	Actuarial loss / (gain) on plan assets		**(22,495)**	15,841
	Total re-measurements recognised in OCI		**(16,749)**	(9,836)

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35.7 **Components of plan assets**

Particulars	Note	2019 (Rupees in '000)	2019 %	2018 (Rupees in '000)	2018 %
Market Treasury Bills		-	-	-	-
Pakistan Investment Bonds		**103,211**	**65.23**	79,892	58.09
Special Saving Certificates (SSCs)		-	-	-	-
Term Deposit receipts		**54,828**	**34.65**	50,110	36.43
Term Finance Certificates - WorldCall Telecom Limited		-	-	623	0.45
Certificate of Investments	*35.7.1*	-	-	5,706	4.15
Bank balance		**180**	**0.11**	1,207	0.88
		158,219	**99.99**	137,538	100.00

35.7.1 These include Certificate of Investment held with the holding company. These carry mark-up at rates nil (2018: 9.90) percent per annum.

35.8 **Sensitivity analysis**

	2019	2018
	(Rupees in '000)	
1% increase in discount rate	(9,589)	(8,748)
1% decrease in discount rate	10,863	9,899
1 % increase in expected rate of salary increase	11,551	10,644
1 % decrease in expected rate of salary increase	(10,350)	(9,536)

35.9 **Maturity profile of defined benefit obligation**

Benefit payments

The average duration of the benefit obligation at 31 December 2019 is 7.16 years (2018: 7.31 years).

Distribution of timing of benefit payments

Years	2019	2018
	(Rupees in '000)	
1	4,305	4,885
2	4,569	4,942
3	4,843	4,903
4	89,773	73,858
5	8,533	3,469
6 to 10	65,246	66,235
11 and above	337,843	353,114

	2019	2018
35.10 **Expected contributions to be paid to the funds in the next financial year**	15,639	8,716
35.11 **Expected charge / (reversal) for the next financial year**	15,639	14,392

35.12 **Funding Policy**

The holding company is contributing the amount to the fund as per Actuarial advice.

35.13 The significant risk associated with the staff retirement benefit schemes are as follows:

Asset volatility

The risk arises when the future earnings are lower than expectation. This risk is measured at a plan level over the obligation period of the current population. The holding company assets are either invested in fixed securities or cash. None of the investment is placed in equities

Changes in bond yields

The risk arises when the actual return on plan assets is lower than expectation.

Inflation risk

The most common type of retirement benefit is one where the benefit is linked with last drawn salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Life expectancy

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Withdrawal rate

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

Investment Risks:

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

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36 DEFINED CONTRIBUTION PLAN

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

36.2 Contribution made during the year

	2019	2018
	(Rupees in '000)	
Contribution from the holding company	17,027	17,356
Contribution from employees of the holding company	17,027	17,356
	34,054	34,712
Contribution from the subsidiary company	1,346	1,903
Contribution from employees of the subsidiary company	1,903	1,903
	3,249	3,806

The number of employees covered under the defined contribution plan as at 31 December 2019 is 81 (31 Decemer 2018: 79).

37 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

37.1 Total Compensation Expenses

Items	2019				
	Directors		President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Non-Executives			
Fees and Allowances etc.	6,551	22,858	-	-	-
Managerial Remuneration					
i) Fixed	-	-	84,007	105,847	25,680
ii) Total Variable					
of which					
a) Cash Bonus / Awards	-	-	22,853	14,650	2,875
b) Bonus & Awards in Shares	-	-	-	-	-
Charge for defined benefit plan	-	-	4,542	5,544	1,139
Contribution to defined contribution plan	-	-	4,413	6,405	1,737
Utilities	-	-	1,056	293	-
Others	-	-	221	163	449
Total	6,551	22,858	117,092	132,902	31,880
Number of Persons	1	5 *	1	14	7

* During the year 2019, Government of Islamic Republic of Pakistan has nominated Mr. Omar Hamid Khan, Special Secretary Finance - Ministry of Finance, as director of Pak Oman Investment Company limited in place of Mr. Noor Ahmed.

Items	2018				
	Directors		President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Non-Executives			
Fees and Allowances etc.	5,730	19,915	-	-	-
Managerial Remuneration					
i) Fixed	-	-	91,369	108,815	23,183
ii) Total Variable					
of which					
a) Cash Bonus / Awards	-	-	35,000	19,750	2,975
b) Bonus & Awards in Shares	-	-	-	-	-
Charge for defined benefit plan	-	-	3,063	6,355	1,530
Contribution to defined contribution plan	-	-	4,153	6,470	1,492
Utilities	-	-	1,112	260	-
Others	-	-	275	162	-
Total	5,730	19,915	134,972	141,812	29,180
Number of Persons	1	5 *	1	13	7

* During the year 2018, Government of Sultanate of Oman has nominated Mr. Haitham Yousuf Juma Al Zadjali , as director of Pak Oman Investment Company Limited in place of Mr. Hamed Sloom Mubarak Al Athobi.

37.2 The managing director and certain executives are provided with free use of Company's maintained cars.

37.3 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.	Name of Director	2019					
		Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				Total Amount Paid
			Executive Committee	Audit Committee	Risk Committee	Remuneration & Compensation Committee	
		Rs. in '000'					
1	H.E. Yahya Bin Said Bin Abdullah Al-Jabri	5,345	754	-	-	452	6,551
2	H.H. Juland Jaifar Salim Al Said	4,290	754	598	598	452	6,692
3	Mr. Haitham Yousuf Juma Al Zadjali	4,290	-	598	598	-	5,486
4	Mr. M.Zubair Motiwala	2,930	598	598	598	297	5,021
5	Mr. Omar Hamid Khan	3,621	614	458	-	-	4,693
6	Mr. Noor Ahmed	686	140	140	-	-	966
	Total	**21,162**	**2,860**	**2,392**	**1,794**	**1,201**	**29,409**

During the year 2019, Government of Islamic Republic of Pakistan has nominated Mr. Omar Hamid Khan, Special Secretary Finance - Ministry of Finance, as director of Pak Oman Investment Company limited in place of Mr. Noor Ahmed.

Sr. No.	Name of Director	2018					
		Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				Total Amount Paid
			Executive Committee	Audit Committee	Risk Committee	Remuneration & Compensation Committee	
		Rs. in '000'					
1	H.E. Yahya Bin Said Bin Abdullah Al-Jabri	4,586	628	-	-	516	5,730
2	Mr. Hamed Sloom Mubarak Al Athobi	662		113	113	-	888
3	H.H Juland Jaifar Salim Al Said	3,707	628	489	489	516	5,829
4	Mr. Haitham Yousuf Juma Al Zadjali	3,045	-	376	376		3,797
5	Mr. M.Zubair Motiwala	3,079	628	353	489	516	5,065
6	Mr. Noor Ahmed	3,219	628	489	-	-	4,336
	Total	**18,298**	**2,512**	**1,820**	**1,467**	**1,548**	**25,645**

During the year 2018, Government of Sultanate of Oman has nominated Mr. Haitham Yousuf Juma Al Zadjali , as director of Pak Oman Investment Company Limited in place of Mr. Hamed Sloom Mubarak Al Athobi.

38 FAIR VALUE MEASUREMENTS

The fair value of traded investments is based on quoted market prices and has been disclosed in note 8. Unquoted equity investments, other than investments in associates and subsidiary, are determined on the basis of break-up value of these investments as per the latest available audited financial statements. The provision for impairment of investments has been determined in accordance with the Group's accounting policy as stated in notes 2.5 and 4.4 to these consolidated financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision against advances has been calculated in accordance with the holding company's accounting policy as stated in note 4.6.2.

The re-pricing profile, effective rates and maturity are stated in notes 43.3.1, 43.5.1 and 43.5.2 respectively.

38.1 Fair value of financial assets

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

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

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

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

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

38.2 On-balance sheet financial instruments

	2019		2018	
	Book value	**Fair value**	Book value	Fair value
	---------- (Rupees in '000) ----------			
Assets				
Cash and balances with treasury banks	**153,272**	**153,272**	122,740	122,740
Balances with other banks	**1,975,535**	**1,975,535**	2,294,067	2,294,067
Lendings to financial institutions	**8,132,475**	**8,132,475**	5,434,296	5,434,296
Investments	**59,074,973**	**59,074,973**	28,341,835	28,341,835
Advances	**20,024,133**	**20,024,133**	20,482,056	20,482,056
Other assets	**1,514,567**	**1,514,567**	589,798	589,798
	90,874,955	**90,874,955**	57,264,792	57,264,792
Liabilities				
Borrowings	**73,793,526**	**73,793,526**	40,254,145	40,254,145
Deposits and other accounts	**8,576,392**	**8,576,392**	9,010,490	9,010,490
Liabilities against assets subject to finance lease	**610**	**610**	992	992
Other liabilities	**1,617,609**	**1,617,609**	1,077,063	1,077,063
	83,988,137	**83,988,137**	50,342,690	50,342,690
	6,886,818	**6,886,818**	6,922,102	6,922,102
Off-balance sheet financial instruments	**-**	**-**	-	-

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value of financial instruments is based on:

Federal Government Securities	PKRV / PKFRV rates (MUFAP rates)
Listed securities	PSX Rates
Mutual funds	Net asset values
Unlisted equity investments	Break - up value as per latest available audited financial statements.

Fair value of fixed term advances of over one year, staff loans and fixed term deposits of over one year cannot be calculated with sufficient reliability due to non - availability of relevant active market for similar assets and liabilities. The provision for impairment of debt securities and loans and advances has been calculated in accordance with the accounting policies of the Group.

38.3 The carrying value of all financial assets and liabilities in the consolidated financial statements approximate to their fair values except for certain investment in an associate.

38.4 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On balance sheet financial instruments	2019 Level 1	Level 2	Level 3	Total
	---- (Rupees in '000) ----			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	54,367,036	-	54,367,036
Non-Government Debt Securities	-	3,466,736	-	3,466,736
Mutual funds	640,864	-	-	640,864
Financial assets - disclosed but not measured at fair value				
Investments	-	-	600,337	600,337

On balance sheet financial instruments	2018 Level 1	Level 2	Level 3	Total
	---- (Rupees in '000) ----			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	23,887,609	-	23,887,609
Shares	-	-	-	-
Non-Government Debt Securities	-	3,231,328	-	3,231,328
Mutual funds	624,637	-	-	624,637
Financial assets - disclosed but not measured at fair value				
Investments	-	-	-	598,261

39 SEGMENT INFORMATION

39.1 Segment Details with respect to Business Activities

	2019 Corporate Banking	Investment Banking	Treasury	Asset Management	Total
	---- (Rupees in '000) ----				
Profit & Loss					
Net mark-up/return/profit	505,148	(128,121)	643,830	(7,180)	1,013,677
Non mark-up / return / interest income	33,841	102,485	116,731	49,614	302,671
Total Income	538,989	(25,636)	760,561	42,434	1,316,348
Segment direct expenses	329,868	50,253	229,294	135,354	744,769
Reversals	(28,823)	(5,313)	-	-	(34,136)
Profit before tax	237,944	(70,576)	531,267	(92,920)	605,715
Balance Sheet					
Cash & Bank balances	-	-	2,128,067	740	2,128,807
Investments	-	3,374,754	55,700,209	10	59,074,973
Lendings to financial institutions			8,132,475		8,132,475
Advances - performing	19,619,714	-	277,746	-	19,897,460
non- performing	126,673	-		-	126,673
Others	827,947	504,842	1,043,789	461,072	2,837,650
Total Assets	20,574,334	3,879,596	67,282,286	461,822	92,198,038
Borrowings	16,880,052	3,356,971	53,444,002	112,500	73,793,526
Subordinated debt	-	-	-	-	-
Deposits & other accounts	1,916,249	393,618	6,266,525	-	8,576,392
Others	525,669	55,925	890,341	146,284	1,618,219
Total liabilities	19,321,970	3,806,514	60,600,868	258,784	83,988,136
Equity	1,252,364	73,082	6,681,418	203,038	8,209,902
Total Equity & liabilities	20,574,334	3,879,596	67,282,286	461,822	92,198,038
Contingencies & Commitments	1,598,912	432,726	14,700,071	-	16,731,709

	2018 Corporate Banking	Investment Banking	Treasury	Asset Management	Total
	---- (Rupees in '000) ----				
Profit & Loss					
Net mark-up/return/profit	593,708	(53,448)	299,447	(2,644)	837,063
Non mark-up / return / interest income	38,596	104,395	11,862	107,033	261,886
Total Income	632,304	50,947	311,309	104,389	1,098,949
Segment direct expenses	300,362	99,248	184,418	99,393	683,421
(Reversals) / Provisions	(294,568)	(37,533)	-	-	(332,101)
Profit before tax	626,510	(10,768)	126,891	4,996	747,629
Balance Sheet					
Cash & Bank balances	-	-	2,398,193	18,614	2,416,807
Investments	-	2,764,394	25,349,242	228,199	28,341,835
Lendings to financial institutions	-	-	5,434,296	-	5,434,296
Advances - performing	20,120,488	-	229,460	1,354	20,351,302
- non-performing	130,754	-	-	-	130,754
Others	609,138	487,315	214,123	411,084	1,721,659
Total Assets	20,860,380	3,251,709	33,625,314	659,251	58,396,653
Borrowings	16,797,715	2,130,705	22,033,225	292,500	40,254,145
Subordinated debt	-	-	-	-	-
Deposits & other accounts	3,255,468	507,461	5,247,561	-	9,010,490
Others	585,930	35,808	370,282	87,005	1,079,025
Total liabilities	19,639,114	2,673,974	27,651,068	379,505	50,343,660
Equity	1,221,266	577,735	5,974,246	279,746	8,052,993
Total Equity & liabilities	20,860,380	3,251,709	33,625,314	659,251	58,396,653
Contingencies & Commitments	2,250,553	630,726	16,814,413	-	19,695,692

40 TRUST ACTIVITIES

The holding Company is acting as a trustee to Term Finance Certificates and Sukuk issued by Askari Bank Limited, Pak Arab Fertilizers Limited, Al-Arabia Sugar Mills Limited, Shakarganj Food Products Limited, United Bank Limited, Kashf Foundation and Masood Textile Mills Limited. The Company is holding the trust properties in fiduciary capacity on behalf of the relevant beneficiaries. In this behalf, the Company is fulfilling all its obligations and duties in accordance with the provisions of the respective trust documents.

41 RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associates, subsidiary company, employee benefit plans, company having common directors and its key management personnel (including their associates). The details of investments in subsidiary company and associates are stated in note 8 to these financial statements.

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

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

41.1 Associates

Japan Power Generation Limited
Pak Oman Microfinance Bank Limited
Pak Oman Advantage Islamic Income Fund
Pak Oman Islamic Asset Allocation Fund
Pak Oman Advantage Asset Allocation Fund
Pak Oman Government Securities Fund
Askari High Yield Scheme
Askari Equity Fund
Askari Asset Allocation Fund
Askari Sovereign Yield Enhancer
Askari Sovereign Cash Fund
Askari Islamic Asset Allocation Fund
Askari Islamic Income Fund

41.2 Key management personnel

All heads of departments
Directors

41.3 Retirement benefit fund

Defined benefit plan
Defined contribution plan

41.4 Other related party

Orient Power Company (Private) Limited
Ismail Industries Limited
K- Electric
Oman LNG, Sultanate of Oman
Diamond Textile Mills (Pvt.) Limited
Civil Aviation Authority
Pakistan LNG Limited
Public Private Partnership Authority

41.5 Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements are as follows:

	2019					2018				
	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties
	(Rupees in '000)									
Investments										
Opening balance	-	-	996,898	-	226,000	-	-	1,189,118	-	226,000
Investment made during the year	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	18,303	-	-	-	-	(192,220)	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	1,015,201	-	226,000	-	-	996,898	-	226,000
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	-
Advances										
Opening balance	-	43,626	68,200	-	72,916	-	32,399	68,200	-	114,232
Addition during the year	-	15,400	-	-	453,566	-	11,744	-	-	-
Repaid during the year		(20,539)			(47,023)	-	(9,468)	-	-	(41,316)
Transfer in / (out) - net	-	-	-	-	-	-	8,951	-	-	-
Closing balance	-	38,487	68,200	-	479,459	-	43,626	68,200	-	72,916
Provision held against advances	-	-	68,200	-	-	-	-	68,200	-	-

	2019					2018				
	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties
	(Rupees in '000)									
Other Assets										
Interest / mark-up accrued	-	-	-	-	3,241	-	-	-	-	2,704
Receivable from staff retirement fund	-	-	-	15,447	-	-	-	-	9,928	-
Other receivable			112,729					106,719		
Provision against other assets	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	-	909	-	5,492	-	-	1,168	450,000	36,626	-
Received during the year	-	64,629	-	102,997	-	-	30,281	1,000,000	241,156	-
Withdrawn during the year	-	(61,456)	-	(108,489)	-	-	(30,540)	(1,450,000)	(272,290)	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	4,082	-	-	-	-	909	-	5,492	-
Other Liabilities										
Interest / mark-up payable	-	33	-	-	-	-	3	-	2	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-
Other liabilities										
Outright sale of Securities			1,385,342	909,630		-	-	965,241	250,474	-
Outright purchase of Securities	-	-	243,315	720,365	-	-	-	4,978	94,955	-
Contingencies and Commitments										
Other contingencies	-	-	70,726	-	226,000	-	-	70,726	-	226,000

42 Related party transactions

	Note	2019					2018					
		Directors	**Key management personnel**	**Associates**	**Retirement benefit funds**	**Other related parties**	Parent	Directors	Key management personnel	Associates	Retirement benefit funds	Other related parties
		(Rupees in '000)										
Income												
Mark-up / return / interest earned		-	2,104	-	-	8,922	-	-	2,014	-	-	8,922
Fee and commission income		-	-	-	-	-	-	-	-	-	-	-
Dividend income		-	-	30,448	-	45,200	-	-	-	18,305	-	33,900
Net gain on sale of securities		-	-	-	-	-	-	-	-	-	-	-
Other income		-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-
Expense												
Mark-up / return / interest paid		-	647	-	1,067	-	-	-	141	5,362	1,871	-
Operating expenses	37											
Directors' fees and allowances		29,409	-	-	-	-	-	25,645	-	-	-	-
Compensation expenses		117,092	132,902	-	-	-	-	134,972	141,812	-	-	-
Contribution to defined contribution plan		-	-	-	18,373	-	-	-	-	-	19,259	-
Charge for defined benefit plan		-	-	-	15,694	-	-	-	-	-	17,789	-

42 CAPITAL ADEQUACY

42.1 Capital management policies and procedures

The Group's objectives when managing capital are:

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

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

SBP requires each development financial institution to: (a) hold the minimum level of the regulatory capital of Rs. 6 billion as at 31 December 2009 and in future periods till further notification issued by SBP, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset as per the CAMELS Rating assigned to the institution or above the minimum prescribed level of 12.50%.

Capital Structure

The Group's regulatory capital is divided into three tiers:

- Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer note 42.3).

Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and Share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1 (refer note 42.3).

Tier 2 capital, which includes Subordinated debt/ Instruments, share premium of issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), Net of tax reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2 (refer note 42.3).

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

The Group calculates capital requirement as per Basel III regulatory framework, using the following approaches:

- Credit risk	Standardized approach
- Market risk	Standardized approach
- Operational risk	Basic indicator approach

The table refer in note 42.3 summarizes the composition of regulatory capital and the ratios of the Group for the year ended 31 December 2019.

Scope of application

The Basel III Framework for capital adequacy is applicable to the Group.

42.2 The Group's CAR as at 31 December 2019 was 15.13% of its risk weighted exposure.

The calculation of capital adequacy enables the DFIs' to assess the long term soundness. The Group has successfully managed in the past and will in the future its Capital requirements/ needs. Based on the directives of the Board, the Group has built a healthy portfolio of assets and liabilities focusing on quality. CAR of 15.13% demonstrates that the Group is geared to absorb major risks / shocks in the present market scenario. The Group meets its capital needs through clean placements (LOP & COI) and short and long term lines from commercial institutions.

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

42.3 Capital adequacy, leverage ratio & liquidity requirements

	2019	2018
	(Rupees in '000)	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	6,150,000	6,150,000
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	5,762,515	5,438,603
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	5,762,515	5,438,603
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	5,762,515	5,438,603
Risk Weighted Assets (RWAs):		
Credit Risk	27,653,134	30,183,104
Market Risk	8,301,000	1,003,458
Operational Risk	2,131,697	2,240,602
Total	38,085,831	33,427,164
Common Equity Tier 1 Capital Adequacy ratio	15.13%	16.27%
Tier 1 Capital Adequacy Ratio	15.13%	16.27%
Total Capital Adequacy Ratio	15.13%	16.27%
Capital requirements		
CET1 minimum ratio	6.00%	6.00%
Tier1 minimum ratio	7.50%	7.50%
Total Capital minimum ratio	10.00%	10.00%
Capital Conservation Buffer (CCB)	2.50%	1.90%
Total Capital plus CCB	12.50%	11.90%

Standardized Approach of Basel III is used for calculating Capital Adequacy for Credit and Market Risk while Basic indicator Approach is used for calculating Capital Adequacy for Operational Risk.

	2019	2018
Leverage Ratio (LR):		
Eligible Tier-1 Capital	5,762,515	5,438,603
Total Exposures	108,929,747	78,092,345
Leverage Ratio	5.29%	6.96%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	6,227,965	6,503,094
Total Net Cash Outflow	9,139,548	16,808,490
Liquidity Coverage Ratio	68%	39%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	21,887,939	20,705,300
Total Required Stable Funding	21,507,690	18,970,216
Net Stable Funding Ratio	101.77%	109.15%

42.4 The Full Disclosures On The Capital Adequacy, Leverage Ratio & Liquidity Requirements as per SBP Instructions issued from time to time shall be placed on the website. The link to the full disclosure is available at http://www.pakoman.com

43 RISK MANAGEMENT

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

Risk management organisation

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

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

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

43.1 Credit risk

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

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

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

Types of exposures and ECAI's used

Exposures	**JCR-VIS**	**PACRA**
Corporate	Yes	Yes
Banks	Yes	Yes

Credit exposures subject to Standardised Approach

Exposur	**Rating Category**	**2019**			2018		
		Amount Outstanding	**Deduction CRM***	**Net amount**	Amount Outstanding	Deduction CRM*	Net amount
		----	----	**(Rupees in '000)**	----	----	----
Corporate	0	-	-	-	-	-	-
	1	572,378	-	572,378	804,976	-	804,976
	2	9,228,034	(85,549)	9,142,485	10,365,263	-	10,365,263
	3-4	1,802,032	(21,875)	1,780,157	808,705	-	808,705
	5-6	-	-	-	-	-	-
	Unrated	7,749,611	(248,961)	7,500,650	7,456,600	-	7,456,600
		19,352,055	(356,385)	18,995,670	19,435,544	-	19,435,544
Banks	0	-	-	-	-	-	-
	1	10,108,010	-	10,108,010	5,448,363	-	5,448,363
	2-3	879,291	-	879,291	30,000	-	30,000
	4-5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
		10,987,301	-	10,987,301	5,478,363	-	5,478,363
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 4 to these consolidated financial statements. Reconciliation in the provision against non-performing advances has been disclosed in note 9.5 of these consolidated financial statements.

Particulars of company's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

43.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)					
Public / Government	**2,007,082**	**350,000**	**-**	-	**-**	-
Private	**6,125,393**	**5,084,296**	**-**	-	**-**	-
	8,132,475	5,434,296	**-**	-	**-**	-

43.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)					
Textile	**81,090**	81,090	**81,090**	81,090	**60,641**	60,641
Electronics and electrical appliances	**85,000**	85,000	**85,000**	85,000	**85,000**	85,000
Power (electricity), Gas, Water, Sanitary	**555,958**	103,456	**-**	-	**-**	-
Transport, Storage and Communication	**180,980**	185,226	**180,980**	185,226	**180,980**	185,226
Financial	**56,996,969**	26,802,431	**15,404**	15,404	**15,404**	15,404
Others	**256,452**	334,535	**121,452**	121,452	**121,452**	121,452
	58,156,449	27,591,738	**483,926**	488,172	**463,477**	467,723

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)					
Public / Government	**54,643,109**	24,412,345	**-**	-	**-**	-
Private	**3,513,340**	3,179,393	**483,926**	488,172	**463,477**	467,723
	58,156,449	27,591,738	**483,926**	488,172	**463,477**	467,723

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43.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)					
Textile	**4,196,626**	4,695,334	**348,278**	356,355	**337,256**	345,332
Chemical and Pharmaceuticals	**215,756**	174,968	**-**	-	**-**	-
Cement	**372,865**	408,512	**-**	-	**-**	-
Sugar	**840,000**	1,246,563	**-**	-	**-**	-
Automobile and transportation equipment	**280,085**	291,759	**-**	-	**-**	-
Electronics and electrical appliances	**796,726**	617,857	**50,000**	50,000	**50,000**	50,000
Construction	**487,770**	485,492	**-**	-	**-**	-
Power (electricity), Gas, Water, Sanitary	**2,697,361**	1,929,344	**68,200**	68,200	**68,200**	68,200
Wholesale and Retail Trade	**113,514**	35,476	**-**	-	**-**	-
Transport, Storage and Communication	**2,335,948**	2,976,830	**-**	-	**-**	-
Financial	**1,383,158**	2,472,857	**5,161**	5,161	**5,161**	5,161
Services	**1,410,456**	1,311,753	**2,104**	2,219	**-**	-
Individuals	**103,834**	106,515	**-**	-	**-**	-
Others	**5,341,903**	4,309,488	**204,586**	229,298	**91,039**	111,786
	20,576,002	21,062,748	**678,329**	711,233	**551,656**	580,479

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	(Rupees in '000)					
Public/ Government	**888,472**	1,138,820	**-**	-	**-**	-
Private	**19,687,530**	19,923,928	**678,329**	711,233	**551,656**	580,479
	20,576,002	21,062,748	**678,329**	711,233	**551,656**	580,479

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43.1.4 Contingencies and Commitments

Credit risk by industry sector

	2019	2018
	(Rupees in '000)	
Textile	-	439,900
Chemical and Pharmaceuticals	165,000	-
Cement	-	91,490
Automobile and transportation equipment	-	18,880
Construction	-	287,500
Power (electricity), Gas, Water, Sanitary	-	115,290
Wholesale and Retail Trade	-	-
Transport, Storage and Communication	322,230	-
Services	68,400	154,970
Others	511,120	934,010
	1,066,750	2,042,040

Credit risk by public / private sector

	2019	2018
Public/ Government	-	-
Private	1,066,750	2,042,040
	1,066,750	2,042,040

43.1.5 Concentration of Advances

The holding Company's top 10 exposures on the basis of total (funded and non-funded expsoures) aggregated to Rs 8,293.350 million (2018: Rs 9,009.177 million) are as following:

	2019	2018
	(Rupees in '000)	
Funded	8,293,350	9,009,177
Non Funded	-	-
Total Exposure	8,293,350	9,009,177

The sanctioned limits against these top 10 exposures aggregated to Rs 11,458 million 2018: Rs 11,235 million)

Total funded classified therein

	2019		2018	
	Amount	Provision held	Amount	Provision held
	(Rupees in '000)			
OAEM	-	-	-	-
Substandard	-	-	26,912	-
Doubtful	182,104	90,000	182,820	90,000
Loss	496,225	461,656	501,501	490,479
Total	678,329	551,656	711,233	580,479

43.1.6 Advances - Province / Region-wise Disbursement & Utilization

	2019						
	Disbursements	Utilization					
Province/Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Sindh	5,528,204	1,053,246	2,498,562	272,771	1,044,566	659,059	-

	2018						
	Disbursements	Utilization					
Province/Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Sindh	6,852,557	2,481,142	2,289,848	175,000	600,000	1,306,567	-

43.2 Market Risk

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

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

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

43.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	153,272	-	153,272	122,740	-	122,740
Balances with other banks	1,975,535	-	1,975,535	2,294,067	-	2,294,067
Lendings to financial institutions	8,132,475	-	8,132,475	5,434,296	-	5,434,296
Investments	4,707,937	54,367,036	59,074,973	4,025,790	24,316,045	28,341,835
Advances	20,024,133	-	20,024,133	20,482,056	-	20,482,056
Fixed assets	232,765	-	232,765	103,626	-	103,626
Intangible assets	223,278	-	223,278	264,069	-	264,069
Deferred tax assets	329,034	-	329,034	402,873	-	402,873
Other assets	2,052,573	-	2,052,573	951,091	-	951,091
	37,831,002	54,367,036	92,198,038	34,080,608	24,316,045	58,396,653

43.2.2 Foreign Exchange Risk

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

	2019		2018	
	Foreign currency assets	**Net foreign currency exposure**	Foreign currency assets	Net foreign currency exposure
	(Rupees in '000)			
United States Dollar	79	79	75	75
Omani Riyal	3,336	3,336	428	428
	3,415	3,415	503	503

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	(36)	-	(7)	-
- Other comprehensive	-	-	-	-

43.2.3 Equity position Risk

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

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on				
- Profit and loss account *	-	-	-	(145,335)
- Other comprehensive income	(167,024)	-	-	-

* Equity position includes Equity shares and Bank's TFC tier II

43.3 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 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 Group has also developed value-at-risk (VAR) model internally.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
Profit and loss account *	-	(174,570)	208,123	(268,912)
Other comprehensive income *	(89,844)	-	(10,069)	94,173

* Earning approach

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43.3.1 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
		2019										
			Exposed to yield / interest risk									
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		153,272	-	-	-	-	-	-	-	-	-	153,272
Balances with other banks	14.57%	1,975,535	169,048	1,000,000	800,000	-	-	-	-	-	-	6,487
Lending to financial institutions	13.51%	8,132,475	6,274,475	1,858,000	-	-	-	-	-	-	-	-
Investments	13.65%	59,074,973	3,819,443	13,703,277	14,385,684	17,150,994	6,802,538	1,030,959	-	940,877	-	1,241,201
Advances	14.40%	20,024,133	5,388,953	7,329,363	4,592,682	267,563	349,487	402,355	752,617	901,724	30,305	9,084
Other assets		1,514,567	-	-	-	-	-	-	-	-	-	1,514,567
		90,874,955	15,651,919	23,890,640	19,778,366	17,418,557	7,152,025	1,433,314	752,617	1,842,601	30,305	2,924,611
Liabilities												
Borrowings	13.08%	73,793,526	56,371,933	4,669,097	4,941,242	5,467,972	349,744	401,389	743,043	849,106	-	-
Deposits and other accounts	13.14%	8,576,392	1,739,958	3,916,419	990,182	1,929,833	-	-	-	-	-	-
Liabilities against assets subject to finance leases	7.91%	610	33	66	102	409	-	-	-	-	-	-
Other liabilities		1,617,609	-	-	-	-	-	-	-	-	-	1,617,609
		83,988,137	58,111,924	8,585,582	5,931,526	7,398,214	349,744	401,389	743,043	849,106	-	1,617,609
On-balance sheet gap		6,886,818	(42,460,005)	15,305,058	13,846,840	10,020,343	6,802,281	1,031,925	9,574	993,495	30,305	1,307,002
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts		-	-	-	-	-	-	-	-	-	-	-
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(42,460,005)	15,305,058	13,846,840	10,020,343	6,802,281	1,031,925	9,574	993,495	30,305	
Cumulative yield / interest risk sensitivity gap			(42,460,005)	(27,154,947)	(13,308,107)	(3,287,764)	3,514,517	4,546,442	4,556,016	5,549,511	5,579,816	

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	Effective yield / interest rate	2018 Exposed to yield / interest risk										
		Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instruments
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		122,740	-	-	-	-	-	-	-	-	-	122,740
Balances with other banks	11.16%	2,294,067	1,825,788	450,000	-	-	-	-	-	-	-	18,279
Lending to financial institutions	10.29%	5,434,296	5,434,296	-	-	-	-	-	-	-	-	-
Investments	10.00%	28,341,835	5,343,907	15,509,449	1,870,064	3,955,879	-	-	-	439,638	-	1,222,898
Advances	10.37%	20,482,056	7,986,474	7,070,390	3,100,982	312,865	270,359	302,455	583,931	820,655	22,497	11,448
Other assets		589,798	-	-	-	-	-	-	-	-	-	589,798
		57,264,792	20,590,465	23,029,839	4,971,046	4,268,744	270,359	302,455	583,931	1,260,293	22,497	1,965,163
Liabilities												
Borrowings	9.63%	40,254,145	29,523,454	4,162,461	4,544,599	114,538	254,377	294,050	569,392	791,274	-	-
Deposits and other accounts	9.51%	9,010,490	5,527,212	2,548,652	303,652	630,974	-	-	-	-	-	-
Liabilities against assets subject to finance leases	7.91%	992	31	62	94	195	610	-	-	-	-	-
Other liabilities		1,077,063	-	-	-	-	-	-	-	-	-	1,077,063
		50,342,690	35,050,697	6,711,175	4,848,345	745,707	254,987	294,050	569,392	791,274	-	1,077,063
On-balance sheet gap		6,922,102	(14,460,232)	16,318,664	122,701	3,523,037	15,372	8,405	14,539	469,019	22,497	888,100
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts		-	-	-	-	-	-	-	-	-	-	-
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(14,460,232)	16,318,664	122,701	3,523,037	15,372	8,405	14,539	469,019	22,497	
Cumulative yield / interest risk sensitivity gap			(14,460,232)	1,858,432	1,981,133	5,504,170	5,519,542	5,527,947	5,542,486	6,011,505	6,034,002	

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

43.3.3 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.

43.4 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 approved by the board of directors for controlling and mitigating potential operational risk. The system of internal controls include financial, operational and compliance controls and is performed on continuous basis by the senior management and all levels of employees within the Group.

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

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

43.5 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 the Group are that:

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

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

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

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

43.5.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities

2019

	Total	Upto 1 day	Over 1 days to 7 days	Over 7 days to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 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	153,272	-	-	153,272	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	1,975,535	-	25,535	150,000	-	-	1,000,000	800,000	-	-	-	-	-	-	-
Lending to financial institutions	8,132,475	-	4,019,186	1,335,214	920,075	1,858,000	-	-	-	-	-	-	-	-	-
Investments	59,074,973	-	35,562	88	3,216,122	5,592,773	724,790	9,557,497	17,250,408	252	7,115,008	1,205,846	2,767,809	11,308,818	300,000
Advances	20,024,133	-	62,083	39,020	538,737	659,910	832,212	2,089,447	1,333,155	1,198,049	4,522,506	3,194,334	3,804,632	1,694,743	55,305
Fixed assets	232,765	-	-	-	3,215	3,211	3,211	23,095	8,704	8,704	30,680	18,027	41,738	92,182	-
Intangible assets	223,278	-	-	-	5	-	-	-	-	-	-	-	223,273	-	-
Deferred tax assets	329,034	-	-	-	(66,451)	874	874	(5,408)	(28,560)	(28,560)	(34,546)	(13,188)	282,418	220,883	697
Other assets	2,052,573	-	40,856	292,185	117,699	417,424	271,013	823,711	83,535	1,862	-	-	4,288	-	-
	92,198,038	-	4,183,222	1,969,779	4,729,402	8,532,192	2,832,100	13,288,342	18,647,242	1,180,307	11,633,648	4,405,019	7,124,158	13,316,626	356,002
Liabilities															
Borrowings from financial institutions	73,793,526	-	48,912,240	4,215,042	3,244,651	1,448,221	970,876	3,301,155	5,874,709	845,390	2,379,371	1,009,722	743,043	849,106	-
Deposits and other accounts	8,576,392	-	394,452	156,152	1,189,354	1,392,821	2,523,598	990,182	381,528	1,548,305	-	-	-	-	-
Liabilities against assets subject to finance leases	610	-	-	-	33	33	33	102	104	305	-	-	-	-	-
Others liabilities	1,617,609	-	128,272	84,864	221,539	71,063	557,774	245,517	183,776	24,826	31,259	23,784	41,866	3,069	-
	83,988,137	-	49,434,964	4,456,058	4,655,577	2,912,138	4,052,281	4,536,956	6,440,117	2,418,826	2,410,630	1,033,506	784,909	852,175	-
Net assets	8,209,901	-	(45,251,742)	(2,486,279)	73,825	5,620,054	(1,220,182)	8,751,386	12,207,125	(1,238,519)	9,223,018	3,371,513	6,339,249	12,464,451	356,002
Share capital	6,150,000														
Reserves	1,265,504														
Unappropriated profit	626,494														
Surplus on revaluation of assets - net of tax	161,727														
Non-controlling interest	6,176														
	8,209,901														

2018

	Total	Upto 1 day	Over 1 days to 7 days	Over 7 days to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 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	122,740	-	-	122,740	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,294,067	-	344,067	-	1,500,000	-	450,000	-	-	-	-	-	-	-	-
Lending to financial institutions	5,434,296	-	3,655,372	978,924	800,000	-	-	-	-	-	-	-	-	-	-
Investments	28,341,835	-	4,808,638	-	16,902	14,752,272	37,005	261,412	365,467	3,682,130	189,587	296,553	2,632,875	1,298,994	-
Advances	20,482,056	-	172,994	25,469	287,381	527,795	579,832	1,664,887	1,232,952	1,400,976	4,927,768	3,739,143	3,853,904	1,988,284	80,671
Fixed assets	103,626	-	-	-	2,824	2,823	2,823	15,280	6,577	6,577	24,666	23,253	12,285	6,518	-
Intangible assets	264,069	-	-	-	287	75	75	-	-	-	-	-	263,632	-	-
Deferred tax assets	402,873	-	-	-	(52,145)	(18,354)	(18,354)	(28,707)	(17,420)	(17,420)	(47,183)	(11,078)	325,136	287,650	748
Other assets	951,091	-	88,610	40,038	99,106	99,506	61,081	552,183	5,060	1,219	-	-	4,288	-	-
	58,396,653	-	9,069,681	1,167,171	2,654,355	15,364,117	1,112,462	2,465,055	1,592,636	5,073,482	5,094,838	4,047,871	7,092,120	3,581,446	81,419
Liabilities															
Borrowings from financial institutions	40,254,145	-	27,636,960	-	1,836,494	1,280,331	406,297	2,228,593	631,257	647,074	2,166,963	1,725,343	903,559	791,274	-
Deposits and other accounts	9,010,490	-	3,066,064	318,325	2,142,823	998,914	1,549,738	303,652	222,241	408,733	-	-	-	-	-
Liabilities against assets subject to finance leases	992	-	-	-	31	31	31	94	96	99	610	-	-	-	-
Others Liabilities	1,078,033	-	140,609	4,159	46,773	57,438	382,205	234,331	7,679	51,455	27,546	44,935	77,834	3,069	-
	50,343,660	-	30,843,633	322,484	4,026,121	2,336,714	2,338,271	2,766,670	861,273	1,107,361	2,195,119	1,770,278	981,393	794,343	-
Net assets	8,052,993	-	(21,773,952)	844,687	(1,371,766)	13,027,403	(1,225,809)	(301,615)	731,363	3,966,121	2,899,719	2,277,593	6,110,727	2,787,103	81,419
Share capital	6,150,000														
Reserves	1,164,643														
Unappropriated profit	690,607														
Surplus on revaluation of investment - net of tax	39,425														
Non-controlling interest	8,318														
	8,052,993														

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

43.5.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities

2019	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	153,272	153,272	-	-	-	-	-	-	-	-
Balances with other banks	1,975,535	175,535	1,000,000	800,000	-	-	-	-	-	-
Lending to financial institutions	8,132,475	6,274,475	1,858,000	-	-	-	-	-	-	-
Investments	59,074,973	3,251,772	6,317,563	9,557,497	17,250,660	7,115,008	1,205,846	2,767,809	11,308,818	300,000
Advances	20,024,133	639,840	1,492,122	2,089,447	2,531,204	4,522,506	3,194,334	3,804,632	1,694,743	55,305
Intangible assets	223,278	5	-	-	-	-	-	223,273	-	-
Deferred tax assets	329,034	(66,451)	1,748	(5,408)	(57,119)	(34,546)	(13,188)	282,418	220,883	697
Other assets	2,052,573	450,740	688,437	823,711	85,397	-	-	4,288	-	-
Fixed assets	232,765	3,215	6,421	23,095	17,407	30,680	18,027	41,738	92,182	-
	92,198,038	10,882,403	11,364,291	13,288,342	19,827,549	11,633,648	4,405,019	7,124,158	13,316,626	356,002
Liabilities										
Borrowings from financial institutions	73,793,526	56,371,933	2,419,097	3,301,155	6,720,099	2,379,371	1,009,722	743,043	849,106	-
Deposits and other accounts	8,576,392	1,739,958	3,916,419	990,182	1,929,833	-	-	-	-	-
Liabilities against assets subject to finance leases	610	33	66	102	409	-	-	-	-	-
Others liabilities	1,617,609	434,675	628,837	245,517	208,602	31,259	23,784	41,866	3,069	-
	83,988,137	58,546,599	6,964,419	4,536,956	8,858,943	2,410,630	1,033,506	784,909	852,175	-
Net assets	8,209,901	(47,664,196)	4,399,872	8,751,386	10,968,606	9,223,018	3,371,513	6,339,249	12,464,451	356,002
Share capital	6,150,000									
Reserves	1,265,504									
Unappropriated profit	626,494									
Surplus on revaluation of investment - net of tax	161,727									
Non-controlling interest	6,176									
	8,209,901									

2018	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	122,740	122,740	-	-	-	-	-	-	-	-
Balances with other banks	2,294,067	1,844,067	450,000	-	-	-	-	-	-	-
Lending to financial institutions	5,434,296	5,434,296	-	-	-	-	-	-	-	-
Investments	28,341,835	4,825,540	14,789,277	261,412	4,047,597	189,587	296,553	2,632,875	1,298,994	-
Advances	20,482,056	485,844	1,107,627	1,664,887	2,633,928	4,927,768	3,739,143	3,853,904	1,988,284	80,671
Other assets	951,091	227,754	160,587	552,183	6,279	-	-	4,288	-	-
Fixed assets	103,626	2,824	5,646	15,280	13,154	24,666	23,253	12,285	6,518	-
Intangible assets	264,069	287	150	-	-	-	-	263,632	-	-
Deferred tax assets	402,873	(52,145)	(36,708)	(28,707)	(34,840)	(47,183)	(11,078)	325,136	287,650	748
	58,396,653	12,891,207	16,476,579	2,465,055	6,666,118	5,094,838	4,047,871	7,092,120	3,581,446	81,419
Liabilities										
Borrowings from financial institutions	40,254,145	29,473,454	1,686,628	2,228,593	1,278,331	2,166,963	1,725,343	903,559	791,274	-
Deposits and other accounts	9,010,490	5,527,212	2,548,652	303,652	630,974	-	-	-	-	-
Liabilities against assets subject to finance leases	992	31	62	94	195	610	-	-	-	-
Others Liabilities	1,078,033	191,541	439,643	234,331	59,134	27,546	44,935	77,834	3,069	-
	50,343,660	35,192,238	4,674,985	2,766,670	1,968,634	2,195,119	1,770,278	981,393	794,343	-
Net assets	8,052,993	(22,301,031)	11,801,594	(301,615)	4,697,484	2,899,719	2,277,593	6,110,727	2,787,103	81,419
Share capital	6,150,000									
Reserves	1,164,643									
Unappropriated profit	690,607									
Surplus on revaluation of investment - net of tax	39,425									
Non-controlling interest	8,318									
	8,052,993									

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

44. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the holding company in their meeting held on 12 February 2020 have:

- proposed 7% cash dividend amounting to Rs. 430.5 million subject to the approval of the members at the annual general meeting.

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

45. GENERAL

45.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

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

45.3 The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset management rating of AM3+ (Stable) to the subsidiary company in the medium and long term vide its report dated 28 August 2019.

46. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on 12 February 2020 by the Board of Directors of the holding company.

Managing Director and Chief Executive	**Chief Financial Officer**	**Director**	**Director**	**Director**