PAK OMAN

ANNUAL REPORT 2018

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. Juland Jaifar Salim Al Said
Director

Mr. Haitham Yousuf Juma Al Zadjali
Director

Mr. Noor Ahmed
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. Juland Jaifar Salim Al Said
Member

Mr. Noor Ahmed
Member

Risk Committee

Mr. Muhammad Zubair Motiwala
Chairman

H.H. Juland Jaifar Salim Al Said
Member

Mr. 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. Juland Jaifar Salim Al Said
Member

Mr. Noor Ahmed
Member

Mr. Bahauddin Khan
Member

Remuneration & Compensation Committee

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

Mr. Muhammad Zubair Motiwala
Member

H.H. Juland Jaifar Salim Al Said
Member

Chairman's Review

It is matter of great pleasure to report that your Company has been able to maintain its performance despite tough economic conditions being faced by the country and financial sector.

- The Company has made profit after tax of Rs 464 million (US$ 3.3 million) compared to Rs 437 million of 2017 (US$ 3.1 million). 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.

- The advances portfolio has further optimized and the total amount of advances increased to Rs 20.5 billion (US$ 147.5 million) compared to Rs 18.8 billion (US$ 135.3 million) in 2017 depicting an increase of 9% over 2017.

- The asset quality has further improved. The total outstanding non-performing loans and investments ("NPLIs") and the NPLI ratio declined to Rs 1,391 million (US$ 10.02 million) (2017: Rs 1,729 million (US$ 12.45 million)) and 5.4% (2017: 7.1%) respectively. On cumulative basis NPLIs decreased by 42% in last four years which was stood at Rs 2.4 billion on December 31, 2015.

- On cost side, administration cost decreased by 3.7% over 2017 despite 33% devaluation of PKR against US$ and inflation of 8%

- It continued to focused on its core business of lending

- Deposit mobilization from the retail sector, now stands at Rs 1.2 billion (US$ 8.9 million) compared to Rs 0.91 billion (US$ 6.5 million) in 2017.

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

Overview of Operations

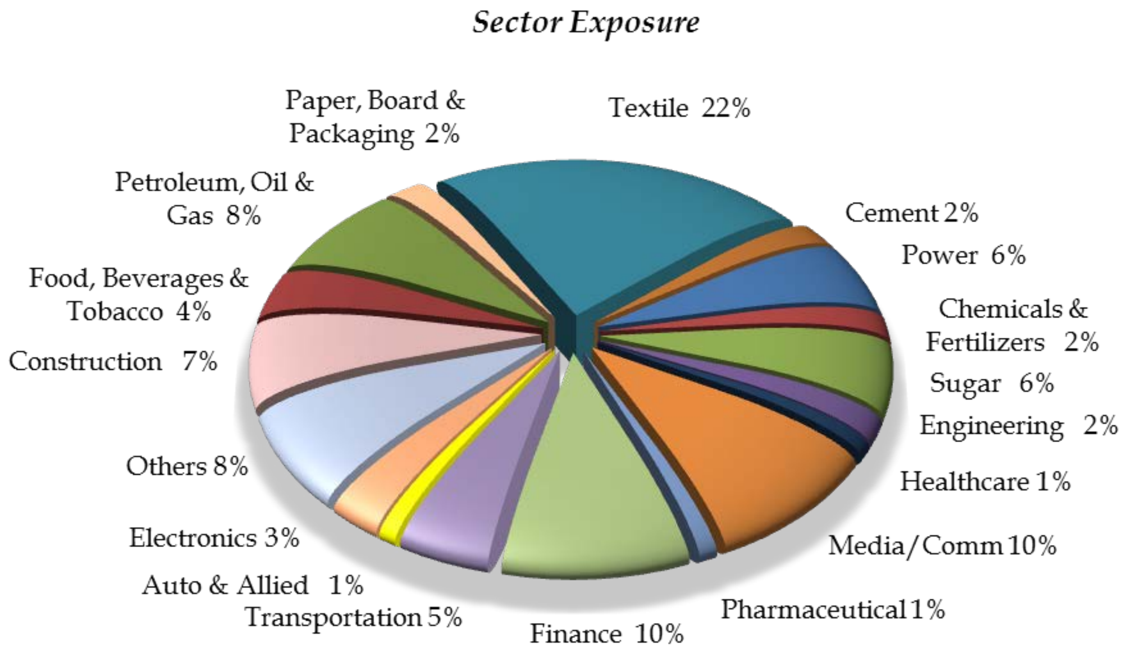
Corporate Banking

In 2018, Corporate Banking Department, by selectively targeting growth industries and existing customers, disbursed Rs 6,853 million compared to Rs 9,241 million in 2017, thereby maintaining its advances portfolio as the largest amongst the DFIs. The disbursements included contribution of the SME unit to the tune of Rs 201 million during the year (2017: Rs 108 million).

Corporate Banking managed to maintain a well-diversified portfolio with Textile sector having the largest share in the total loan portfolio at 22%, followed by Finance, Media & Communication and Oil & Gas sectors with exposures of 10%, 10% and 8% of the loan portfolio respectively.

In 2018, 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 2018, Pak Oman acted as Restructuring Agent, participated in various tier II capital and acted as Trustee & Security Agent in a number of transactions.

Pak Oman acted as Restructuring Agent to WorldCall Telecom Limited for 3rd restructuring of its listed and secured Term Finance Certificates of Rs 4,000 million with current principal outstanding of Rs. 1,517 million and total accrued profit of Rs. 493 million as at April 10, 2018.

Besides this advisory role, Pak Oman participated in tier II capital in the form of Privately Placed TFC Issue of The Bank of Punjab Limited and Khushhali Microfinance Bank Limited.

In addition to the above transactions, Pak Oman acted as Trustee/Security Agent for the various securities including Pakistan Refinery Limited, Askari Commercial Bank Ltd., Pak Arab Fertilizers Ltd., Al Arabia Sugar Mills Limited, FINCA Microfinance Bank Limited, Shakarganj Food Products Limited, United Bank Limited and WorldCall Telecom Limited.

Treasury

Treasury department continues to provide ancillary support to the Company's overall objectives by effectively managing liquidity requirements and align portfolio in accordance with changing market dynamics.

State Bank of Pakistan increased discount rate by 400 bps during 2018 from 6.50% to 10.50% exhibiting monetary tightening stance. Foreseeing this economic shift, Pak Oman proactively reduced longer term portfolio and total duration of portfolio. Further, despite difficult economic conditions, treasury department earned net mark-up income of Rs 299 million during the year.

Corporate sales desk is actively participating in market making of government and corporate debt securities. The corporate sales team also provides investment advisory services to its clients and catering their investment needs.

Another substantial achievement was to increase lending to reputable Financial Institutions on comparatively higher rates and securing deposits from Islamic Banks reducing dependency on high cost deposits. Deposit mobilization from retail clients has increased reducing the dependence on fewer clients with large deposits, helped in bringing down the average cost of deposits.

State Bank of Pakistan renewed Primary Dealership of Pak Oman Investment Company for the year 2018-19, depicting confidence in the Company to develop Government Securities market.

Risk Management

Effective risk management is fundamental to the delivery of Company's strategic priorities. Stringent and robust policies and procedures are the cornerstone of prudent and effective risk management and has always been a significant success factor in steering the Company's growth and profitability. This is further reflected in a low NPL to assets ratio. It is compliant with State Bank of Pakistan requirements for implementation of BASEL Accords and its Capital Adequacy Ratio and Net Stability Funding Ratio is well above the stipulated requirement, hence giving it ample cushion to cover any unforeseen events and room for growth. Furthermore, Operational Risk is proactively managed and every transaction is viewed from its Green Banking prospective. "

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 Organisation” 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 1700 students.

Thar Foundation

Thar Foundation works for development of Thari communities in 10 different sectors including Education, Health, Drinking Water, Infrastructure, Livelihood, Women Empowerment.

Karwan -e- Hayat

Karwan-e-Hayat is a “Non Profit Welfare Organization” that provides treatment and rehabilitation services to underprivileged mentally ill patients. Karwan-e-Hayat provides consultation, hospitalisation, medicines, rehabilitation and community services to patients. Last year 65,000 patients are treated at institute’s three facilities.

Daimer Bhasha and Mohmand Dam Fund

Pakistan is facing situation of water secrecity. To overcome this situation, the Supreme Court of Pakistan has established a fund for the **“Construction of Diamer Bhasha and Mohmand Dams”.** This initiative of building two dams will go a long way in ensuring economic development and prosperity of the country.

2019 and Beyond

We remain cautious on the economic outlook. In the wake of rising interest rates scenario growth in advances will be challenging along with potential upswing in NPLs. Furthermore, devaluation and increase in tariff will increase the cost of doing business significantly. 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 it will be able to take on these challenges well.

With the acquisition of Askari Investment Management Limited, Pak Oman Asset Management Company Limited (POAMCL) showing positive results despite dismal investment environment and we expect higher returns to the shareholders' going forward.

As mentioned last year, after induction of new shareholder, 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: March 07, 2019

DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the Seventeenth Annual Report and Financial Statements of your Company, along with the Consolidated Audited Financial Statements for the year ended December 31, 2018, together with Auditors' Report thereon.

Economy

The year 2018 was a difficult year economically. In an election year, both current account and budget account widened significantly. After General Elections the new government took several measures to stabilize the economy and address macro-economic imbalances. State Bank of Pakistan (SBP) during January-October has cumulatively increased policy rate by 425 bps whereas another increase of 25 bps was done in January 2019 with the objective to stabilize the economy. Further, Pak Rupee depreciated against US$ by 8% during last quarter, making total devaluation of PKR of 33% against US$ since November 2017. The move is targeted at cutting imports and reducing demand for US$ in the economy to stabilise the foreign currency reserves. Government has also imposed tariffs on non-essential imports with the aim to curtail domestic consumption. However, these steps not only impacted cost of doing business but also slow down the economic growth in 2019 whereas so far showed marginal improvement in trade balance.

A gradual increase in inflation in the coming months is expected on the back of currency depreciation, upward revision in energy prices and increases in regulatory duties on import. The forecast range of inflation for the FY2019 will be 6.5 to 7.5 percent. The current downward trend in oil prices together with supports from friends of Pakistan are silver lines for the economy and may help in containing the economic indicators

With the new government in place, handling of economic challenges is the top priority and it is hoped that this will bring improvement to the economy in medium to long term. However, correction of external account, increasing exports, 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 remain major challenges for 2019 and calls for continued consolidation efforts.

Financial Highlights

As at			As at	
Dec 31, 2018	Dec 31, 2017		Dec 31, 2018	Dec 31, 2017
US $ in million			Rs in million	
5.4	5.3	Profit before taxation	749	745
3.3	3.1	Profit after taxation	464	437
US$ 0.0054	US$ 0.0051	Earning per Share (basic & diluted) of Rs 10/- each	Re 0.76	Re 0.71
147.5	135.3	Advances	20,481	18,788
204.8	289.8	Investments	28,433	40,241
418.4	465.7	Total Assets	58,110	64,669
10.02	12.45	Non-Performing Loans & Investments (NPLIs)	1,391	1,729
		NPLI Ratio	5.4%	7.1%

- NPLIs decreased by 42% in last four years which was stood at Rs 2.4 billion on December 31, 2015.

Operational Review

We are pleased to inform that despite challenges to economy, your Company has recorded a profit before tax of Rs 749 million (US$ 5.4 million) compared to 2017 profit before tax of Rs 745 million (US$ 5.3 million). This has been achieved despite maturity of high yielding PIBs and continued bearish spell in the stock market. The achievement of profitability is contributed mainly due to efficient pricing of deposits and loans, a well-balanced growth in loan-book, consolidation of our portfolio and strengthening of systems for credit origination / control and monitoring.

The Company has posted profit after tax of Rs 464 million (US$ 3.3 million) against 2017 profit after tax of Rs 437 million (US$ 3.1 million). Taxation charge includes additional tax of Rs 75 million (US$ 0.54 million) and that includes super tax of Rs 36 million (US$ 0.26 million) enforced through finance act 2018 and reversal of Rs 39 million (US$ 0.28 million) in deferred tax assets due to a reduction of 2% in corporate tax rates.

On cost side, administration cost decreased by 3.7% over 2017 despite 33% devaluation of PKR against US$ and inflation of 8%.

The prudent risk management policies continued to yield positive results, as a consequence the asset quality has further improved. During the year your Company successfully reversed Rs 332 million (US$ 2.4 million) from provisioned accounts. The total outstanding non-performing loans and investments ("NPLIs") and the NPLI ratio declined to Rs 1,391 million (US$ 10.02 million) (2017: Rs 1,729 million (US$ 12.45 million)) and 5.4% (2017: 7.1%) respectively. On cumulative basis NPLIs decreased by 42% in last four years which was stood at Rs 2.4 billion on December 31, 2015.

The advances portfolio has further optimized and the total amount of advances increased to Rs 20.5 billion (US$ 147.5 million) compared to Rs 18.8 billion (US$ 135.3 million) in 2017 depicting an increase of 9% over 2017.

In view of rising interest rate scenario your company has readjusted its assets portfolio and reduced exposure on Government securities to mitigate interest rate risk. Resultantly, investments has decreased by 29% compared to 2017.

Owing to the macroeconomic challenges, stock market witness volatility and uncertainty with respect to its direction. Accordingly, during the year your Company has existed from stock market.

Due to well-planned and executed strategy, deposits of your company grew to Rs 9 billion, the Company holds one of the largest deposit portfolio amongst the peer group. During the period under review retail deposits grew to Rs 1.2 billion (US$ 8.9 million) compared to Rs 0.91 (US$ 6.5 million) billion in 2017.

Company’s total assets decreased to Rs 58 billion (US$ 418.5 million) compared to Rs 65 billion (US$ 465.7 million) as at December 31, 2017. This decrease in total assets is the result of readjustment in assets combination owing to rising interest rate scenario.

Your Company's capital adequacy ratio (CAR) stood at 17.29% as of December 31, 2018, meeting the requirement of the SBP, whereas consolidated CAR stood at 16.27%, depicting a well-capitalised position of the Company.

Appropriations

The Board has recommended following appropriations:

	For the Year ended 2018	
	Rs million	***US$ million***
To Statutory Reserve	92.9	0.67
Cash Dividend @ Rs 0.70 per share	430.5	3.10

Change in Accounting Policy

State Bank of Pakistan revised the format for presentation of Banks / DFIs financial statements for the year ended 31 December 2018. This requires a change in accounting policy for (deficit) / surplus on revaluation of assets which is now required to be shown as part of equity. Previously, it was shown below the equity.

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 2018-2019.

Pak Oman Microfinance Bank

Pak Oman Microfinance Bank Limited (POMFBL) is a nationwide microfinance bank, with its presence in the four provinces of Pakistan. Its sponsors are the Government of the Sultanate of Oman, 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:

	2018	2017
Branches	23	19
Service Centre	26	14
Borrowers since inception	154,938	120,866
Borrowers for the year	34,072	20,702
Disbursement since inception	Rs 5,383,264,000	Rs 3,717,010,000
Disbursement for the year	Rs 1,666,254,000	Rs 930,072,000
Average loan size for the year	Rs 49,000	Rs 45,000
Outstanding Loans	Rs 1,208,640,993	Rs 688,126,566
Deposits	Rs 6,784,301	Rs 9,033,264
Profit Before Tax	Rs 100,572,854	Rs 43,743,657
Profit After Tax	Rs 60,227,711	Rs 29,561,612
Earnings per Share	Rs 0.261	Rs 0.171

As mentioned last year, after induction of new shareholder, Pak Oman Microfinance Bank Limited has started journey towards in a right direction. Going forward the performance of Pak Oman Microfinance Bank Limited will further improve.

Pak Oman Asset Management Company

Despite dismal investment environment, Pak Oman Asset Management Company Limited (POAMCL) has been able to show positive results. As at December 31, 2018 assets under management (AUMs) of POAMCL stood at Rs 5.1 billion. The Company has tangible existence across the country with retail offices in Karachi, Lahore and Islamabad. The process of integration and streamlining of human resource, departmental structures, systems and procedures have completed. We expect higher returns to the shareholders' going forward.

Risk Management Framework

The responsibility of risk management stems down from the Board of Directors to the management for operational assessment / mitigation. Pak Oman's risk management framework provides principles for identifying, assessing and monitoring risks within the Company. These principals are stringent but adaptable to keep up with the changing risk requirement by being innovative and proactive and helping in making improved and informed decision making throughout the company's operations. The Company is fully compliant with SBP's guidelines on BASEL and risk management.

Internal Control

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

Green Banking

The Green Banking Policy of POICL has been approved by Board on August 18th 2018. The policy was prepared in compliance of the “Policy Guidelines for Green Banking” issued by SBP (IH&SMEFD) Circular No. 8) on October 9, 2017. Green Banking regulations has been fully implemented in the company’s business activities since October 2018.

Keeping in view the nature, scope and size of POICL the said policy and procedures focuses on the following aspects :

i. Governance
ii. Envirnomental Risks in Credit Risk Managment
iii. In-house Environment Management
iv. Pricing and Per Party Limit allocation
v. Monitoring and control
vi. Building Customer awareness

Currently Green Banking framework is in its early stages in POICL, however the commitment & efforts from the Management is for implementation of the framework is continuous. Accordingly, a separate Green Banking Officer has been designated within the Compliance Department. Risk Management function of POICL, has a dedicated resource for ensuring appropriate execution of the guidelines in letter & spirit. Each project / credit proposal is reviewed as per the POICL green banking procedures.

Further, all available resources & necessary steps have been implemented by the Company on best effort basis to reduce its own carbon footprint and spread awareness of green conception / energy conservation amongst its customers.

To substantiate the above, the POICL's Green Banking portfolio consists of following **:**

Customer	**Source / Type**	**Funded** (*PKR in Million*)	**Non-Funded** (*PKR in Million*)	**Total** (*PKR in Million*)
Harappa Solar Power	Solar	199.179	217.019	416.199
Fatima Energy Limited	Bagasse	231.581	-	231.581

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 4	Board's Risk Committee Meetings Held 4
H.E. Yahya Bin Said Bin Abdullah Al-Jabri	5	5	*	4	*
Mr. M. Zubair Motiwala	5	5	3	4	4
Mr. Hamed Sloom Mubarak Al Athobi	1	*	1	*	1
Mr. Noor Ahmed	5	5	4	*	*
H.H. Juland Jaifar Salim Al Said	5	5	4	4	4
Mr. Haitham Yousuf Juma Al Zadjali	4	*	3	*	3
Mr. Bahauddin Khan	5	5	*	*	*

*Not member.

During the year Government of Sultanate of Oman has nominated Mr. Haitham Yousuf Juma Al Zadjali Director of Development Loans & BSMP project Manager Ministry of Finance, as director of Pak Oman Investment Company Limited in place of Mr. Hamed Sloom Mubarak Al Athobi.

Statement of Investments of Provident & Gratuity funds

Investments of Provident & Gratuity funds as at December 31, 2018 according to their un-audited financial statements were Rs 190 million and Rs 156 million respectively.

Auditors

The present Auditors, M/s KPMG Taseer Hadi & Co. Chartered Accountants has completed its tenure in accordance to the Code of Corporate Governance and stands retired. 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, 2019 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: March 07, 2019

ڈائریکٹرز کی رپورٹ

ہم بورڈ کے ڈائریکٹرز کی جانب سے کمپنی کی سترھویں سالانہ رپورٹ معہ، 31دسمبر 2018 کو ختم ہونے والے مالی سال کے مالیاتی گوشوارے بمع کنسولیڈیٹد شدہ مالیاتی گوشوارے بمع محاسب کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

معیشت

سال 2018 اقتصادی طور پر ایک مشکل سال تھا. انتخابی سال میں، کرنٹ اکاؤنٹ اور بجٹ اکاؤنٹ دونوں میں نمایاں اضافہ ہوا. عام انتخابات کے بعد نئی حکومت نے معیشت کو مستحکم کرنے اور بڑے معاشی عدم توازن کو حل کرنے کے لئے کئی اقدامات کئے. بینک دولت پاکستان نے جنوری-اکتوبر میں مجموعی طور پر پالیسی نرخ میں 425 bps کا اضافہ کیا جبکہ جنوری 2019 میں 25 bps کا اور اضافہ کیا جس کا مقصد معیشت کو مستحکم کرنا تھا۔ مزید یہ کہ، آخری سہ ماہی میں امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں 8 فیصد کمی ہوئی جس سے نومبر 2017 سے ڈالر کے مقابلے میں روپے کی مجموعی قدر میں 33 فیصد کمی ہوئی۔ ان اقدامات کا ہدف درآمداد میں کمی اور معیشت میں امریکی ڈالر کی طلب کو کم کر کے غیر ملکی زرمبادلہ کے ذخائر کو مستحکم کرنا تھا۔ گورنمنٹ نے غیر ضروری اشیاء کے ملک میں ان کے استعمال کو کم کرنے کے لیے ان پر محصول بھی نافذ کر دیا ہے۔ تاہم، ان اقدامات نے کاروبار کرنے کی لاگت پر اثر ڈالا لیکن اس سے سال 2019 میں معیشت کی نمو کی رفتار بھی کم ہوگئی جبکہ اب تک تجارتی خسارے میں معمولی بہتری دکھائی ہے۔

روپے کی قدر میں کمی، اوپر جانب بڑھتی ہوئی تیل کی قیمتیں اور درآمد پر دستوری ڈیوٹیز کے پس منظر میں، آنے والے مہینوں میں افراط زر میں بتدریج اضافے کی توقع ہے۔ سال 2019 میں افراط زر کے تخمینے کی درجہ بندی 6.5 سے 7.5 فیصد رہے گی۔ تیل کی گرتی ہوئی قیمتوں کے موجودہ رجحان کے ساتھ پاکستان کے دوستوں کی امداد معیشت کے سلور لائن ہے اور ہو سکتا ہے معاشی اشاروں کو قابو کرنے میں معاون ہوں۔

نئی موجودہ گورنمنٹ کی معاشی مسائل کو سنبھالنا اولین ترجیح ہے اور یہ امید کی جاتی ہے کہ یہ معیشت میں وسطی اور طویل المدت بہتری لائے گی۔ تاہم، بیرونی کھاتے کی درستگی، برآمدات کا بڑھانا، محصول کی بنیاد کو وسیع کرنا، افراط زر کو قابو کرنا، غیر ملکی براہ راست سرمایہ کاری (سوائے CPEC کے تحت)، سرکاری ملکیت کے اداروں کی تنظیم نو/نجکاری اور فنڈز کا رخ زیادہ پیداواری ترقی کے کاموں کی جانب کرنا سال 2019 میں بڑے مسائل رہیں گے اس کا تقاضہ ہے کی انضمام کی کوششیں جاری رہیں۔

مالیاتی جھلکیاں

31 دسمبر پر			31 دسمبر پر	
2018	2017		2018	2017
ملین امریکی ڈالر			ملین پاکستانی روپے	
5.4	5.3	منافع قبل از محصول	749	745
3.3	3.1	منافع بعد از محصول	464	437
US$0.0054	US$ 0.0051	ہر 10 روپے کے حصص (بنیادی اور گھٹا ہوئے) پر آمدنی فی حصص	Re 0.76	Re 0.71
147.5	135.3	قرضہ جات	20,481	18,788
204.8	289.8	سرمایہ کاری	28,433	40,241
418.4	465.7	کل اثاثہ جات	58,110	64,669
10.02	12.45	ناکارکردگی دکھانے والے کل قرضہ جات اور سرمایہ کاری ("NPLIs")	1,391	1,729
		NPLI تناسب	5.4%	7.1%

NPLIs گذشتہ چار سالوں میں 42 فیصد کم ہوئے جو 31 دسمبر 2015 کو 2.4 ارب روپے تھے۔

آپریشن کا جائزہ

معیشت کو درپیش مسائل کے باوجود، ہمیں خوشی ہو رہی ہے کہ آپ کی کمپنی نے 749 ملین روپے (5.4 ملین امریکی ڈالر) کا منافع قبل از محصول رکارڈ کا اندراج کیا جبکہ اس کی مقابلے میں 2017 میں اس کی مالیت 745 ملین روپے (5.3 ملین امریکی ڈالر) تھی۔ یہ نتائج زیادہ منافع دینے والی PIBs کی مدت تکمیل ہونے اور اسٹاک منڈی میں جاری مندی کے رجحان کے باوجود حاصل کیا۔ منافع بخشی کا حصول ڈپازٹس اور قرضوں کی بہتر قیمتوں، قرضہ جات میں متوازن نمو، پورٹ فولیو کا انضمام اور قرضہ کے آغاز/ نگرانی کے نظام کی مضبوطی سے ممکن ہوا۔

کمپنی نے 464 ملین روپے (3.3 ملین امریکی ڈالر) کا منافع بعد از محصول کا اندراج کیا جس کے مقابلے میں 2017 میں اس کی مالیت 437 ملین روپے (3.1 ملین امریکی ڈالر) تھی۔ محصولات میں 75 ملین روپے (0.54 ملین امریکی ڈالر) کا اضافی چارج شامل ہے جس میں 36 ملین روپے (0.26 ملین امریکی ڈالر) کا سپر ٹیکس شامل ہے جس کا نفاذ فنانس ایکٹ، 2018 کے ذریعے کیا گیا تھا اور کارپوریٹ محصول میں 2 فیصد کی کمی کی وجہ سے 39 ملین روپے (0.28 ملین امریکی ڈالر) کے ملتوی شدہ محصول کے اثاثہ جات کی واپسی کا چارج شامل ہے ۔

سال 2017 کے مقابلے میں انتظامی لاگت میں 3.7 فیصد کمی ہوئی باوجود ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں 33 فیصد کمی ہوئی اور افراط زر 8 میں فیصد کا اضافہ ہوا۔

خطرے کے انتظام کی محتاط پالیسیاں جاری رہیں اور انہوں نے مثبت نتائج دیئے، جس کے نتیجے میں اثاثہ جات کے معیار مزید بہتر ہوئے۔ سال کے دوران آپ کی کمپنی نے کامیابی سے مختص شدہ کھاتے سے 332 ملین روپے (2.4 ملین امریکی ڈالر) واپس کئے۔ ناکارکردگی دکھانے والے کل قرضہ جات اور سرمایہ کاری ("NPLIs") اور NPLI کے تناسب کم ہو کر بالترتیب 1,391 ملین روپے (10.02 ملین امریکی ڈالر) {2017: 1,729 ملین روپے (12.45 ملین امریکی ڈالر)} اور 5.4 فیصد ہو گئے (2017: 7.1 فیصد)۔ اجتماعی (cumulative) بنیاد پر NPLIs گذشتہ چار سالوں میں 42 فیصد کم ہوئے جو 31 دسمبر 2015 کو 2.4 ارب روپے تھے ۔

ایڈوانسز کا پورٹ فولیو مزید بہتر ہوااور ایڈوانسز کی مالیت بڑھ کر 20.5ارب روپے(147.5 ملین امریکی ڈالر) ہو گئ اس کے مقابلے میں 2017میں 18.8 ارب روپے(135.3 ملین امریکی ڈالر) تھی جو 2017 کے مقابلے میں 9 فیصد اضافہ دکھارہی ہے۔

سودی نرخ کے بڑھتے ہوئے پس منظر کے نتیجے میں، آپکی کمپنی اپنے اثاثہ جات کے پورٹ فولیو میں ردوبدل کر چکا ہےاور سودی نرخ کے خطرہ کو کم کرنے کے لیے گورنمنٹ کے تمسکات میں سرمایہ کاری کم کردی ہے۔ نتیجتاً2017 کے مقابلے میں سرمایہ کاری 29 فیصد کم ہوئی۔

معیشت کے مسائل کے نتیجے میں، حصص کی منڈی نے اپنی سمت کے حوالے سے زود پذیری(volatility)اور غیر یقینی دیکھی۔اس کے نتیجے میں، سال کے دوران آپکی کمپنی حصص کی منڈی سے نکل چکی ہے۔

اچھی منصوبہ بندی اور عملدرآمد کی حکمت عملی کی وجہ سے آپکی کمپنی کے ڈپازٹس 9ارب روپے ہوگئے،اور کمپنی اپنے ہم عصر کمپنیوں میں زیادہ ترین ڈپازٹس پورٹ فولیو رکھنے والی کمپنوں میں سے ایک ہے۔ زیر جائزہ مدت میں ریٹیل ڈپازٹس بڑھ کر 1.2 ارب روپے(8.9 ملین امریکی ڈالر)اس کے مقابلے میں 2017میں یہ 0.91ارب روپے(6.5 ملین امریکی ڈالر) تھی۔

کمپنی کے کل اثاثہ جات کم ہو کر 58ارب روپے(418.5 ملین امریکی ڈالر) ہوگئے اس کے مقابلے میں 31دسمبر 2017 کو ان کی مالیت 65ارب روپے(465.7 ملین امریکی ڈالر) تھی۔ کل اثاثہ جات میں یہ کمی بڑھتے ہوئے سودی شرح کے پس منظر میں اثاثہ جات کے دوبارہ مجموعہ کے عمل کا نتیجہ ہے۔

31دسمبر 2018پر آپکی کمپنی کا کیپیٹل کی موزونیت کا تناسب (CAR) 17.29 فیصد پر رہااور SBP کی ضرورت کو پورا کیا، جبکہ انضمام شدہ CAR 16.27 فیصد پر رہاجو کمپنی کی بہتر کیپیٹلائزڈ پوزیشن کو ظاہر کرتا ہے۔

مختص

بورڈ آف ڈائریکٹرز نے مندرجہ ذیل رقوم مختص کیں ہیں؛

	برائے سال 2018	
	ملین پاکستانی روپے	ملین امریکی ڈالر
دستوری ذخائر کی مد میں	92.9	0.67
کیش ڈیویڈینڈ @ 0.70 روپیہ فی حصص	430.5	3.10

اکاؤنٹنگ پالیسی میں تبدیلی

اسٹیٹ بینک آف پاکستان نے 31 دسمبر 2018 کو ختم ہونے والے سال کے لئے بینکوں/ڈی ایف آئی کے مالی بیانات کی شکل میں نظر ثانی کی۔ اس نظر ثانی کے لئے اکاؤنٹنگ پالیسی میں تبدیلی کی ضرورت ہے۔ اثاثوں کی مالیت میں (خسارہ)/اضافہ جواب ایکوئٹی کے حصے کے طور پر دکھایا جائے گا۔ پہلے ایکوئٹی کے نیچے دکھایا گیا تھا۔

کریڈٹ ریٹنگ

آپ کی کمپنی کو JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ کی جانب سے نے کمپنی کی درمیانی تا طویل المدتی درجہ بندی +AA (ڈبل اے پلس) اور قلیل المدتی ریٹنگ +A1 (اے ون پلس) دی جاچکی ہے۔

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

کارپوریٹ گورننس کی ریٹنگ

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ کی جانب سے کمپنی کو ادارے کی کارپوریٹ گورننس کی ریٹنگ سی جی آر-9 تفویض کی جاچکی ہے۔

مختص شدہ ریٹنگ اعلیٰ معیار کی کارپوریٹ گورننس کی نشاندہی کرتی ہے جو کمپنی میں کام کرنے کے بہترین طور طریقے استعمال کرنے کا نتیجہ ہے۔

بینک دولت پاکستان کی پرائمری ڈیلر شپ

حکومتی بانڈز کی پرائمری اور ثانوی مارکیٹ کی ترقی/ترویج میں پاک عُمان کے کردار کو سراہتے ہوئے بینک دولت پاکستان نے پاک عُمان کو سال 2018-2019 کے لیے دوبارہ بطور پرائمری ڈیلر منتخب کرچکا ہے۔

پاک عُمان مائکرو فنانس بینک

پاک عُمان مائکرو فنانس بینک لمیٹڈ (POMFBL) ایک ملکی سطح کا مائکرو فنانس بینک ہے جو پاکستان کے چاروں صوبوں 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 مائکرو فنانس بینک کی کارکردگی کے خاص خاص نکات درج ذیل ہیں؛

	2018	2017
شاخیں	23	19
خدمات کے مرکز	26	14
آغاز سے قرض خواہ کی تعداد	154,938	120,866
سال میں قرض خواہ کی تعداد	34,072	20,702
آغاز سے قرضوں کی فراہمی	5,383,264,000روپے	3,717,010,000روپے
سال میں قرضوں کی فراہمی	1,666,254,000روپے	930,072,000روپے
سال میں قرضوں کی اوسط حجم	49,000روپے	45,000روپے
کل قرضہ جات	1,208,640,993روپے	688,126,566روپے
ڈپازٹس	6,784,301روپے	9,033,264روپے
منافع قبل از محصول	100,572,854روپے	43,743,657روپے
منافع بعد از محصول	60,227,711روپے	29,561,612روپے
آمدنی فی حصص	0.261روپے	0.171روپے

جیسا کہ گذشتہ سال بیان کیا تھا ، نئے حصص کندہ کی شمولیت کے بعد پاک عُمان مائکرو فنانس بینک لمیٹڈ درست سمت میں اپنے سفر کا آغاز کر چکا ہے۔ آگے بڑھتے ہوئے پاک عُمان مائکرو فنانس بینک لمیٹڈ کی کارکردگی مزید بہتر ہو گی۔

پاک عمان اسیٹ مینجمنٹ کمپنی لمیٹڈ

مایوس کن سرمایہ کاری کے ماحول کے باوجود، پاک اومان اسیٹ مینجمنٹ کمپنی لمیٹڈ (POAMCL) اس قابل تھی کہ مثبت نتائج دے سکے۔ 31 دسمبر 2018 پر POAMCL کے زیر انتظام اثاثہ جات (AUMs) 5.1 ارب روپے رہے۔ کمپنی کی موجودگی ملک بھر میں ہے اور اس کے ریٹیل دفاتر کراچی، لاہور اور اسلام آباد میں ہیں۔ انضمام کے کا طریق عمل (process) اور انسانی وسائل کو زیادہ مؤثر بنانے، شعبہ جاتی ڈھانچہ نظام اور کام کرنے کے طریقے مکمل ہو چکے ہیں۔ آگے ہم اپنے حصص کنندگان کے لیے بلند تر منافع کی توقع کر رہے ہیں

خطرے سے نپٹنے کا انتظامی ڈھانچہ

خطرے سے نپٹنے اور اس کا اندازہ/ کمی کرنے کی ذمہ داری بورڈ آف ڈائریکٹرز سے ہوتی ہوئی انتظامیہ کی ہوتی ہے۔ پاک اومان کا خطرے سے نپٹنے کا انتظامی ڈھانچہ کمپنی میں خطرات کی شناخت، تخمینہ اور اس کی نگرانی کے اصولوں کا ڈھانچہ فراہم کرتا ہے۔ یہ اصول سخت ہیں وہ کمپنی کے تمام آپریشن کے سلسلے میں بدلتے ہوئے خطرات کی ضروریات کے مطابق بدلنے کی صلاحیت رکھتا ہے اور تمام کمپنی کے آپریشنز ہیں معلومات کی بنیاد پر بہتر فیصلہ کرنے کے لیے ایجادی (innovative)، فعال (proactive) اور معاون ہے ۔ کمپنی، بینک دولت پاکستان کے باسل (BASEL) سے متعلق رہنما ہدایات اور رسک مینجمنٹ کی مکمل پاسداری کرتی ہے۔

اندرونی نگرانی کا نظام

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

سبز بینکاری

بورڈ 18 اگست 2018 کو POICL کی سبز بینکاری کی پالیسی کی منظوری دے چکا ہے۔ یہ پالیسی SBP (IH&SMEFD) کے 9 اکتوبر 2017 کے جاری کردہ مراسلہ (نمبر 8) "سبز بینکاری پالیسی کے رہنما اصول" کی تعمیل میں تیار کی گئی ہے۔ اکتوبر 2018 سے سبز بینکاری کے قوائد کو کمپنی میں مکمل طور پر نافذ کیا جاچکا ہے

POICL کی نوعیت، دائرہ کار اور سائز کو مد نظر رکھتے ہوئے مذکورہ پالیسی اور اس کے کام کرنے کے طریقہ کار کی توجہ کے محور درج ذیل پہلو ہیں:

i. نظم وضبط

ii. کریڈٹ رسک مینجمنٹ میں ماحولیاتی خطرات

iii. کمپنی میں ماحولیاتی انتظام

iv. قیمت اور ہر فریق کی حد کی تخصیص

v. نگرانی اور کنٹرول

vi. گاہکوں کی آگاہی کرنا

POICL میں اس وقت سبز بینکاری اپنے ابتدائی مراحل میں ہے، تاہم انتظامیہ کی جانب سے اس کے ڈھانچے کے نفاذ کے عزم اور کوششیں جاری ہیں۔ اس سلسلے میں کمپنی میں کمپلیانسکے شعبے میں سبز بینکاری افسر کو متعین کیا جاچکا ہے۔ POICL کے خطرے کے انتظامی فنکشن میں ایک وسائل مختص ہیں تاکہ ان رہنما اصولوں پر ان کی روح کے مطابق عملدرآمد کیا جاسکے۔ ہر منصوبے/قرضے کی تجویز کا جائزہ POICL کی سبز بینکاری کے عملی طریقوں کے مطابق جائزہ لیا جاتا ہے۔

مزید یہ کہ کمپنی نے اپنی بہترین کوششوں سے تمام دستیاب وسائل اور ضروری اقدامات کے نفاذ سے کمپنی میں کاربن کی موجودگی کو کم کیا ہے اور سبز/توانائی کے تحفظ کے تصور کی آگاہی کو گاہکوں تک پھیلایا ہے

مندرجہ بالا ثابت کرنے کے لئے پاک عُمان گرین بینکنگ پورٹ فولیو مندرجہ ذیل پر مشتمل ہے :

کل	غیر فنڈ کیا گیا	فنڈ کیا گیا	ذریعہ/قسم	گاہک
روپے ملین میں				
416.199	217.019	199.179	شمسی توانائی	ہڑپہ شمسی پلانٹ
231.581	-	231.581	گنے کا پھوک	فاطمہ انرجی لمیٹڈ

کارپوریٹ گورننس اور مالیاتی رپورٹنگ

ڈائریکٹرز اعلان کرتے ہیں کہ ؛

- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اسکے معاملات کی حالت ، عملی امور کے نتائج، کیش فلو اور ملکیت میں تبدیلی بہتر طور پر پیش کرتے ہیں۔
- کمپنی نے موزوں کھاتوں کی کتابیں قائم رکھی ہوئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب 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 عملدر آمد سے کوئی غیر معمولی انحراف نہیں کیا گیا ہے۔
- بورڈ اور ذیلی کمیٹیوں کے منعقدہ اجلاس اور ہر ڈائریکٹر کی حاضری

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

* رکن نہیں ہیں

سال کے دوران سلطنت عُمان کی حکومت نے جناب هيثم يوسف جمعة الزدجالي ڈائریکٹر ڈیویلپمنٹ، لون اور BSMP پروجیکٹ مینجر وزارت مالیات کو پاک عُمان انویسٹمنٹ کمپنی لمیٹڈ میں جناب حمد سلوم مبارک العذوبی کی جگہ ڈائریکٹر نامزد کیا ہے۔

پراویڈینٹ اور گریجویٹی فنڈز کی سرمایہ کاری کا اسٹیٹمنٹ

31دسمبر 2018 تک پراویڈینٹ اور گریجویٹی فنڈز کے غیر تصدیق شدہ گوشواروں کے مطابق سرمایہ کاری کی تفصیل بالترتیب 190 ملین اور 156 ملین پاکستانی روپے رہی۔

محاسب

موجودہ محاسب میسرز کے پی ایم جی تاسیر ہادی اینڈ کمپنی ،چارٹرڈ اکاؤنٹینٹ کی مدت کوڈ اوف کارپوریٹ گورننس کے مطابق ختم ہو گئ ہے۔ بورڈ آف ڈائریکٹرز آڈٹ کمیٹی کی تجویز پر میسرز فورڈ روڈس اینڈ کمپنی،چارٹرڈ اکاؤنٹینٹ کو کمپنی کا محاسب برائے ختم ہونے والے سال 31 دسمبر 2019 کے لیے 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	**یحییٰ بن سعید بن عبداللہ الجابری**
مینجنگ ڈائریکٹر اور چیف ایگزیکیوٹیو	چیئرمین

کراچی، 7 مارچ 2019

Pak Oman Investment Company Limited
Six Years Financial Summary

					Rupees in '000	
	2018	2017	2016	2015	2014	2013
December 31						
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Cash and balances with treasury and other banks	2,398,193	2,182,200	1,759,805	1,680,681	369,085	284,645
Lendings to financial institutions	5,434,296	2,038,288	935,826	362,824	614,177	1,206,521
Investments	28,433,357	40,240,634	20,831,182	14,073,356	12,179,521	7,629,301
Advances	20,480,702	18,788,493	14,834,851	9,993,263	9,070,314	7,493,690
Fixed assets	95,732	80,994	83,897	82,201	68,364	50,451
Intangibles	437	907	1,366	115	305	635
Other assets	1,267,755	1,337,874	1,359,428	1,002,189	1,063,857	1,062,467
Total assets	**58,110,472**	**64,669,390**	**39,806,355**	**27,194,629**	**23,365,623**	**17,727,710**
LIABILITIES						
Borrowings	39,961,645	44,607,690	25,150,898	14,479,440	8,868,730	5,721,831
Deposits and other accounts	9,010,490	10,501,149	5,342,975	4,009,860	6,295,986	4,433,848
Other liabilities	995,399	1,437,194	851,284	540,243	488,736	371,186
Total Liabilities	**49,967,534**	**56,546,033**	**31,345,157**	**19,029,543**	**15,653,452**	**10,526,865**
NET ASSETS	**8,142,938**	**8,123,357**	**8,461,198**	**8,165,086**	**7,712,171**	**7,200,845**
REPRESENTED BY						
Share capital	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000	6,150,000
Reserves	1,164,643	1,071,761	984,427	843,304	722,810	646,091
Surplus / (defict) on revaluation of assets	39,425	63,540	354,446	394,883	293,446	(83,358)
Unappropriated profit	788,870	838,056	972,325	776,899	545,915	488,112
	8,142,938	**8,123,357**	**8,461,198**	**8,165,086**	**7,712,171**	**7,200,845**
PROFITABILITY						
Mark-up/Return/Interest earned	3,550,116	3,955,607	2,287,972	2,242,063	2,117,169	1,564,799
Mark-up/Return/Interest expensed	(2,710,409)	(3,099,597)	(1,436,373)	(1,356,296)	(1,360,752)	(892,690)
Net mark-up/interest income	839,707	856,010	851,599	885,767	756,417	672,109
Fee, commission and brokerage income	60,348	61,204	60,302	39,488	29,699	9,900
Capital gain & dividend income	80,355	277,563	762,621	750,484	371,072	270,560
Other income	20,861	1,670	4,750	-	1,903	1,039
Total non markup/interest income	161,564	340,437	827,673	789,972	402,674	281,499
Gross Income	1,001,271	1,196,447	1,679,272	1,675,739	1,159,091	953,608
Operating expenses and other charges	(584,028)	(620,227)	(647,335)	(504,340)	(392,775)	(339,705)
Profit before provisions	**417,243**	**576,220**	**1,031,937**	**1,171,399**	**766,316**	**613,903**
Reversals / (Provisions)	332,101	168,313	(6,648)	(196,135)	(221,033)	(126,139)
Profit before taxation	**749,344**	**744,533**	**1,025,289**	**975,264**	**545,283**	**487,764**
Taxation	(284,934)	(307,865)	(319,675)	(372,793)	(161,690)	(112,224)
Profit after taxation	**464,410**	**436,668**	**705,614**	**602,471**	**383,593**	**375,540**
CASH FLOW STATEMENT - SUMMARY						
Cash flow from operating activities	(10,063,973)	288,299	4,624,456	3,080,661	4,768,958	(1,839,497)
Cash flow from investing activities	10,710,960	626,527	(4,176,030)	(1,549,550)	(4,684,421)	2,390,954
Cash flow from financing activities	(430,994)	(492,431)	(369,302)	(244,515)	(251,097)	(250,971)
Cash and cash equivalents at the beginning of the year	2,182,200	1,759,805	1,680,681	394,085	560,645	260,159
* Cash and cash equivalents at the end of the year	2,398,193	2,182,200	1,759,805	1,680,681	394,085	560,645
Financial Ratios						
Return on Equity	5.7%	5.3%	8.5%	7.6%	5.1%	5.2%
Return on Assets	0.8%	0.8%	2.1%	2.4%	1.9%	2.1%
Profit before tax ratio	74.8%	62.2%	61.1%	58.2%	47.0%	51.1%
Gross spread ratio	23.7%	21.6%	37.2%	39.5%	35.7%	43.0%
Total Assets to shareholders' fund	7.14	7.96	4.70	3.33	3.03	2.46
Weighted average cost of debt	6.88%	5.87%	6.18%	7.54%	9.91%	9.38%
Capital adequacy ratio (CAR)	17.29%	21.45%	28.34%	35.62%	31.17%	36.60%
Share Information						
Cash dividend per share	7%	7%	8%	6%	4%	4%
Basic and diluted earnings per share	0.76	0.71	1.15	0.98	0.62	0.61
Breakup value per shares	13.24	13.21	13.76	13.28	12.54	11.71

* 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.

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

We have reviewed the enclosed Statement of Compliance with the best practices of Corporate Governance (the Code) prepared by the Board of Directors of Pak Oman Investment Company Limited ('the Company') for the year ended 31 December 2018. The code is no longer applicable on Development Finance 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 Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2018.

KPMG Taseer Hadi & Co.

Date: 7 March 2019

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

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

For the Year Ended December 31, 2018

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. Noor Ahmed

   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, 2018. Mr. Haitham Yousuf Juma Al Zadjali was appointed in place of Mr. Hamed Sloom Mubarak Al Athobi.

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 three 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. Noor Ahmed – Member
Executive Committee	H.E. Yahya Bin Said Bin Abdullah Al-Jabri - Chairman Mr. M. Zubair Motiwala– Member H.H. Juland Jaifar Salim Al Said – Member Mr. Noor Ahmed – Member Mr. Bahauddin Khan – Member
Remuneration & Compensation Committee	H.E. Yahya Bin Said Bin Abdullah Al-Jabri - Chairman Mr. M. Zubair Motiwala – Member H.H. Juland Jaifar Salim Al Said – 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 packages of Executive Director has been set in place.

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

22. The Audit Committee has met at least once every quarter of the financial year ended December 31, 2018. These meetings were held prior to the approval of interim results by the Board of Directors. The Chief Executive and Chairman of the Board are not members of the Audit Committee.

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

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

25. The Company has complied with all the corporate and financial reporting requirements of applicable clauses of the Code

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

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

Yahya Bin Said Bin Abdullah Al-Jabri
Chairman
Karachi: March 07, 2019

Bahauddin Khan
Managing Director & Chief Executive Officer

STATEMENT OF INTERNAL CONTROLS

For the year ended December 31, 2018

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, 2017 to SBP. Deficiencies identified in LFR 2017 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	**Sajjad Arif**	**S. Abdullah Jamal Ahmed**
Chief Financial Officer	Chief Compliance Officer	Chief Internal Auditor

Karachi: March 07, 2019

KPMG

KPMG Taseer Hadi & Co.

Pak Oman Investment Company Limited

Unconsolidated Financial Statements

For the year ended 31 December 2018

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITOR'S REPORT

To the Members of Pak Oman Investment Company Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **Pak Oman Investment Company Limited** ("the Company"), which comprise the unconsolidated statement of financial position as at 31 December 2018, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, notes to the unconsolidated 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 unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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 2018 and of the profit and 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 Unconsolidated 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 Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the Company's Annual Report for the year ended 31 December 2018, but does not include the unconsolidated financial statements and our auditor's report thereon.

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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.

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

Management is responsible for the preparation and fair presentation of the unconsolidated 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 unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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.

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

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

KPMG

KPMG Taseer Hadi & Co.

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.

Report on Other Legal and Regulatory Requirements

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

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

Other Matter

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

KPMG Taseer Hadi & Co.

Date: 7 March 2019

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Pak Oman Investment Company Limited
Unconsolidated Statement of Financial Position
As at 31 December 2018

31 December 2018	31 December 2017		Note	31 December 2018	31 December 2017
(US Dollar in '000)				(Rupees in '000)	
		ASSETS			
883	1,240	Cash and balances with treasury banks	5	122,604	172,121
16,387	14,475	Balances with other banks	6	2,275,589	2,010,079
39,135	14,679	Lendings to financial institutions	7	5,434,296	2,038,288
204,760	289,789	Investments	8	28,433,357	40,240,634
147,490	135,303	Advances	9	20,480,702	18,788,493
689	583	Fixed assets	10	95,732	80,994
3	7	Intangible assets	11	437	907
3,165	4,019	Deferred tax assets	12	439,439	558,070
5,965	5,616	Other assets	13	828,316	779,804
418,477	465,711			58,110,472	64,669,390
		LIABILITIES			
-	-	Bills payable		-	-
287,780	321,238	Borrowings	14	39,961,645	44,607,690
64,888	75,623	Deposits and other accounts	15	9,010,490	10,501,149
7	10	Liabilities against assets subject to finance lease	16	992	1,346
-	-	Subordinated debt		-	-
-	-	Deferred tax liabilities		-	-
7,161	10,340	Other liabilities	17	994,407	1,435,848
359,836	407,211			49,967,534	56,546,033
58,641	58,500	**NET ASSETS**		8,142,938	8,123,357
		REPRESENTED BY			
44,289	44,289	Share capital	18	6,150,000	6,150,000
8,387	7,718	Reserves	19	1,164,643	1,071,761
284	458	Surplus on revaluation of assets	20	39,425	63,540
5,681	6,035	Unappropriated profit		788,870	838,056
58,641	58,500			8,142,938	8,123,357
		CONTINGENCIES AND COMMITMENTS	21		

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

Chief Financial Officer

Managing Director and Chief Executive

Managing Director and Chief Executive

Chairman

Pak Oman Investment Company Limited

Unconsolidated Statement of Profit and Loss Account

For the year ended 31 December 2018

2018	2017		Note	2018	2017
(US Dollar in '000)				(Rupees in '000)	
25,566	28,486	Mark-up / Return / Interest Earned	22	3,550,116	3,955,607
19,519	22,321	Mark-up / Return / Interest Expensed	23	2,710,409	3,099,597
6,047	6,165	**Net mark-up / interest income**		839,707	856,010
		NON MARK-UP / INTEREST INCOME			
435	441	Fee and commission income	24	60,348	61,204
387	680	Dividend income		53,744	94,429
-	-	Foreign exchange income		-	-
-	-	Income / (loss) from derivatives		-	-
192	1,319	Gain on securities	25	26,611	183,134
150	12	Other income	26	20,861	1,670
1,164	2,452	Total non mark-up / interest income		161,564	340,437
7,211	8,617	**Total Income**		1,001,271	1,196,447
		NON MARK-UP / INTEREST EXPENSES			
3,976	4,128	Operating expenses	27	552,165	573,254
61	141	Workers Welfare Fund		8,479	19,550
168	197	Other charges	28	23,384	27,423
4,205	4,466	Total non mark-up / interest expenses		584,028	620,227
3,006	4,151	**Profit Before Provisions**		417,243	576,220
2,392	1,212	Reversals / (provisions) and write offs - net	29	332,101	168,313
-	-	Extra ordinary / unusual items		-	-
5,398	5,363	**PROFIT BEFORE TAXATION**		749,344	744,533
(2,052)	(2,217)	Taxation	30	(284,934)	(307,865)
3,346	3,146	**PROFIT AFTER TAXATION**		464,410	436,668
(US $)				(Rupees)	
0.0054	0.0051	**Basic and diluted earnings per share**	31	0.76	0.71

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

Chief Financial Officer

Managing Director and Chief Executive

Managing Director and Chief Executive

Chairman

Pak Oman Investment Company Limited
Unconsolidated Statement of Comprehensive Income
For the year ended 31 December 2018

2018	2017		2018	2017
(US Dollar in '000)			(Rupees in '000)	
3,346	3,146	**Profit after taxation for the year**	**464,410**	436,668
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
(113)	(2,074)	Movements in deficit on revaluation of investments - net of tax	**(15,662)**	(287,940)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
50	39	Remeasurement gain on defined benefit obligations - net of tax	**6,984**	5,431
(61)	(21)	Movement in deficit on revaluation of non-banking assets- net of tax	**(8,453)**	(2,966)
(11)	18		**(1,469)**	2,465
3,222	1,090	**Total comprehensive income**	**447,279**	151,193

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

Chief Financial Officer

Managing Director and Chief Executive

Managing Director and Chief Executive

Chairman

Pak Oman Investment Company Limited
Unconsolidated Cash Flow Statement
For the year ended 31 December 2018

2018 (US Dollar in '000)	2017 (US Dollar in '000)		Note	2018 (Rupees in '000)	2017 (Rupees in '000)
		CASH FLOW FROM OPERATING ACTIVITIES			
5,398	5,363	Profit before taxation		749,344	744,533
(387)	(680)	Less: Dividend income		(53,744)	(94,429)
5,011	4,683			695,600	650,104
		Adjustments:			
316	346	Depreciation		43,877	48,047
3	4	Amortization		470	498
(2,392)	(1,212)	(Reversals) / provisions and write offs - net	29	(332,101)	(168,313)
(25)	(12)	Gain on sale of fixed assets		(3,480)	(1,670)
1	1	Finance charges on leased assets		140	106
(1)	(11)	Unrealised gain on revaluation of investments classified as held-for-trading		(70)	(1,512)
(2,098)	(884)			(291,164)	(122,844)
2,913	3,799			404,436	527,260
		(Increase) / Decrease in operating assets			
(24,456)	(7,939)	Lendings to financial institutions		(3,396,008)	(1,102,462)
8,134	(146,740)	Held-for-trading securities		1,129,543	(20,376,629)
(10,065)	(27,130)	Advances		(1,397,641)	(3,767,299)
(559)	65	Other assets (excluding advance taxation)		(77,774)	9,078
(26,946)	(181,744)			(3,741,880)	(25,237,312)
		Increase / (decrease) in operating liabilities			
-	-	Bills payable		-	-
(33,458)	140,116	Borrowings		(4,646,045)	19,456,792
(10,735)	37,146	Deposits		(1,490,659)	5,158,174
(3,037)	3,874	Other liabilities (excluding current taxation)		(421,673)	538,266
(47,230)	181,136			(6,558,377)	25,153,232
(71,263)	3,191			(9,895,821)	443,180
(1,211)	(1,115)	Income tax paid		(168,152)	(154,881)
(72,474)	2,076	**Net cash flow (used in) / from operating activities**		(10,063,973)	288,299
		CASH FLOW FROM INVESTING ACTIVITIES			
77,006	3,980	Net investments in available-for-sale securities		10,693,261	552,685
-	-	Net investments in held-to-maturity securities		-	-
387	695	Dividend received		53,744	96,457
(311)	(191)	Investments in operating fixed assets		(43,171)	(26,543)
51	28	Proceeds from sale of fixed assets		7,126	3,928
77,133	4,512	**Net cash flow from investing activities**		10,710,960	626,527
		CASH FLOW FROM FINANCING ACTIVITIES			
(4)	(3)	Payments of lease obligations		(494)	(431)
(3,100)	(3,543)	Dividend paid		(430,500)	(492,000)
(3,104)	(3,546)	**Net cash flow used in financing activities**		(430,994)	(492,431)
1,555	3,042	**Increase in cash and cash equivalents**		215,993	422,395
15,715	12,673	Cash and cash equivalents at beginning of the year	32	2,182,200	1,759,805
17,270	16,715	**Cash and cash equivalents at end of the year**	32	2,398,193	2,182,200

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

Chief Financial Officer

Managing Director and Chief Executive

Managing Director and Chief Executive

Chairman

Pak Oman Investment Company Limited

Unconsolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital	(Reserves)		Surplus / (deficit) on revaluation of		Unappropriated profit	Total
		Statutory reserve	General reserve	Investments	Non-banking assets		
	(Rupees in '000)						
Balance as at 01 January 2017	6,150,000	972,797	11,630	296,100	58,346	972,325	8,461,198
Total comprehensive income							
Profit after taxation	-	-	-	-	-	436,668	436,668
Other comprehensive loss - net of tax	-	-	-	(287,940)	(2,966)	5,431	(285,475)
Total comprehensive income for the year ended 31 December 2017	-	-	-	(287,940)	(2,966)	442,099	151,193
Transfer to statutory reserve	-	87,334	-	-	-	(87,334)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	2,966	2,966
Transaction with owners recorded directly in equity							
Final cash dividend - 31 December 2018 declared subsequent to the year end (Rs. 0.8 per share)	-	-	-	-	-	(492,000)	(492,000)
Balance as at 31 December 2017	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**

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

Chief Financial Officer

Managing Director and Chief Executive

Managing Director and Chief Executive

Chairman

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 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 2018.

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.

2.2 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. 138.8619 to 1 US Dollar has been used for 2018 and 2017 as it was the prevalent rate as on 31 December 2018.

2.3 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;
- 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.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 01 January 2018 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these unconsolidated financial statements.

State Bank of Pakistan prescribed a new format for financial statements of Banks / DFIs effective from the year ended 31 December 2018. Accordingly, these financial statements are prepared in accordance with the new format. The changes impacting (other than certain presentation changes) these unconsolidated financial statements include:

- Inclusion of surplus / deficit on revaluation of assets as part of equity (previously shown below equity).
- Other reversal of provisions / write offs have now been combined under provisions & write off - net (note 29).

In addition, Companies Act, 2017 also became effective for the financial statements for the year ended 31 December 2018. As the Company's unconsolidated financial statements are prepared in accordance with the format prescribed by SBP, it did not have a direct impact on these unconsolidated financial statements except that for disclosure of related parties transactions, as required by fifth schedule of Companies Act, 2017 the definition of related parties as given in IAS 24 - Related parties has been

Standards, interpretations of and amendments to published accounting and reporting 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 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's unconsolidated financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including 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'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company has carried out an impact assessment as at 31 December 2017 which has been submitted to State Bank of Pakistan. However, this assessment has not been updated to 31 December 2018 pending notification as to date the standard is applicable for Banks / DFI.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's unconsolidated financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the year; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's unconsolidated financial statements.

- 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 1 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 unconsolidated financial statements.

- 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 1 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 judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

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

  - IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangement' - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A Company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  - IAS 12 'Income Taxes' - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

  - IAS 23 'Borrowing Costs' - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's unconsolidated financial statements.

2.5 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 32. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

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

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

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

The Company, in the ordinary course of business, issues guarantees. The commission against such contracts is recognised in the profit and loss account under 'fees 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 4.1:

4.1 SBP revised the format for presentation of Banks / DFIs financial statements for the year ended 31 December 2018. This requires a change in accounting policy for (deficit) / surplus on revaluation of assets which is now required to be shown as part of equity (note 4.4, 4.22 and 20). Previously, it was shown below the equity.

4.2 Cash and cash equivalents

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

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4.3 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.

4.4 Investments

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

Held-for-trading
These are investments which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements. 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.

4.5 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.

4.6 Advances and net investment in finance lease

4.6.1 Advances

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

4.6.2 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.

4.6.3 Net investment in lease

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

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

4.7 Fixed assets

4.7.1 Property and equipment – owned

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to 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.

4.7.2 Property and equipment - leased

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

4.7.3 Capital work-in-progress

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

4.7.4 Intangible assets

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

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

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 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.

4.9 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 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 2018.

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 2018.

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	2018	2017
		(Rupees in '000)	
In hand			
local currency		**297**	320
foreign currency		**198**	158
		495	478
With State Bank of Pakistan in			
Local currency current account	5.1	**121,861**	169,408
With National Bank of Pakistan in			
Local currency current account		**248**	2,235
		122,604	172,121

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

	Note	2018	2017
		(Rupees in '000)	
In Pakistan:			
In current accounts		**17,776**	4,111
In deposit accounts	6.1	**2,257,310**	2,005,642
		2,275,086	2,009,753
Outside Pakistan:			
In current accounts		**503**	326
		2,275,589	2,010,079

6.1 These include term deposit receipts (TDRs) of Rs. 2,250 million (2017: Rs. 2,000 million) maturing between January 2019 to March 2019 (2017: January 2018 to June 2018). These carry mark-up rates ranging from 9.35% to 12% (2017: 6.75% to 9%) per annum.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2018	2017
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	7.1	**5,434,296**	2,038,288

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 9.95% to 10.45% (2017: 5.70% to 6.25%) per annum and will mature in January 2019 (2017: January 2018).

7.2 Particulars of lendings

	2018	2017
	(Rupees in '000)	
In local currency	**5,434,296**	2,038,288

7.3 Securities held as collateral against Lending to financial institutions

		2018			2017		
	Note	**Held by the Company**	**Further Given as collateral**	**Total**	Held by the Company	Further Given as collateral	Total
		(Rupees in '000)					
Market Treasury Bills		**-**	**1,912,589**	**1,912,589**	-	1,328,288	1,328,288
Pakistan Investment Bonds		**46,000**	**3,475,707**	**3,521,707**	-	710,000	710,000
	7.3.1	**46,000**	**5,388,296**	**5,434,296**	-	2,038,288	2,038,288

7.3.1 Market value of these securities amount to Rs. 5,447 million (2017: Rs. 2,099 million).

8 INVESTMENTS

8.1 Investments by types

	2018				2017			
	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value	Cost / Amortised Cost	Provision for diminution	Surplus / (deficit)	Carrying Value
	(Rupees in '000)							
Held-for-trading securities								
Federal Government securities	22,528,724	-	(3,246)	22,525,478	23,853,698	-	(2,459)	23,851,239
Shares	-	-		-	4,409	-	9	4,418
Non-Government debt securities	199,840	-	866	200,706	-	-	-	-
	22,728,564	-	(2,380)	22,726,184	23,858,107	-	(2,450)	23,855,657
Available-for-sale securities								
Federal Government securities	1,405,393	-	(43,262)	1,362,131	11,672,330	-	(1,954)	11,670,376
Shares	347,333	(121,333)	-	226,000	493,140	(192,444)	-	300,696
Non-Government debt securities	3,237,772	(467,723)	32,843	2,802,892	3,589,400	(505,256)	13,611	3,097,755
	4,990,498	(589,056)	(10,419)	4,391,023	15,754,870	(697,700)	11,657	15,068,827
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	29,263,313	(817,157)	(12,799)	28,433,357	41,157,228	(925,801)	9,207	40,240,634

8.2 Investments by segments

	2018				2017			
	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	**4,439,651**	**-**	**(44,134)**	**4,395,517**	2,497,845	-	5	2,497,850
- Market treasury bills	**19,494,466**	**-**	**(2,374)**	**19,492,092**	33,028,183	-	(4,418)	33,023,765
	23,934,117	**-**	**(46,508)**	**23,887,609**	35,526,028	-	(4,413)	35,521,615
Shares								
- Listed companies	**-**	**-**	**-**	**-**	150,216	(71,111)	9	79,114
- Unlisted companies	**347,333**	**(121,333)**	**-**	**226,000**	347,333	(121,333)	-	226,000
	347,333	**(121,333)**	**-**	**226,000**	497,549	(192,444)	9	305,114
Non-Government debt securities								
- Term finance certificate - listed	**1,021,691**	**(185,226)**	**(2,245)**	**834,220**	1,244,127	(213,517)	7,085	1,037,695
- Term finance certificate - unlisted	**1,721,687**	**(121,452)**	**24,346**	**1,624,581**	1,431,708	(130,694)	(1,032)	1,299,982
- Sukuk certificates	**694,234**	**(161,045)**	**11,608**	**544,797**	866,086	(161,045)	7,558	712,599
- Commercial papers	**-**	**-**	**-**	**-**	47,479	-	-	47,479
	3,437,612	**(467,723)**	**33,709**	**3,003,598**	3,589,400	(505,256)	13,611	3,097,755
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	**29,263,313**	**(817,157)**	**(12,799)**	**28,433,357**	41,157,228	(925,801)	9,207	40,240,634

8.2.1 Investments given as collateral

	2018				2017			
	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	**3,827,167**	**-**	**(44,398)**	**3,782,769**	1,231,632	-	765	1,232,397
- Market treasury bills	**18,374,587**	**-**	**(2,253)**	**18,372,334**	30,254,571	-	(4,207)	30,250,364
	22,201,754	**-**	**(46,651)**	**22,155,103**	31,486,203	-	(3,442)	31,482,761
Shares								
- Listed companies	**-**	**-**	**-**	**-**	-	-	-	-
- 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	**22,498,480**	**(70,726)**	**(46,651)**	**22,381,103**	31,782,929	(70,726)	(3,442)	31,708,761

8.3 Provision for diminution in value of investments

	2018	2017
	(Rupees in '000)	
8.3.1 Opening balance	**925,801**	1,006,135
Charges / reversals		
Charge for the year	**-**	113,486
Reversals for the year	**(37,533)**	(95,456)
	(37,533)	18,030
Transfers - net	**(71,111)**	(98,364)
Amounts written off	**-**	-
Closing balance	**817,157**	925,801

8.3.2 Particulars of provision against debt securities

Category of classification	2018		2017	
	NPI	**Provision**	NPI	Provision
	----------	**(Rupees in '000)**	----------	----------
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	**488,172**	**467,723**	525,705	505,256
Total	**488,172**	**467,723**	525,705	505,256

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 2018	Cost 2017
		(Rupees in '000)	
Pakistan Investment Bonds	8.7	**1,405,393**	1,081,920
Market Treasury Bills	8.8	**-**	10,590,410
		1,405,393	11,672,330

Shares

Listed shares

	Cost 2018	Cost 2017
Chemical	-	46,435
Commercial Banks	-	99,372
	-	145,807

Unlisted Shares

	2018 Cost	2018 Break-up / carrying value	2017 Cost	2017 Break-up / carrying value
	(Rupees in '000)			
Alhamra Avenue (Private) Limited	**50,000**	**-**	50,000	50,000
Pakistan Textile City Limited (Note 8.6.2)	**50,000**	**-**	50,000	50,000
Techlogix International Limited	**21,333**	**-**	21,333	21,333
Orient Power Company (Private) Limited (Note 21.2)	**226,000**	**610,352**	226,000	562,331
	347,333	**610,352**	347,333	683,664

Non Government Debt Securities

	2018	2017
	Cost (Rupees in '000)	
Listed		
- AAA	**234,924**	349,213
- AA+, AA, AA-	**167,117**	246,532
- A+, A, A-	**384,573**	385,003
- BBB+, BBB, BBB-	**49,851**	49,862
	836,465	1,030,610
Unlisted		
- AA+, AA, AA-	**895,775**	956,134
- A+, A, A-	**1,017,360**	1,029,472
- CCC and below	**488,172**	525,705
- Unrated	**-**	47,479
	2,401,307	2,558,790
	3,237,772	3,589,400

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

	2018	2017	2018	2017	Holding	Break-up value per share / unit/NAV (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	30.98%	**47.51**	31-Dec-18**	Mr. Adeel Ahmad Khan
Pak Oman Advantage Asset Allocation Fund	**2,000,000**	2,000,000	**84,078**	84,078	88.66%	**46.70**	31-Dec-18**	Mr. Adeel Ahmad Khan
Pak Oman Advantage Islamic Income Fund	**3,269,170**	3,269,170	**165,025**	165,025	70.44%	**54.25**	31-Dec-18**	Mr. Adeel Ahmad Khan
Pak Oman Government Securities Fund	**23,660,643**	23,660,643	**249,000**	249,000	98.68%	**10.94**	31-Dec-18**	Mr. Adeel Ahmad Khan
Unquoted								
Pak Oman Microfinance Bank Limited	**38,470,788**	38,470,788	**384,708**	384,708	16.67%	**10.25**	31-Dec-18 *	Mr. Teizoon Kisat
			1,045,951	1,045,951				

**Published Net Asset Value
* Audited 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	255,291	315,833	108,309	265,895	11,856,868	2,489,548
Liabilities	3,826	9,077	2,957	3,589	17,673,828	123,211
Total income	21,806	(41,133)	(32,824)	19,278	-	508,188
Profit / (loss) before taxation	15,117	(52,048)	(38,465)	12,469	-	100,573
Profit / (loss) after taxation	15,117	(52,048)	(38,465)	12,469	-	60,228

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

8.6 Investments in Subsidiary

	2018	2017	2018	2017	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	**515,405,844**	515,405,844	**498,300**	498,300	96.96%	0.512	31-Dec-18	Mr. Adeel Ahmad Khan

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.

8.7 The investments in Pakistan investment bonds are maturing upto June 2028 (2017: July 2024) and the effective yield ranges from 6.80% to 11.08% (2017: 6.00 % to 8.25%) per annum.

8.8 Market treasury bills carry yield ranging 8.72% to 10.31% (2017: 5.93% to 6.01%) per annum with maturities upto February 2019 (2017: March 2018).

9 ADVANCES

	Note	Performing		Non-performing		Total	
		2018	2017	**2018**	2017	**2018**	2017
		(Rupees in '000)		**(Rupees in '000)**		**(Rupees in '000)**	
Loans, cash credits, running finances, etc.	9.1 & 9.3	**20,120,701**	18,390,094	**711,233**	964,378	**20,831,934**	19,354,472
Margin trading		**229,460**	309,281	**-**	-	**229,460**	309,281
Advances - Gross		**20,350,161**	18,699,375	**711,233**	964,378	**21,061,394**	19,663,753
Provision against advances							
Secific		**-**	-	**580,479**	875,047	**580,479**	875,047
General		**213**	213	**-**	-	**213**	213
	9.5	**213**	213	**580,479**	875,047	**580,692**	875,260
Advances - net of provision		**20,349,948**	18,699,162	**130,754**	89,331	**20,480,702**	18,788,493

9.1 Includes Net investment in Finance Lease

	2018			2017		
	Not later than	**Later than one**	**Total**	Not later than	Later than one	Total
	(Rupees in '000)					
Lease rentals receivable	**711,875**	**905,100**	**1,616,975**	740,694	691,342	1,432,036
Residual value	**216,398**	**158,497**	**374,895**	106,907	221,258	328,165
Minimum lease payments	**928,273**	**1,063,597**	**1,991,870**	847,601	912,600	1,760,201
Financial charges for future periods	**(117,511)**	**(107,816)**	**(225,327)**	(81,956)	(58,812)	(140,768)
Present value of minimum lease payments	**810,762**	**955,781**	**1,766,543**	765,645	853,788	1,619,433

9.1.1 In respect of the aforementioned finance leases the Company holds an aggregate sum of Rs. 356.216 million (2017: Rs. 291.874 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (note 17).

9.2 Particulars of advances (Gross)

	2018	2017
	(Rupees in '000)	
In local currency	**21,061,394**	19,663,753

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 (2017: 5) percent per annum, while no mark-up is charged on personal loans.

9.4 Advances include Rs. 711 million (2017: Rs 964 million) which have been placed under the non-performing status as detailed below:

Category of Classification	2018 Non Performing Loans	2018 Provision	2017 Non Performing Loans	2017 Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	-	-	-	
Substandard	26,912	-	-	-
Doubtful	182,820	90,000	209,246	130,938
Loss	501,501	490,479	755,132	744,109
	711,233	580,479	964,378	875,047

9.5 **Particulars of provision against advances**

	Note	2018 Specific	2018 General	2018 Total	2017 Specific	2017 General	2017 Total
		(Rupees in '000)					
Opening balance		875,047	213	875,260	1,065,205	73	1,065,278
Charge for the year		-	-	-	2,969	140	3,109
Reversals		(294,568)	-	(294,568)	(189,452)	-	(189,452)
		(294,568)	-	(294,568)	(186,483)	140	(186,343)
Amounts written off	9.7	-	-	-	(3,675)	-	(3,675)
Closing balance		580,479	213	580,692	875,047	213	875,260

9.5.1 **Particulars of provision against advances**

	2017 Specific	2017 General	2017 Total	2016 Specific	2016 General	2016 Total
	(Rupees in '000)					
In local currency	580,479	213	580,692	875,047	213	875,260
In foreign currencies	-	-	-	-	-	-
	580,479	213	580,692	875,047	213	875,260

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 and term finance certificates. As of 31 December 2018, the Company has availed total accumulated FSV benefit amounting to Rs. 4.3 million (net of tax Rs. 3.1 million). Accordingly, accumulated profit of Rs.3.1 million (net of transfer to statutory reserves Rs. 2.5 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	2018	2017
			(Rupees in '000)	
9.7	**Particulars of write offs**			
9.7.1	Against provisions		-	-
	Directly charged to profit and loss account		-	3,675
9.7.2	Write offs of Rs. 500,000 and above			
	- Domestic		-	3,675
	Write offs of below Rs 500,000		-	-
			-	3,675
10	**FIXED ASSETS**			
	Property and equipments	10.1	95,732	80,994

10.1 Property and Equipments

	2018							
	Office premises*	Improvements	Office equipments	Computer equipments	Furniture and fixtures	Vehicles	Assets subject to 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%**	

	2017							
	Office premises*	Improvements	Office equipments	Computer equipments	Furniture and fixtures	Vehicles	Assets subject to finance lease - Vehicle	Total
	(Rupees in '000)							
As at 01 January 2017								
Cost	42,126	18,677	11,503	22,815	13,908	80,460	1,972	191,461
Accumulated depreciation	(25,975)	(10,894)	(8,520)	(19,668)	(10,879)	(31,201)	(427)	(107,564)
Net book value	16,151	7,783	2,983	3,147	3,029	49,259	1,545	83,897
Year ended 31 December 2017								
Opening net book value	16,151	7,783	2,983	3,147	3,029	49,259	1,545	83,897
Additions		16,826	848	805	3,788	4,237	-	26,504
Disposals	-	-	(41)	-	(418)	(1,799)	-	(2,258)
Depreciation charge	(2,106)	(1,774)	(1,455)	(2,163)	(1,392)	(17,864)	(395)	(27,149)
Closing net book value	14,045	22,835	2,335	1,789	5,007	33,833	1,150	80,994
As at 31 December 2017								
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
Rate of depreciation (percentage)	5%	20%	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:

	2018	2017
	(Rupees in '000)	
Improvements	**2,656**	2,656
Office equipments	**6,160**	5,695
Computer equipments	**14,546**	10,237
Furniture and fixtures	**4,533**	4,545
Vehicles	**1,722**	2,693
	29,617	25,826

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**	**Accumulated depreciation**	**Net book value**	**Sale proceeds**	**Gain / (loss)**	**Mode of disposal**	**Particulars of purchaser**
	----------	----------	(Rupees in '000)	----------			
Vehicles							
Mercedes	13,400	13,400	-	-	-	As per Terms of Employment Contract	Mr. Bahauddin Khan (Chief executive officer)
Toyota Corolla	2,462	2,462	-	-	-	As per Terms of Employment Contract	Mr. Bahauddin Khan (Chief executive officer)
Honda Civic	2,388	2,388	-	478	478	Company policy	Mr. Jehangir Shah (Executive)
Honda Civic	2,035	1,425	610	1,043	433	Company policy	Mr. Zalmai Rahmanuddin Khan (Executive)
Toyota Corolla	1,551	1,551	-	310	310	Company policy	Syed Abdullah Jamal Ahmed Naqvi
Suzuki Cultus	1,010	1,010	-	202	202	Company policy	Mr. Muhammad Ali Bhai (Executive)
Suzuki Cultus	970	970	-	194	194	Company policy	Mr. Khalil Ahmed (Executive)
Suzuki Cultus	1,010	1,010	-	202	202	Company policy	S.M. Hasan Baqar Rizvi (Executive)
Toyota Corolla	1,049	839	210	876	666	Negotiations	M/s Cars Qilla
Suzuki Cultus	1,044	661	383	890	507	Negotiations	M/s Cars Qilla
Honda Civic	2,558	441	2,117	2,625	508	Negotiations	M/s Cars Qilla
	29,477	**26,157**	**3,320**	**6,820**	**3,500**		
Apple IPAD	88	88	-	-	-	Board Approval	Mr. Hamed Sloom Mubarak Al Athobi (Former Non-Executive Director)
Equipments	2,792	2,792	-	-	-	As per Terms of Employment Contract	Mr. Bahauddin Khan (Chief executive officer)
Furniture and fixture	650	650	-	-	-	As per Terms of Employment Contract	Mr. Bahauddin Khan (Chief executive officer)
Furniture and fixture	100	23	77	77	-	Company policy	Ms. Noor Muhammad Saheto (Former Executive)
Furniture and fixture	150	103	47	47	-	Company policy	Mr. Khuram Abbasi (Former Executive)
Furniture and fixture	150	23	127	127	-	Company policy	Syed Misbah Maqbool (Former Executive)
Furniture and fixture	223	223	-	-	-	Company policy	Noaman Abdul Majid (Executive)
Others	263	188	75	55	(20)		
	33,893	**30,247**	**3,646**	**7,126**	**3,480**		

11 INTANGIBLE ASSETS

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

	2017	
	Computer software	Total
As at 01 January 2017		
Cost	13,040	13,040
Accumulated amortisation and impairment	(11,674)	(11,674)
Net book value	1,366	1,366
Year ended 31 December 2017		
Opening net book value	1,366	1,366
Additions	39	39
Disposals	-	-
Amortisation charges	(498)	(498)
Closing net book value	907	907
As at 31 December 2017		
Cost	10,356	10,356
Accumulated amortisation and impairment	(9,449)	(9,449)
Net book value	907	907
Rate of amortisation - 2017	33%	33%

11.1 As at 31 December 2018, the gross carrying amount of fully amortised intangible assets still in use amounted to Rs. 8.947 million (2017: Rs. 8.947 million).

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12 DEFERRED TAX ASSETS

	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)**
Dividend receivable	**-**	**-**	**-**	**-**
	(17,138)	**2,464**	**4,521**	**(10,153)**
	558,070	**(129,566)**	**10,935**	**439,439**

	1 January 2017	Recognized in: Profit and loss account	Recognized in: Recognised in OCI	31 December 2017
	(Rupees in '000)			
Deductible Temporary Differences on				
Provision for diminution in the value of investments	248,833	(13,643)	-	235,190
Assets subject to finance leases	38	21	-	59
Amortisation of premium on Federal Government Securities	9,128	(5,406)	-	3,722
Provision against non-performing advances	319,583	(57,005)	-	262,578
Revaluation on investments classified as available-for-sale	(113,531)	-	110,034	(3,497)
Revaluation on investments classified as held-for-trading	1,066	(329)	-	737
Net Investment in finance leases	(3,350)	79,769	-	76,419
	461,767	3,407	110,034	575,208
Taxable Temporary Differences on				
Accelerated tax depreciation allowances	1,274	(1,286)	-	(12)
Revaluation on Non-banking assets	(23,395)	6,269	-	(17,126)
Dividend receivable	(212)	212	-	-
	(22,333)	5,195	-	(17,138)
	439,434	8,602	110,034	558,070

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13	OTHER ASSETS	Note	2018	2017
			(Rupees in '000)	
	Income/ Mark-up accrued in local currency - net of provision		**454,034**	307,733
	Mark-up / profit receivable on purchase of securities		**13,373**	54,396
	Security deposits		**4,288**	4,288
	Prepayments		**13,225**	12,048
	Receivable against sale of investments		**-**	3,726
	Non-banking assets acquired in satisfaction of claims	13.1	**267,226**	311,168
	Staff Gratuity	34.2	**9,928**	7,309
	Others		**1,066**	22
			763,140	700,690
	Less: Provision held against other assets		**-**	-
	Other assets (net of provisions)		**763,140**	700,690
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	13.1	**65,176**	79,114
			828,316	779,804

			2018	2017
13.1	Market value of non-banking assets acquired in satisfaction of claims		**381,744**	443,104

13.1.1 Non-banking assets acquired in satisfaction of claims

	2018	2017
Opening Balance	**390,282**	411,180
Disposals	**(38,791)**	-
Depreciation	**(19,089)**	(20,898)
Closing Balance	**332,402**	390,282

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

	2018	2017
Disposal Proceeds	**46,000**	-
less		
- Cost	**32,096**	-
- Impairment / Depreciation	**(3,477)**	-
	28,619	-
Gain/Loss	**17,381**	-

14	BORROWINGS	Note	2018	2017
	Secured			
	Borrowings from the State Bank of Pakistan:			
	- Long term financing facility (LTFF)	14.2	**2,128,804**	1,644,315
	- Financing facility for storage of agricultural produce (FFSAP)		**-**	3,343
	Repurchase agreement borrowings	14.3	**25,823,942**	22,837,748
	Long term borrowings	14.4	**6,123,133**	5,972,387
	Short term running finance	14.5	**581,897**	563,390
	Bai Muajjal	14.6	**1,296,869**	9,696,507
	Total secured		**35,954,645**	40,717,690
	Unsecured			
	Placements	14.7	**3,007,000**	1,540,000
	Murabaha financing	14.8	**1,000,000**	2,350,000
	Total unsecured		**4,007,000**	3,890,000
			39,961,645	44,607,690

14.1 Particulars of borrowings with respect to currencies

	2018	2017
In local currency	**39,961,645**	44,607,690

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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% (2017: 2% to 6.25%) per annum. These are repayable within 10 years (2017: 10 years).

14.3 The mark up rate on these repurchase agreement borrowings, maturing in January 2019 (2017: January 2018), ranges between 10.19% to 10.40% (2017: 5.83% to 5.90%) per annum. Securities having cost of Rs. 25.809 million (2017: Rs 23,205 million) have been pledged against these borrowings.

14.4 The mark up rate on these long-term borrowings ranges from 8.35% to 11.14% (2017: 6.44% to 6.65%) 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% (2017: 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 April 2019 (2017: January 2018 to February 2018) is 6.56% (2017: 5.75% to 5.84%) per annum.

14.7 The mark up rate on these placements, maturing between January 2019 to February 2019 (2017: January 2018 to June 2018) ranges between 10.25% to 11% (2017: 6.15% to 6.25%) per annum.

14.8 The mark up rate on these murabaha financing, maturing in January 2019 (2017: January 2018) is 10.50% (2017: 6.15% to 6.50%) per annum.

15 DEPOSITS AND OTHER ACCOUNTS

	2018		2017	
	In local currency	**Total**	In local currency	Total
	(Rupees in '000)			
Certificates of investment				
Financial institutions	**2,961,000**	**2,961,000**	3,129,000	3,129,000
Others	**6,049,490**	**6,049,490**	7,372,149	7,372,149
	9,010,490	**9,010,490**	10,501,149	10,501,149

15.1 The rate of return on deposits maturing between January 2019 to December 2019 (2017: January 2018 to November 2018) ranges between 3.90% to 10.60% (2017: 6% to 6.40%) per annum.

15.2 These include Certificate of Investments purchased by gratuity fund of the Company Rs 5.49 million (2017:18.74 million) and by provident fund of the Company amounting to Rs nil (2017: Rs. 17.89 million).

15.3 These include Certificate of Investments purchased by Pak Oman Microfinance Bank Limited (associate) of the Company amounting to Rs. nil million (2017: Rs. 450 million).

15.4 Composition of deposits

	2018	2017
	(Rupees in '000)	
Individuals	**1,235,734**	908,948
Government (Federal and Provincial)	**1,226,596**	1,465,000
Public Sector Entities	**311,569**	1,904,024
Banking Companies	**2,400,000**	1,500,000
Non-Banking Financial Institutions	**536,000**	1,610,000
Private Sector	**3,300,591**	3,113,177
	9,010,490	10,501,149

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2018			2017		
	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	**431**	**49**	**382**	431	78	353
Later than one year and upto five years	**628**	**18**	**610**	1,059	66	993
	1,059	**67**	**992**	1,490	144	1,346

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% (2017: 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	2018	2017
		(Rupees in '000)	
Mark-up/ Return/ Interest payable in local currency		**338,454**	737,691
Accrued expenses		**204,068**	222,527
Security deposits against investment in finance leases	9.1.1	**356,216**	291,874
Taxation		**45,795**	55,727
Payable against purchase of investments		**-**	5,494
Others	17.1	**49,874**	122,535
		994,407	1,435,848

17.1 This includes advance of nil (2017: Rs. 46 million) received against sale of non-banking assets.

18 SHARE CAPITAL

18.1 Authorized Capital

2018	2017		2018	2017
(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

2018	2017		2018	2017
(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 (2017: 307,495,900) ordinary shares of the Company, while 4,100 (2017: 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

	2018	2017
	(Rupees in '000)	
Surplus / (deficit) on revaluation of		
- Available for sale securities	**(10,419)**	11,657
- Non-banking assets acquired in satisfaction of claims	**65,176**	79,114
	54,757	90,771
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	**2,917**	(3,497)
- Non-banking assets acquired in satisfaction of claims	**(18,249)**	(23,734)
	(15,332)	(27,231)
	39,425	63,540

	2018	2017
	(Rupees in '000)	

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

	2018	2017
Surplus on revaluation as at January 01,	**79,114**	83,352
Realised on disposal during the year	**(10,172)**	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	**(3,766)**	(4,238)
	65,176	79,114
Less: Related deferred tax liability on:		
- Revaluation as at January 01,	**(22,152)**	(25,006)
- Realised on disposal during the year	**2,849**	-
- Incremental depreciation charged during the year	**1,054**	1,272
	(18,249)	(23,734)
	46,927	55,380

20.1.1 Surplus on revaluation of non-banking asset arising on the property located in Lahore having a market value of Rs 374.538 million (2017: Rs 374.538 million) on valuation report Sep 08, 2016 and property located in Karachi having a market value of Rs nil (2017:Rs 43.424 million on valuation report April 07, 2016). The factors taken include the nature, physical condition of building & civil structure, location, market feedback, the property buying and selling activity, buyers' purchasing power, prevailing market conditions, return on investment, adverse factors, threats and opportunities of real estate industry, etc.

21 CONTINGENCIES AND COMMITMENTS

	Note	**2018**	2017
		(Rupees in '000)	
Transaction related contingent liability:			
Standby letter of credit		**208,513**	178,690
Pledge of shares on behalf of Japan Power Generation Limited	*21.1*	**70,726**	70,726
Pledge of shares on behalf of Orient Power Company (Private) Limited	*21.2*	**226,000**	226,000
Commitments for:			
Purchase of Government securities		**13,944,874**	121,256
Sale of Government securities		**2,869,539**	1,798,281
Purchase of Term finance certificates (TFCs)		-	76,548
Commitments for advances and net investment in finance leases		**2,042,040**	3,740,991
Securities given as collateral against loan taken by Pak Oman Asset Management Company Limited	*21.3*	**334,000**	626,000

21.1 Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2017: 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. 334 million (2017: PIBs and T-Bill Rs 626 million) which have been collateralized against a loan sanctioned to Pak Oman Asset Management Company Limited from Habib Bank Limited for the acquisition of Askari Investment Management Limited (AIML).

22	MARK-UP / RETURN / INTEREST EARNED	Note	**2018**	2017
			(Rupees in '000)	
	On loans and advances		**1,796,952**	1,434,801
	On investments		**1,277,175**	2,371,665
	On lendings to financial institutions		**366,630**	83,160
	On balances with banks		**109,359**	65,981
			3,550,116	3,955,607

23	MARK-UP / RETURN / INTEREST EXPENSED			
	Deposits		**680,203**	486,076
	Borrowings		**2,030,206**	2,613,521
			2,710,409	3,099,597

24	FEE AND COMMISSION INCOME			
	Credit related fees		**35,044**	38,787
	Investment banking fees		**20,385**	15,120
	Commission on guarantees		**3,552**	585
	Underwriting commision of Government securities auction		**1,367**	6,712
			60,348	61,204

25	GAIN ON SECURITIES			
	Realised	*25.1*	**26,541**	181,622
	Unrealised - held for trading		**70**	1,512
			26,611	183,134

25.1	Realised gain on:			
	Federal Government Securities		**6,836**	288,202
	Non Government debt securities		**(5,556)**	(58,537)
	Shares		**25,261**	(48,043)
			26,541	181,622

26	OTHER INCOME			
	Gain on sale of fixed assets - net		**3,480**	1,670
	Gain on sale of non-banking assets - net		**17,381**	-
			20,861	1,670

27 OPERATING EXPENSES

	Note	2018	2017
		(Rupees in '000)	
Total compensation expense	27.1	**388,398**	401,834
Property expense			
Rent & taxes		**24,460**	22,200
Utilities cost		**2,830**	3,114
Security (including guards)		**596**	587
Repair & maintenance (including janitorial charges)		**7,440**	7,222
Depreciation		**2,106**	2,106
		37,432	35,229
Information technology expenses			
Software maintenance		**1,170**	2,026
Hardware maintenance		**17**	354
Depreciation		**1,478**	2,163
Amortisation	11.2	**470**	498
Network charges		**1,781**	1,709
Others		**814**	1,338
		5,730	8,088
Other operating expenses			
Directors' fees and allowances		**25,645**	23,367
Legal & professional charges		**6,918**	9,346
Travelling & conveyance		**12,477**	9,925
Depreciation	27.4	**40,293**	43,778
Training & development		**1,015**	442
Postage & courier charges		**396**	380
Communication		**6,151**	5,451
Stationery & printing		**1,304**	1,495
Marketing, advertisement & publicity		**839**	2,907
Donations	27.2	**1,520**	1,200
Auditors' remuneration	27.3	**3,807**	1,465
Membership and subscriptions		**1,652**	1,346
Transportation		**8,920**	8,696
Insurance		**1,883**	2,451
Finance charges on leased assets		**140**	106
Entertainment and canteen expenses		**2,805**	3,297
Others		**4,840**	12,451
		120,605	128,103
Total operating expenses		**552,165**	573,254

27.1 Total compensation expenses

	Note	2018	2017
		(Rupees in '000)	
Fees and Allowances etc		-	-
Employees' Remuneration			
i) Fixed		**257,360**	253,926
ii) Variable			
of which;			
a) Cash Bonus /Awards etc		**62,000**	82,000
b) Bonus & Awards in shares et		-	-
Charge for defined benefit plan	*34.6*	**17,789**	16,388
Contribution to defined contribution plan		**17,356**	16,756
Rent and house maintenance		-	-
Utilities		**3,003**	3,030
Medical		**7,007**	6,451
Leave Fare Assistance		**20,102**	19,271
Others		**3,781**	4,012
Grand total		**388,398**	401,834

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:

	2018	2017
	(Rupees in '000)	
Daimer Bhasha and Mohmand Dam Fund	**1,000**	-
	1,000	-

27.3 Auditors' remuneration

	2018	2017
Audit fee	**736**	701
Half yearly review	**204**	194
Special certifications and sundry advisory services	**2,614**	300
Out-of-pocket expenses	**253**	270
	3,807	1,465

27.4 This includes depreciation on non-banking assets Rs 19.089 (2017: Rs 20.898) million.

28 OTHER CHARGES

	Note	2018	2017
		(Rupees in '000)	
Penalties imposed by State Bank of Pakistan		**2,976**	-
Fees, commission and others		**20,408**	27,423
		23,384	27,423

29 (REVERSALS) / PROVISIONS & WRITE OFFS - NET

(Reversals) / provisions for diminution in value of investments	*8.3.1*	**(37,533)**	18,030
(Reversals) / provisions against loans & advances	*9.5*	**(294,568)**	(186,343)
		(332,101)	(168,313)

30 TAXATION

Current	**127,484**	277,563
Prior years	**27,884**	38,904
Deferred	**129,566**	(8,602)
	284,934	307,865

30.1 Relationship between tax expense and accounting profit

Profit before taxation	**749,344**	744,533
Tax at the applicable rate of 29% (2017: 30%)	**217,310**	223,360
Tax effect due to change in tax rate	**37,205**	-
Tax effect of income taxed at different rate	**(8,236)**	(15,694)
Tax effect of capital loss / (gain) on listed shares and mutual funds	**(109)**	22,636
Tax effect of provision for diminution in the value of listed shares and mutual funds	**-**	34,046
Prior year	**27,884**	38,904
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	**1,896**	4,613
	284,934	307,865

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 and 2017, 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.

30.3 Taxation - prior

This includes super tax at 3% on the taxable income for the tax year 2018 & tax year 2017 for rehabilitation of temporarily displaced persons imposed through Finance Act, 2018 & 2017 respectively.

31 BASIC AND DILUTED EARNINGS PER SHARE

		2018	2017
Profit after taxation	Rupees in '000	**464,410**	436,668
Weighted average number of ordinary shares in issue	Numbers in '000	**815,000**	615,000
Basic and diluted earnings per share	Rupees	**0.76**	0.71

31.1 There were no convertible dilutive potential ordinary shares outstanding on 31 December 2017 and 2018.

32 CASH AND CASH EQUIVALENTS

	Note	2018	2017
		(Rupees in '000)	
Cash and balances with treasury banks	5	**122,604**	172,121
Balances with other banks	6	**2,275,589**	2,010,079
		2,398,193	2,182,200

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

	2018										
	Liabilities						Equity				
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated debt	Liabilities against assets subject to finance lease	Other liabilities	Share capital	Reserves	Surplus on revaluation of assets	Unappropriated profit	Total
	(Rupees in '000)										
Balance as at 01 January 2016	-	44,607,690	10,501,149	-	1,346	1,435,848	6,150,000	1,071,761	63,540	838,056	64,669,390
Changes from financing cash flows											
Receipts from sub - ordinated loans - net	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(430,500)	(430,500)
Total changes from financing cash flows	-	-	-	-	-	-	-	-	-	(430,500)	(430,500)
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	-	-	-	-	-	(441,441)	-	-		-	(441,441)
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	-	-	-	-		-	-
Transfer of profit to reserve	-	-	-	-	-	-	-	92,882		(92,882)	-
Profit for the year	-	-	-	-	-	-	-	-		464,410	464,410
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-		6,984	6,984
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(24,115)	2,802	(21,313)
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-	-	-		-	-
	-	(4,646,045)	(1,490,659)	-	(354)	(441,441)	-	92,882	(24,115)	381,314	(6,128,418)
Balance as at 31 December 2018	-	**39,961,645**	**9,010,490**	-	**992**	**994,407**	**6,150,000**	**1,164,643**	**39,425**	**788,870**	**58,110,472**

	2017										
	Liabilities						Equity				
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated debt	Liabilities against assets subject to finance lease	Other liabilities	Share capital	Reserves	Surplus on revaluation of assets	Unappropriated profit	Total
	(Rupees in '000)										
Balance as at 01 January 2017	-	25,150,898	5,342,975	-	1,671	849,613	6,150,000	984,427	354,446	972,325	39,806,355
Changes from financing cash flows											
Receipts from sub - ordinated loans - net	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(492,000)	(492,000)
Total changes from financing cash flows	-	-	-	-	-	-	-	-	-	(492,000)	(492,000)
Liability - related											
Changes in bills payable	-	-	-	-	-	-	-	-		-	-
Changes in borrowings	-	19,456,792	-	-	-	-	-	-		-	19,456,792
Changes in deposits and other accounts	-	-	5,158,174	-	-	-	-	-		-	5,158,174
Changes in Liabilities against assets subject to finance lease					(325)	-	-	-		-	(325)
Changes in other liabilities											-
- Cash based	-	-	-	-	-	586,235	-	-		-	586,235
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	-	-	-	-		-	-
Transfer of profit to reserve	-	-	-	-	-	-	-	87,334	-	(87,334)	-
Profit for the year	-	-	-	-	-	-	-	-		436,668	436,668
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-		5,431	5,431
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(290,906)	2,966	(287,940)
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-	-	-		-	-
	-	19,456,792	5,158,174	-	(325)	586,235	-	87,334	(290,906)	357,731	25,355,035
Balance as at 31 December 2017	**-**	**44,607,690**	**10,501,149**	**-**	**1,346**	**1,435,848**	**6,150,000**	**1,071,761**	**63,540**	**838,056**	**64,669,390**

33 STAFF STRENGTH

	2018	2017
	(Number)	
Permanent	**61**	65
Temporary / contractual	**28**	27
Company's own staff strength at end of the year	**89**	92
Outsourced	**-**	-
Total staff strength	**89**	92

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 2018.

Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2018	2017
	(Number)	
Gratuity fund	**61**	65

34.1.1 Principal actuarial assumptions

The latest actuarial valuation for defined benefit plan scheme was carried out as at 31 December 2018 using the Projected Unit Credit Method (PUCM). The following significant assumptions were used for the actuarial valuation:

	2018	2017
	(Percent per annum)	
Discount rate	**13.25**	8.25
Expected short term rate of increase in salary levels	**8.25**	8.25
Expected long term rate of increase in salary levels	**11.25**	8.25
Expected rate of return on plan assets	**13.25**	8.25

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	2018	2017
		(Rupees in '000)	
Present value of defined benefit obligation	34.3	**127,610**	141,181
Fair value of plan assets	34.4	**(137,538)**	(148,490)
Receivable	34.5	**(9,928)**	(7,309)

34.3 Movement in defined benefit obligation

	2018	2017
Obligation at the beginning of the year	**141,181**	118,450
Current service cost	**18,828**	17,028
Interest cost	**10,920**	9,376
Benefits paid during the year	**(17,642)**	(2,505)
Remeasurement gain	**(25,677)**	(1,168)
Obligation at the end of the year	**127,610**	141,181

34.4 Movement in fair value of plan assets

	Note	2018	2017
Fair value at the beginning of the year		**148,490**	118,504
Interest income on plan assets		**11,959**	10,016
Contribution by the Company - net		**10,572**	15,885
Benefits paid during the year		**(17,642)**	(2,505)
Remeasurement (loss) / gain on plan assets		**(15,641)**	6,590
Fair value at the end of the year	34.7	**137,538**	148,490

34.5 Movement in receivable under defined benefit plan

	Note	2018	2017
Opening balance		**(7,309)**	(54)
Charge for the year	34.6	**17,789**	16,388
Re-measurement gain recognised in other comprehensive income during the year		**(9,836)**	(7,758)
Contributions by the Company - net		**(10,572)**	(15,885)
Closing balance		**(9,928)**	(7,309)

34.6 Charge for defined benefit plans

34.6.1 Cost recognised in the profit and loss

	2018	2017
Current service cost	**18,828**	17,028
Net interest on defined benefit asset	**(1,039)**	(640)
	17,789	16,388

34.6.1 Re-measurement recognised in OCI during the year

	2018	2017
Loss / (gain) on obligation		
-Experience / Financial adjustment	**(25,677)**	(1,168)
Actuarial loss / (gain) on plan assets	**15,641**	(6,590)
Total re-measurements recognised in OCI	**(9,836)**	(7,758)

34.7 Components of plan assets

Particulars	Note	2018 Rating	2017 Rating	2018 (Rupees in '000)	2018 %	2017 (Rupees in '000)	2017 %
Market Treasury Bills		**Unrated**	Unrated	-	-	-	-
Pakistan Investment Bonds		**Unrated**	Unrated	**79,892**	**58.09**	9,157	6.17
Special Saving Certificates (SSCs)		-	Unrated	-	-	24,386	16.42
Term Deposit receipts		**Unrated**	Unrated	**50,110**	**36.43**	95,301	64.18
Term Finance Certificates - WorldCall Telecom Limited		**D**	D	**623**	**0.45**	804	0.54
Certificate of Investments	*34.7.1*	**Unrated**	Unrated	**5,706**	**4.15**	18,828	12.68
Bank balance		**Unrated**	Unrated	**1,207**	**0.88**	14	0.01
				137,538	**100.00**	148,490	100.00

34.7.1 These include Certificate of Investment held with the Company. These carry mark-up at rates 9.90 (2017: 6.15) percent per annum.

34.8 Sensitivity analysis

	2018 (Rupees in '000)
1% increase in discount rate	**(8,748)**
1% decrease in discount rate	**9,899**
1 % increase in expected rate of salary increase	**10,644**
1 % decrease in expected rate of salary increase	**(9,536)**

34.9 Maturity profile of defined benefit obligation

Benefit payments

The average duration of the benefit obligation at 31 December 2018 is 7.31 years (2017: 9.34 years).

Distribution of timing of benefit payments

Years	2018 (Rupees in '000)	2017 (Rupees in '000)
1	**4,885**	4,988
2	**4,942**	4,980
3	**4,903**	4,875
4	**73,858**	47,280
5	**3,469**	11,602
6 to 10	**66,235**	37,279
11 and above	**353,114**	259,843

34.10 Expected contributions to be paid to the funds in the next financial year 8,716

34.11 Expected charge / (reversal) for the next financial year 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

	2018 (Rupees in '000)	2017 (Rupees in '000)
Contribution from the Company	**17,356**	16,756
Contribution from employees	**17,356**	16,756
	34,712	33,512

The number of employees covered under the defined contribution plan as at 31 December 2018 : 61 (31 December 2017: 65).

36 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Non-Executive Directors		Executives	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Fees / remuneration	-	-	**25,645**	23,367	-	-
Managerial remuneration	**126,369**	113,984	-	-	**203,277**	205,883
Charge for defined benefit plan	**3,063**	2,879	-	-	**12,510**	11,933
Contribution to defined contribution plan	**4,153**	3,323	-	-	**11,820**	12,099
Medical	**885**	782	-	-	-	-
Utilities	**2,646**	2,659	-	-	**357**	371
Membership fee	**275**	184	-	-	**284**	269
Others	**1,127**	1,389	-	-	**929**	813
	138,518	125,200	**25,645**	23,367	**229,177**	231,368
Number of persons	**1**	1	**5**	5	**43**	44

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

36.2 During the year 2018, Government of Sultanate of Oman has nomination 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

	2018		2017	
	Book value	**Fair value**	Book value	Fair value
	(Rupees in '000)			
Assets				
Cash and balances with treasury banks	**122,604**	**122,604**	169,886	169,886
Balances with other banks	**2,275,589**	**2,275,589**	2,012,314	2,012,314
Lendings to financial institutions	**5,434,296**	**5,434,296**	2,038,288	2,038,288
Investments	**28,433,357**	**28,386,382**	40,240,634	40,233,855
Advances	**20,480,702**	**20,480,702**	18,788,493	18,788,493
Other assets	**472,761**	**472,761**	370,165	370,165
	57,219,309	**57,172,334**	63,619,780	63,613,001
Liabilities				
Borrowings	**39,961,645**	**39,961,645**	44,607,690	44,607,690
Deposits and other accounts	**9,010,490**	**9,010,490**	10,501,149	10,501,149
Liabilities against assets subject to finance lease	**992**	**992**	1,346	1,346
Other liabilities	**948,612**	**948,612**	1,380,121	1,380,121
	49,921,739	**49,921,739**	56,490,306	56,490,306
	7,297,570	**7,250,595**	7,129,474	7,122,695
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 Company.

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	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
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	-	-	-	851,633

On balance sheet financial instruments	2017 Level 1	Level 2	Level 3	Total
	----------	(Rupees in '000)	----------	
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	35,521,615	-	35,521,615
Shares	27,856	-	-	27,856
Non-Government Debt Securities	-	3,097,755	-	3,097,755
Mutual funds	641,389	-	-	641,389
Financial assets - disclosed but not measured at fair value				
Investments	-	-	-	951,633

38 SEGMENT INFORMATION

38.1 Segment Details with respect to Business Activities

	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	633,304	57,658	311,309	1,001,271
Segment direct expenses	300,362	99,248	164,418	584,028
Reversals	(294,568)	(37,533)	-	)332,161)
Profit before tax	626,510	(4,057)	128,891	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	28,863,647	3,616,124	33,830,701	58,110,472
Borrowings	15,712,088	2,354,279	21,896,278	39,981,645
Subordinated debt	-	-	-	-
Deposits & other accounts	3,235,074	580,709	5,214,707	9,018,490
Others	585,705	39,775	369,919	995,399
Total liabilities	19,532,887	2,954,763	27,478,904	49,967,534
Equity	1,330,780	661,361	6,150,797	8,142,938
Total Equity & liabilities	28,863,647	3,616,124	33,830,761	58,110,472
Contingencies & Commitments	2,250,553	630,726	16,814,413	19,695,692

	2017 Corporate Banking	Investment Banking	Treasury	Total
	----------	(Rupees in '000)	----------	
Profit & Loss				
Net mark-up/return/profit	484,045	(45,093)	417,058	856,010
Non mark-up / return / interest income	39,372	23,399	277,666	340,437
Total Income	523,417	(21,694)	694,724	1,196,447
Segment direct expenses	325,745	96,918	197,564	620,227
(Reversals) / Provisions	(166,343)	(59,384)	77,414	(168,313)
Profit before tax	384,015	(59,228)	419,746	744,533
Balance Sheet				
Cash & Bank balances	-	-	2,182,200	2,182,200
Investments	-	3,069,419	37,171,215	40,240,634
Lendings to financial institutions	-	-	2,038,289	2,038,288
Advances - performing	18,389,881	-	309,281	18,699,162
- non-performing	89,331	-	-	88,331
Others	605,015	596,842	217,917	1,419,776
Total Assets	19,084,227	3,666,261	41,918,901	64,669,390
Borrowings	14,325,356	2,435,508	27,846,827	44,607,690
Subordinated debt	-	-	-	-
Deposits & other accounts	3,098,936	595,335	6,806,878	10,501,149
Others	629,863	64,831	742,400	1,437,194
Total liabilities	18,054,155	3,095,772	35,396,105	56,548,033
Equity	1,030,072	570,489	6,522,796	8,123,357
Total Equity & liabilities	19,084,227	3,666,261	41,918,801	64,669,390
Contingencies & Commitments	3,919,681	922,726	1,996,085	6,838,492

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, FINCA Microfinance Bank Limited, Shakarganj Food Products Limited and United Bank Limited. The Company is holding the trust properties in fiduciary capacity on behalf of the relevant beneficiaries. In this behalf, the Company is fulfilling all its obligations and duties in accordance with the provisions of the respective trust documents.

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

40.6 Details of transacitons with related parties during the year, other than those which have been disclosed elsewhere in these financial statements are as follows:

	2018						2018					
	Directors	**Key manage-ment personnel**	**Subsidiaries**	**Associates**	**Retirement benefit funds**	**Other related parties**	**Directers**	**Key manage-ment personnel**	**Subsidiaries**	**Associates**	**Retirement benefit funds**	**Other related parties**
	(Rupees in '000)											
Investments												
Opening balance	-	-	496,300	1,045,951	-	226,000	-	-	498,300	1,045,951	-	226,000
Investment made during the year	-	-	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	496,300	1,045,951	-	226,000	-	-	498,300	1,045,951	-	226,000
Provision for diminution in value of investments	-	-	157,375	70,726	-	-	-	-	157,376	70,726	-	-
Advances												
Opening balance	-	32,399	-	68,200	-	114,232	-	36,040	-	68,200	-	150,533
Addition during the year	-	11,744	-	-	-	-	-	9,221	-	-	-	-
Repaid during the year		(9,468)				(41,316)	-	(12,862)	-	-	-	(36,301)
Transfer in / (out) - net	-	8,951	-	-	-	-	-	-	-	-	-	-
Closing balance	-	43,626	-	68,200	-	72,916	-	32,399	-	68,200	-	114,232
Provision held against advances	-	-	-	68,200	-	-	-	-	-	68,200	-	-

	2017						2017					
	Directors	Key manage-ment personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties	Directors	Key manage-ment personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties
	(Rupees in '000)											
Other Assets												
Interest / mark-up accrued	-	-	-	-	-	2,045	-	-	-	-	-	2,704
Receivable from staff retirement fund	-	-	-	-	9,928	-	-	-	-	-	7,309	-
Other receivable												
Provision against other assets	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts												
Opening balance	-	1,168	-	450,000	36,626	-	-	1,610	-	174,700	28,540	-
Received during the year	-	30,281	-	1,000,000	241,156	-	-	12,549	-	1,300,000	271,027	-
Withdrawn during the year	-	(30,540)	-	(1,450,000)	(272,290)	-	-	(12,991)	-	(1,024,700)	(262,941)	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	909	-	-	5,492	-	-	1,168	-	450,000	36,626	-
Other Liabilities												
Interest / mark-up payable	-	3	-	-	2	-	-	5	-	10,270	255	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities												
Outright sale of Government Securities			231,070	965,241	250,474		-	-	-	955,316	2,033	-
Outright purchase of Government Securities	-	-	115,646	4,978	94,955	-	-	-	-	-	2,033	-
Contingencies and Commitments												
Other contingencies	-	-	334,000	70,726	-	226,000	-	-	626,000	70,726	-	226,000

40.7 RELATED PARTY TRANSACTIONS

	Note							2017						
		Directors	**Key manage-ment personnel**	**Subsidiaries**	**Associates**	**Retirement benefit funds**	**Other related parties**	Parent	Directors	Key manage-ment personnel	Subsidiaries	Associates	Retirement benefit funds	Other related parties
		(Rupees in '000)												
Income														
Mark-up / return / interest earned		-	**2,014**	-	-	-	**8,922**	-	-	1,497	-	-	-	11,869
Fee and commission income		-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend income		-	-	-	**18,305**	-	**33,900**	-	-	-	-	24,282	-	-
Net gain on sale of securities		-	-	-	-	-	-	-	-	-	-	-	-	45,200
Other income		-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	7,758	-
Expense														
Mark-up / return / interest paid		-	**141**	-	**5,362**	**1,871**	-	-	-	69	-	25,656	3,806	-
Operating expenses	36	-	-	-	-	-	-	-	-	-	-	-	-	-
Directors' fees and allowances		**25,645**	-	-	-	-	-	-	23,367	-	-	-	-	-
Compensation expenses		**138,518**	**126,376**	-	-	-	-	-	125,200	118,776	-	-	-	-
Contribution to defined contribution plan		-	-	-	-	**17,356**	-	-	-	-	-	-	16,756	-
Charge for defined benefit plan		-	-	-	-	**17,789**	-	-	-	-	-	-	16,388	-

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 10%.

Capital Structure

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

- Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer note 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 up to a maximum of 45 % of the balance 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 2018.

Scope of application

The Basel III Framework for capital adequacy is applicable to the Company both at the consolidated level (including subsidiaries) and also on standalone basis. Pak Oman Investment Company Limited is the only Company in the Group to which Basel III capital adequacy framework applies.

41.2 The Company's CAR as at 31 December 2018 was 17.29% 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 17.29% 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 & CDI) 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

	2018	2017
	(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	**5,760,301**	6,210,271
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**5,760,301**	6,210,271
Eligible Tier 2 Capital	**-**	-
Total Eligible Capital (Tier 1 + Tier 2)	**5,760,301**	6,210,271
Risk Weighted Assets (RWAs):		
Credit Risk	**30,256,061**	25,383,841
Market Risk	**1,003,458**	1,322,627
Operational Risk	**2,051,664**	2,249,876
Total	**33,311,183**	28,956,344
Common Equity Tier 1 Capital Adequacy ratio	**17.29%**	21.45%
Tier 1 Capital Adequacy Ratio	**17.29%**	21.45%
Total Capital Adequacy Ratio	**17.29%**	21.45%

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.

	2018	2017
Leverage Ratio (LR):		
Eligiblle Tier-1 Capital	**5,760,301**	6,210,271
Total Exposures	**66,450,096**	71,507,882
Leverage Ratio	**8.67%**	8.68%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**6,503,094**	3,093,640
Total Net Cash Outflow	**16,808,490**	13,615,135
Liquidity Coverage Ratio	**39%**	22.72%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**20,705,300**	20,319,660
Total Required Stable Funding	**18,970,216**	19,302,637
Net Stable Funding Ratio	**109.15%**	105.27%

41.4 The full disclsoures 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 avialable 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

Exposures	**Rating Category**	**2018** Amount Outstanding	**2018** Deduction CRM*	**2018** Net amount	2017 Amount Outstanding	2017 Deduction CRM*	2017 Net amount
		(Rupees in '000)					
Corporate	0	-	-	-	-	-	-
	1	**804,976**	-	**804,976**	1,289,584	247,705	1,537,289
	2	**10,365,263**	-	**10,365,263**	7,364,049	-	7,364,049
	3-4	**808,705**	-	**808,705**	1,342,889	-	1,342,889
	5-6	-	-	-	20,450	-	20,450
	Unrated	**7,456,600**	-	**7,456,600**	8,938,200	(247,705)	8,690,495
		19,435,544	-	**19,435,544**	18,955,172	-	18,955,172
Banks	0	-	-	-	-	-	-
	1	**5,429,885**	-	**5,429,885**	1,305,263	1,440,583	2,745,846
	2-3	**30,000**	-	**30,000**	1,285,594	(692,949)	592,645
	4-5	-	-	-	-	-	-
	6	-	-	-	747,634	(747,634)	-
	Unrated	-	-	-	-	-	-
		5,459,885	-	**5,459,885**	3,338,491	-	3,338,491
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	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Public/ Government	**350,000**	200,000	**-**	-	**-**	-
Private	**5,084,296**	1,838,288	**-**	-	**-**	-
	5,434,296	2,038,288	**-**	-	**-**	-

42.1.2 ***Investment in debt securities***

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Textile	**81,090**	81,090	**81,090**	81,090	**60,641**	60,641
Electronics and electrical appliances	**85,000**	132,479	**85,000**	85,000	**85,000**	85,000
Power (electricity), Gas, Water, Sanitary	**103,456**	143,879	**-**	-	**-**	-
Transport, Storage and Communication	**185,226**	213,517	**185,226**	213,517	**185,226**	213,517
Financial	**26,600,505**	38,168,011	**15,404**	24,646	**15,404**	24,646
Others	**316,452**	376,452	**121,452**	121,452	**121,452**	121,452
	27,371,729	39,115,428	**488,172**	525,705	**467,723**	505,256

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Public/ Government	**24,384,351**	35,776,446	**-**	-	**-**	-
Private	**2,987,378**	3,338,982	**488,172**	525,705	**467,723**	505,256
	27,371,729	39,115,428	**488,172**	525,705	**467,723**	505,256

42.1.3 ***Advances***

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Textile	**4,695,334**	3,486,973	**356,355**	415,859	**345,332**	399,348
Chemical and Pharmaceuticals	**174,968**	4,800	**-**	-	**-**	-
Cement	**408,512**	-	**-**	-	**-**	-
Sugar	**1,246,563**	1,762,723	**-**	-	**-**	-
Automobile and transportation equipment	**291,759**	345,091	**-**	54,076	**-**	54,076
Electronics and electrical appliances	**617,857**	828,571	**50,000**	50,000	**50,000**	50,000
Construction	**485,492**	675,418	**-**	-	**-**	-
Power (electricity), Gas, Water, Sanitary	**1,929,344**	1,818,679	**68,200**	68,200	**68,200**	68,200
Wholesale and Retail Trade	**35,476**	32,968	**-**	-	**-**	-
Transport, Storage and Communication	**2,976,830**	3,284,574	**-**	-	**-**	-
Financial	**2,472,857**	3,587,722	**5,161**	5,161	**5,161**	5,161
Services	**1,311,753**	531,709	**2,219**	-	**-**	-
Individuals	**105,161**	115,956	**-**	-	**-**	-
Others	**4,309,488**	3,188,569	**229,298**	371,082	**111,786**	298,262
	21,061,394	19,663,753	**711,233**	964,378	**580,479**	875,047

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Public/ Government	**1,138,820**	1,437,926	**-**	-	**-**	-
Private	**19,922,574**	18,225,827	**711,233**	964,378	**580,479**	875,047
	21,061,394	19,663,753	**711,233**	964,378	**580,479**	875,047

42.1.4 ***Contingencies and Commitments***

Credit risk by industry sector

	2018	2017
	(Rupees in '000)	
Textile	439,900	953,896
Chemical and Pharmaceuticals	-	325,000
Cement	91,490	500,000
Automobile and transportation equipment	18,880	52,990
Construction	287,500	350,000
Power (electricity), Gas, Water, Sanitary	115,290	501,625
Wholesale and Retail Trade	-	7,500
Transport, Storage and Communication	-	160,000
Services	154,970	100,000
Others	934,010	789,980
	2,042,040	3,740,991

Credit risk by public / private sector

	2018	2017
Public/ Government	-	-
Private	2,042,040	3,740,991
	2,042,040	3,740,991

42.1.5 **Concentration of Advances**

The bank top 10 exposures on the basis of total (funded and non-funded expsoures) aggregated to Rs 9,009.177 million (2017: Rs 9,160.757 million) are as following:

	2018	2017
	(Rupees in '000)	
Funded	9,009,177	9,160,757
Non Funded	-	-
Total Exposure	9,009,177	9,160,757

The sanctioned limits against these top 10 expsoures aggregated to Rs 11,235 million 2017: Rs 10,475 million)

Total funded classified therein

	2018		2017	
	Amount	Provision held	Amount	Provision held
	(Rupees in '000)			
OAEM	-	-	-	-
Substandard	26,912	-	-	-
Doubtful	182,820	90,000	209,246	130,938
Loss	501,501	490,479	755,132	744,109
Total	711,233	580,479	964,378	875,047

42.1.6 **Advances - Province/Region-wise Disbursement & Utilization**

	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	-

	2017						
	Disbursements	Utilization					
Province/Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Sindh	9,241,054	2,937,148	4,365,585	300,000	-	1,638,321	-

Disbursements mean the amounts disbursed by banks either in Pak Rupee or in foreign currency against loans.

"Disbursements of Province/Region wise" refers to the place from where the funds are being issued by scheduled banks to the borrowers.

"Utilization of Province/Region wise" refers to the place where the funds are being utilized by borrower.

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

	2018			2017		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
			Rupees in '000			
Cash and balances with treasury banks	**122,604**	**-**	**122,604**	172,121	-	172,121
Balances with other banks	**2,275,589**	**-**	**2,275,589**	2,010,079	-	2,010,079
Lendings to financial institutions	**5,434,296**	**-**	**5,434,296**	2,038,288	-	2,038,288
Investments	**1,316,150**	**27,117,207**	**28,433,357**	1,316,150	38,924,484	40,240,634
Advances	**20,480,702**	**-**	**20,480,702**	18,788,493	-	18,788,493
Fixed assets	**95,732**	**-**	**95,732**	80,994	-	80,994
Intangible assets	**437**	**-**	**437**	907	-	907
Deferred tax assets	**439,439**	**-**	**439,439**	558,070	-	558,070
Other assets	**828,316**	**-**	**828,316**	779,804	-	779,804
	30,993,265	**27,117,207**	**58,110,472**	25,744,906	38,924,484	64,669,390

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.

	2018		2017	
	Foreign Currency Assets	**Net foreign currency exposure**	Foreign Currency Assets	Net foreign currency exposure
United States Dollar	**75**	**75**	65	65
Omani Riyal	**428**	**428**	261	261
	503	**503**	326	326

	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	**(7)**	-	(5)	-
- Other comprehensive	-	-	-	-

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.

	2018		2017	
	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)**	-	(146,419)
- Other comprehensive income	-	-	-	-

* Equity position includes Equity shares and Bnak'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.

	2018		2017	
	Banking book	**Trading book**	Banking book	Trading book
Impact of 1% change in interest rates on				
Profit and loss account *	**208,123**	**(268,912)**	322,903	(386,194)
Other comprehensive income *	**(10,069)**	**94,173**	(18,710)	102,349

* Earning aaproach

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

	Effective yield / Interest rate	Total	2018									
			Exposed to yield / Interest risk									
			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	7,988,474	7,069,036	3,100,982	312,865	278,359	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	469,819	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	8,056,443	6,078,940	

Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate	Total	2017									
			Exposed to yield / interest risk									
			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		169,886	-	-	-	-	-	-	-	-	-	169,886
Balances with other banks	7.31%	2,012,314	1,005,642	450,000	550,000	-	-	-	-	-	-	6,672
Lending to financial institutions	6.03%	2,038,288	2,038,288	-	-	-	-	-	-	-	-	-
Investments	6.24%	40,240,634	7,523,831	26,364,096	2,726,853	122,396	954,593	-	927,541	60	-	1,621,264
Advances	7.83%	18,788,493	5,960,933	7,029,681	3,780,450	249,443	248,003	230,561	437,373	813,752	25,715	12,582
Other assets		370,165	-	-	-	-	-	-	-	-	-	370,165
		63,619,780	16,528,694	33,843,777	7,057,303	371,839	1,202,596	230,561	1,364,914	813,812	25,715	2,180,569
Liabilities												
Borrowings	5.83%	44,607,690	31,775,130	8,275,927	2,923,783	18,540	199,793	212,889	421,126	780,502	-	-
Deposits and other accounts	6.21%	10,501,149	3,715,824	3,126,600	2,507,129	1,151,596	-	-	-	-	-	-
Liabilities against assets subject to finance leases	7.91%	1,346	29	57	87	180	382	611	-	-	-	-
Other liabilities		1,380,121	-	-	-	-	-	-	-	-	-	1,380,121
		56,490,306	35,490,983	11,402,584	5,430,999	1,170,316	200,175	213,500	421,126	780,502	-	1,380,121
On-balance sheet gap		7,129,474	(18,962,289)	22,441,193	1,626,304	(798,477)	1,002,421	17,061	943,788	33,310	25,715	800,448
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			(18,962,289)	22,441,193	1,626,304	(798,477)	1,002,421	17,061	943,788	33,310	25,715	
Cumulative yield / interest risk sensitivity gap			(18,962,289)	3,478,904	5,105,208	4,306,731	5,309,152	5,326,213	6,270,001	6,303,311	6,329,026	

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**

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	122,604	-	-	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	28,433,367	-	4,808,838	-	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	20,490,782	-	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	439,441	-	-	-	(52,145)	(18,353)	(18,353)	(28,707)	(17,420)	(17,420)	(47,183)	(11,078)	361,702	287,650	748
Other assets	828,316	-	88,610	40,838	99,106	99,506	61,081	429,408	5,060	1,219	-	-	4,288	-	-
	58,110,474	-	9,051,203	1,167,035	2,654,355	15,364,118	1,111,109	2,334,386	1,592,836	5,073,482	5,094,838	4,047,871	6,956,576	3,581,446	81,419
Liabilities															
Borrowings from financial institutions	39,961,645	-	27,636,960	-	1,836,494	1,280,331	406,297	2,221,093	831,257	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	98	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	8,142,940	-	(21,792,436)	844,551	(1,371,766)	13,027,404	(1,227,162)	(341,158)	731,383	3,973,621	2,974,719	2,412,593	6,042,683	2,787,103	81,419
Share capital	6,150,000														
Reserves	1,164,843														
Unappropriated profit	788,870														
Surplus on revaluation of assets - net of tax	39,425														
	8,142,938														

2017

	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	172,121	-	172,121	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,010,079	-	10,079	1,000,000	-	-	450,000	550,000	-	-	-	-	-	-	-
Lending to financial institutions	2,038,288	-	1,102,363	49,601	886,324	-	-	-	-	-	-	-	-	-	-
Investments	40,240,634	-	-	-	6,726,330	12,311,077	13,131,267	1,497,368	122,396	137,474	1,563,679	187,540	2,809,346	1,754,157	-
Advances	18,788,493	-	115,574	22,422	113,063	358,681	634,492	1,451,988	962,802	1,431,612	4,696,313	3,639,073	3,718,573	1,618,185	25,715
Fixed assets	80,994				2,597	2,597	2,597	6,851	5,426	6,426	23,514	8,626	10,343	11,019	-
Intangible assets	907	-	-	-	363	272	272								-
Deferred tax assets	558,070				(44,700)	(8,842)	(6,842)	(31,072)	(40,424)	(40,424)	(77,873)	14,435	522,324	272,597	890
Other assets	779,804	-	62,343	26,955	56,732	78,114	73,895	469,587	4,620	1,270	-	-	4,288	-	-
	64,669,390	-	1,462,480	1,098,978	7,742,709	12,741,899	14,283,681	3,944,722	1,055,820	1,536,358	6,205,633	3,849,674	7,064,874	3,655,958	26,605
Liabilities															
Borrowings from financial institutions	44,607,690	-	24,901,138	1,892,178	4,748,480	4,733,043	867,884	1,217,690	614,895	678,272	1,999,046	1,037,142	1,137,420	780,502	-
Deposits and other accounts	10,501,149	-	815,600	194,657	2,705,567	989,709	2,136,891	2,507,129	1,143,637	7,959	-	-	-	-	-
Liabilities against assets subject to finance leases	1,346				29	28	29	87	89	91	382	611	-	-	-
Others Liabilities	1,435,848	-	60,059	104,037	226,292	260,215	399,430	52,914	49,711	81,510	137,355	28,402	31,423	4,500	-
	56,546,033	-	25,776,797	2,190,872	7,680,368	5,982,995	3,404,234	3,777,620	1,808,332	767,832	2,136,783	1,066,155	1,168,843	785,002	-
Net assets	8,123,357	-	(24,314,317)	(1,091,894)	62,341	6,758,904	10,879,447	166,902	(752,512)	768,526	4,068,850	2,783,519	5,896,031	2,870,956	26,605
Share capital	6,150,000														
Reserves	1,071,761														
Unappropriated profit	836,056														
Surplus on revaluation of investment - net of tax	63,540														
	8,123,357														

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

	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	122,604	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
Intangible assets	437	287	150	-	-	-	-	-	-	-
Deferred tax assets	439,441	(52,145)	(36,706)	(28,707)	(34,840)	(47,183)	(11,078)	361,702	287,650	748
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	-
	58,110,474	**12,872,593**	**16,475,227**	**2,334,386**	**6,666,118**	**5,094,838**	**4,047,871**	**6,858,578**	**3,581,446**	**81,419**
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	**8,142,940**	**(22,319,845)**	**11,800,242**	**(341,158)**	**4,704,984**	**2,974,719**	**2,412,583**	**6,042,683**	**2,787,103**	**81,419**
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									

	2017 Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	172,121	172,121	-	-	-	-	-	-	-	-
Balances with other banks	2,010,079	1,010,079	450,000	550,000	-	-	-	-	-	-
Lending to financial institutions	2,038,288	2,038,288	-	-	-	-	-	-	-	-
Investments	40,240,634	6,726,330	25,442,344	1,497,368	259,870	1,563,679	187,540	2,809,346	1,754,157	-
Advances	18,788,493	251,059	993,173	1,451,988	2,394,414	4,696,313	3,639,073	3,718,573	1,618,185	25,715
Other assets	779,804	148,030	152,009	469,587	5,890	-	-	4,288	-	-
Fixed assets	80,994	2,597	5,193	6,851	12,851	23,514	8,626	10,343	11,019	-
Intangible assets	907	363	544	-	-	-	-	-	-	-
Deferred tax assets	558,070	(44,700)	(17,664)	(31,072)	(80,847)	(77,873)	14,435	522,324	272,597	890
	64,669,390	10,304,167	27,025,579	3,944,722	2,592,178	6,205,633	3,849,674	7,064,874	3,655,958	26,605
Liabilities										
Borrowings from financial institutions	44,607,690	31,541,796	5,600,927	1,217,690	1,293,167	1,999,046	1,037,142	1,137,420	780,502	-
Deposits and other accounts	10,501,149	3,715,824	3,126,600	2,507,129	1,151,596	-	-	-	-	-
Liabilities against assets subject to finance leases	1,346	29	57	87	180	382	611	-	-	-
Others Liabilities	1,435,848	390,388	659,645	52,914	131,221	137,355	28,402	31,423	4,500	-
	56,546,033	35,648,037	9,387,229	3,777,820	2,576,164	2,136,783	1,066,155	1,168,843	785,002	-
Net assets	8,123,357	(25,343,870)	17,638,350	166,902	16,014	4,068,850	2,783,519	5,896,031	2,870,956	26,605
Share capital	6,150,000									
Reserves	1,071,761									
Unappropriated profit	838,056									
Surplus on revaluation of investment - net of tax	63,540									
	8,123,357									

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 07 March 2019 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 Captions, as prescribed by BPRD Circular No.2 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these unconsolidated financial statements, except for captions of the unconsolidated statement of financial position and unconsolidated profit and loss account.

44.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

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

44.4 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these unconsolidated financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by State Bank of Pakistan vide BPRD circular no. 2 of 2018.

45. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on 07 March 2019 by the Board of Directors of the Company.

Chief Financial Officer

Managing Director and Chief Executive

Managing Director and Chief Executive

Chairman

Annexure I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2018

S. No.	Name and address of the borrowar	Name of individuals /partners / directors with CNIC No.	Father's / Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest / mark-up written off	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				(9+10+11)
1	2	3	4	5	6	7	8	9	10	11	12
				(Rupees in '000)							
1	Magna Steel (Pvt) Limited			36,659	6,107	44,697	87,463	-	5,366	47,750	53,116
		Mr. Abid Ali 61101-8234241-7	Mr. Zain-ul-Abedin								
		Mr. Muhammad Tariq Iqbal Mughal 35201-9057040-1	Mr. Bashir Ahmed Mughal								
		Mr. Abdul Ghani 42401-0336246-7	Mr. Haji Abdul Ghaffar								
2	Dewan Farooque Motors			22,662	185,955	43,421	252,038	-	185,955	43,421	229,376
		Mr. Dewan M. Ayub Khalid 42201-9975110-3	Mr. Dewan M. Khalid Farooqui								
		Mr. Dewan M. Yousuf Farooqui 42301-6948978-9	Mr. Dewan M. Umer Farooque								
		Mr. Dewan Abdul Rehman Farooqui 42301-0862043-3	Mr. Dewan M. Salman Farooqui								
		Mr. Dewan M. Asim Mushfiq Farooqui 42301-4927084-9	Mr. Dewan M. Umer Farooque								
		Mr. Dewan Zia-Ur-Rehman Farooqui 61101-1738570-1	Mr. Dewan M. Umer Farooque								
		Mr. Dewan Ghulam Mustafa Khallid 42201-7707647-9	Mr. Dewan M. Khalid Farooqui								
		Mr. Dewan Abdullah Ahmed 42301-7511974-1	Mr. Dewan M. Umer Farooque								
3	Al - Abid Silk Mills Limited			42,878	2,988	22,345	68,211	-	-	26,381	26,381
		Mr. Qamar Mashkoor 42201-6780761-7	Mr. Mashkoor Ahmed								
		Mr. Muhammad Sajid Hafeez 42101-3124729-3	Mr. Ejaz Ahmed Siddiqui								
		Mst. Adia Naseem 42301-0783384-4	Mr. Naseem Ahmed Sattar								
		Mrs.Sadaf Nadeem 42301-0878886-8	Mr. Nadeem Yousuf								
		Mr. S.M. Javed Azam 42201-8147445-3	Syed Muhammad Farooq								
		Mr. Azim Ahmed 42301-0912143-9	Mr. Naseem Ahmed								
		Mr.Naseem A.Sattar 42301-0840043-1	Mr. Abdul Sattar								
		Mr. Syed Raza Abbas Jaffari 42201-0215685-1	Mr. Sayad Shabit Hussain								
4	MGA Industries (Pvt.)			31,414	8,041	35,380	74,835	-	1,956	38,870	40,826
		Mr. Malik Muhammad Aslam 35202-0419653-5	Mr. Malik Sultan Ahmed								
		Mr. Tahir Javed Malik 35202-7926036-9	Mr. Malik Sultan Ahmed								
		Mr. Khalid Javed Malik 35202-9915586-9	Mr. Malik Sultan Ahmed								
				133,613	203,091	145,843	482,547	-	193,277	156,422	349,699

KPMG

KPMG Taseer Hadi & Co.

Pak Oman Investment Company Limited

Consolidated Financial Statements

For the year ended 31 December 2018

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

INDEPENDENT AUDITOR'S REPORT

To the Members of Pak Oman Investment Company Limited

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 2018, and the consolidated statement of profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow 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 2018, 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.

Emphasis of Matter

We draw attention to the ultimate outcome of contingencies relating to the subsidiary, as disclosed in note 22.4.1 to the consolidated financial statements cannot presently be determined and hence no provision has been made in these consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. Other information comprises the information included in the Group's Annual Report for the year ended 31 December 2018, but does not include the consolidated financial statements and our auditor's report 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.

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, 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 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.

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

KPMG Taseer Hadi & Co.

consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Other Matter

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

KPMG Taseer Hadi & Co.

Date: 7 March 2019

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Pak Oman Investment Company Limited

Consolidated Statement of Financial Position

As at 31 December 2018

31 December 2018	31 December 2017		Note	31 December 2018	31 December 2017
(US Dollar in '000)				(Rupees in '000)	
		ASSETS			
884	1,240	Cash and balances with treasury banks	5	122,740	172,235
16,520	14,697	Balances with other banks	6	2,294,067	2,040,902
39,135	14,679	Lendings to financial institutions	7	5,434,296	2,038,288
204,101	290,965	Investments	8	28,341,835	40,403,976
147,499	135,318	Advances	9	20,482,056	18,790,501
746	653	Fixed assets	10	103,626	90,675
1,902	1,905	Intangible assets	11	264,069	264,539
2,901	3,679	Deferred tax assets	12	402,873	510,857
6,850	6,545	Other assets	13	951,091	908,649
420,538	469,681			58,396,653	65,220,622
		LIABILITIES			
-	-	Bills payable		-	-
289,887	325,206	Borrowings	14	40,254,145	45,158,690
64,888	75,623	Deposits and other accounts	15	9,010,490	10,501,149
7	10	Liabilities against assets subject to finance lease	16	992	1,346
-	-	Subordinated debt		-	-
-	-	Deferred tax liabilities		-	-
7,763	11,005	Other liabilities	17	1,078,033	1,528,228
362,545	411,844			50,343,660	57,189,413
57,993	57,837	**NET ASSETS**		8,052,993	8,031,209
		REPRESENTED BY			
44,289	44,289	Share capital	18	6,150,000	6,150,000
8,387	7,718	Reserves	19	1,164,643	1,071,761
284	458	Surplus on revaluation of assets	20	39,425	63,562
4,973	5,313	Unappropriated profit		690,607	737,744
57,933	57,778	Equity attributable to shareholder of holding company		8,044,675	8,023,067
60	59	Non-Controlling Interest	21	8,318	8,142
57,993	57,837			8,052,993	8,031,209
		CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 46 and Annexure I form an integral part of these consolidated financial statements.

Chief Financial Officer

Managing Director and Chief Executive

Managing Director and Chief Executive

Chairman

Pak Oman Investment Company Limited
Consolidated Statement of Profit and Loss Account
For the year ended 31 December 2018

2018	2017		Note	2018	2017
(US Dollar in '000)				(Rupees in '000)	
25,727	28,587	Mark-up / Return / Interest Earned	23	3,572,436	3,969,612
19,699	22,479	Mark-up / Return / Interest Expensed	24	2,735,373	3,121,481
6,028	6,108	**Net mark-up / interest income**		**837,063**	848,131
		NON MARK-UP / INTEREST INCOME			
1,049	977	Fee and commission income	25	145,703	135,651
255	505	Dividend income		35,438	70,147
-	-	Foreign exchange income		-	-
-	-	Income / (loss) from derivatives		-	-
246	1,322	Gain on securities	26	34,136	183,532
99	(405)	Share of profit / (loss) from associates - net of tax		13,796	(56,277)
236	46	Other income	27	32,813	6,365
1,885	2,445	Total non mark-up / interest income		261,886	339,418
7,913	8,553	**Total Income**		**1,098,949**	1,187,549
		NON MARK-UP / INTEREST EXPENSES			
4,692	4,853	Operating expenses	28	651,558	673,937
61	141	Workers Welfare Fund		8,479	19,550
168	197	Other charges	29	23,384	27,423
4,921	5,191	Total non mark-up / interest expenses		683,421	720,910
2,992	3,362	Profit Before Provisions		415,528	466,639
2,392	1,212	Reversals / (provisions) and write offs - net	30	332,101	168,313
-	-	Extra ordinary / unusual items		-	-
5,384	4,574	**PROFIT BEFORE TAXATION**		**747,629**	634,952
(2,024)	(2,246)	Taxation	31	(280,994)	(311,932)
3,360	2,328	**PROFIT AFTER TAXATION**		**466,635**	323,020
		ATTRIBUTABLE TO:			
3,359	2,339	Shareholders of the holding company		466,459	324,542
1	(11)	Non-controlling interest		176	(1,522)
3,360	2,328			**466,635**	323,020
(US $)				(Rupees)	
0.0055	0.0038	**Basic and diluted earnings per share attributable to shareholders of the holding company**	32	**0.76**	0.53

The annexed notes 1 to 46 and Annexure I form an integral part of these consolidated financial statements.

Chief Financial Officer

Managing Director and Chief Executive

Managing Director and Chief Executive

Chairman

Pak Oman Investment Company Limited
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018

2018	2017		2018	2017
(US Dollar in '000)			(Rupees in '000)	
3,360	2,328	Profit after taxation for the year	466,635	323,020
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
(113)	(2,075)	Movements in deficit on revaluation of investments - net of tax	(15,684)	(288,151)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
50	39	Remeasurement gain on defined benefit obligations - net of tax	6,984	5,431
(61)	(21)	Movement in deficit on revaluation of non-banking assets - net of tax	(8,453)	(2,966)
(11)	18		(1,469)	2,465
3,236	271	**Total comprehensive income**	449,482	37,334
		ATTRIBUTABLE TO:		
3,235	282	Shareholders of the holding company	449,306	38,856
1	(11)	Non-controlling interest	176	(1,522)
3,236	271		449,482	37,334

The annexed notes 1 to 46 and Annexure I form an integral part of these consolidated financial statements.

Chief Financial Officer

Managing Director and Chief Executive

Managing Director and Chief Executive

Chairman

Pak Oman Investment Company Limited

Consolidated Cash Flow Statement

For the year ended 31 December 2018

2018 (US Dollar in '000)	2017 (US Dollar in '000)		Note	2018 (Rupees in '000)	2017 (Rupees in '000)
		CASH FLOW FROM OPERATING ACTIVITIES			
5,384	4,574	Profit before taxation		**747,629**	634,952
(255)	(505)	Less: Dividend income		**(35,438)**	(70,147)
5,129	4,069			**712,191**	564,805
		Adjustments:			
329	357	Depreciation		**45,664**	49,520
3	4	Amortization		**470**	498
(2,392)	(1,212)	(Reversals) / provisions and write offs - net		**(332,101)**	(168,313)
(25)	(20)	Gain on sale of fixed assets		**(3,480)**	(2,761)
(99)	405	Share of (loss) / profit from associates - net of tax		**(13,796)**	56,277
1	1	Finance charges on leased assets		**140**	106
(56)	(12)	Unrealised gain on revaluation of investments classified as held-for-trading		**(7,791)**	(1,668)
(2,239)	(477)			**(310,894)**	(66,341)
2,890	3,592			**401,297**	498,464
		(Increase) / Decrease in operating assets			
(24,456)	(7,939)	Lendings to financial institutions		**(3,396,008)**	(1,102,462)
8,641	(148,346)	Held-for-trading securities		**1,199,908**	(20,599,660)
(10,060)	(27,125)	Advances		**(1,396,987)**	(3,766,698)
(514)	(773)	Other assets (excluding advance taxation)		**(71,704)**	(107,025)
(26,389)	(184,183)			**(3,664,791)**	(25,575,845)
		Increase / (decrease) in operating liabilities			
-	-	Bills payable		**-**	-
(35,320)	144,084	Borrowings		**(4,904,545)**	20,007,792
(10,735)	37,146	Deposits		**(1,490,659)**	5,158,174
(3,067)	4,677	Other liabilities (excluding current taxation)		**(425,890)**	649,694
(49,122)	185,907			**(6,821,094)**	25,815,660
(72,621)	5,316			**(10,084,588)**	738,279
(1,292)	(1,285)	Income tax paid		**(179,396)**	(178,436)
(73,913)	4,031	**Net cash (used in) / from operating activities**		**(10,263,984)**	559,843
		CASH FLOW FROM INVESTING ACTIVITIES			
77,006	3,980	Net investments in available-for-sale securities		**10,693,261**	552,685
1,483	236	Sale of associates		**205,994**	32,750
255	520	Dividend received		**35,438**	72,175
(311)	(2,094)	Investments in operating fixed assets		**(43,171)**	(290,726)
51	40	Proceeds from sale of fixed assets		**7,126**	5,490
78,484	2,682	**Net cash from investing activities**		**10,898,648**	372,374
		CASH FLOW FROM FINANCING ACTIVITIES			
(4)	(3)	Payments of lease obligations		**(494)**	(431)
(3,100)	(3,543)	Dividend paid		**(430,500)**	(492,000)
(3,104)	(3,546)	**Net cash used in financing activities**		**(430,994)**	(492,431)
1,467	3,167	**Increase in cash and cash equivalents**		**203,670**	439,786
15,938	12,771	Cash and cash equivalents at beginning of the year	33	**2,213,137**	1,773,351
17,405	15,938	**Cash and cash equivalents at end of the year**	33	**2,416,807**	2,213,137

The annexed notes 1 to 46 and Annexure I form an integral part of these consolidated financial statements.

Chief Financial Officer

Managing Director and Chief Executive

Managing Director and Chief Executive

Chairman

Pak Oman Investment Company Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2018

	Share capital	(Reserves) Statutory reserve	(Reserves) General reserve	Surplus / (deficit) on revaluation of Investments	Surplus / (deficit) on revaluation of Non-banking assets	Unappropriated profit	Sub total	Non-controlling interest	Total
	(Rupees in '000)								
Balance as at 01 January 2017	6,150,000	972,797	11,630	296,333	58,346	984,139	8,473,245	9,664	8,482,909
Total comprehensive income									
Profit after taxation	-	-	-	-	-	324,542	324,542	(1,522)	323,020
Other comprehensive loss - net of tax	-	-	-	(288,151)	(2,966)	5,431	(285,686)	-	(285,686)
Total comprehensive income for the year ended 31 December 2017	-	-	-	(288,151)	(2,966)	329,973	38,856	(1,522)	37,334
Transfer to statutory reserve	-	87,334	-	-	-	(87,334)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	2,966	2,966	-	2,966
Transaction with owners recorded directly in equity									
Final cash dividend - 31 December 2016 declared subsequent to the year end (Rs. 0.8 per share)	-	-	-	-	-	(492,000)	(492,000)	-	(492,000)
Balance as at 31 December 2017	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)	5,984	(17,163)	-	(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**

The annexed notes 1 to 46 and Annexure I form an integral part of these consolidated financial statements.

Chief Financial Officer

Managing Director and Chief Executive

Managing Director and Chief Executive

Chairman

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 1st Floor, Tower A, Shahrah-e-faisal, Karachi, Pakistan. POAMCL obtained certificate of commencement of business on 31 October 2006. The principal activities of the 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 Incorporation	Nature of business	Holding % 2018	Holding % 2017
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.	**70.44**	53.99
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.	**30.98**	49.99
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.	**88.66**	81.28
Pak Oman Government Securities Fund	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	**98.68**	90.42
Askari High Yield Scheme	Pakistan	Established as an open-end scheme under the Non-Banking Finance Companies Rules, 2003 and Notified Entities Regulations, 2008.	-	5.62
Pak Oman Microfinance Bank Limited	Pakistan	Incorporated under the repealed Companies Ordinance, 1984 and is engaged in providing micro finance services to the poor and under served segment of the society.	**16.67**	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 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 2018.

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 2018 and the audited financial statements of the subsidiary (POAMCL) for the year ended 31 December 2018. 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.

2.2 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. 138.8619 to 1 US Dollar has been used for 2018 and 2017 as it was the prevalent rate as on 31 December 2018.

2.3 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;
- 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 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 consolidated financial statements.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after 01 January 2018 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these consolidated financial statements.

State Bank of Pakistan prescribed a new format for financial statements of Banks / DFIs effective from the year ended 31 December 2018. Accordingly, these consolidated financial statements are prepared in accordance with the new format. The changes impacting (other than certain presentation changes) these consolidated financial statements include:

- Inclusion of surplus / deficit on revaluation of assets as part of equity (previously shown below equity).
- Other reversal of provisions / write offs have now been combined under provisions & write off - net (note 29).

In addition, Companies Act, 2017 also became effective for the consolidated financial statements for the year ended 31 December 2018. As the Group's consolidated financial statements are prepared in accordance with the format prescribed by SBP, it did not have a direct impact on these consolidated financial statements except that for disclosure of related parties transactions, as required by fifth schedule of Companies Act, 2017 the definition of related parties as given in IAS 24 - Related parties has been followed.

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 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Group's consolidated financial statements.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including 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'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Group is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting years beginning on or after 1 July 2018, with early adoption permitted. The Group has carried out an impact assessment as at 31 December 2017 which has been submitted to State Bank of Pakistan. However, this assessment has not been updated to 31 December 2018 pending notification as to date the standard is applicable for Banks / DFI. The Group is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard. SECP vide SRO. 229 (1)/2019, dated 14 February 2019, has modified the effective date for applicability of IFRS 9 (Financial Instruments) in place of IAS 39 (Financial Instruments: Recognition and Measurement) as reporting period / year ending on or after 30 June 2019.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Group's consolidated financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the year; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Group's consolidated financial statements.

- 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 1 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 consolidated financial statements.

- 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 1 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 judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

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

    - IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangement' - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

    - IAS 12 'Income Taxes' - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 'Borrowing Costs' - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Group's consolidated financial statements.

2.5 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 4.6.2 and 9)
- Impairment of available-for-sale investments (4.4 and 8)
- Classification of investments (note 4.4 and 8)
- Income taxes (note 4.10 and 31)
- Fixed assets, depreciation and amortization (note 4.7, 10 and 11)
- Employees' benefit plans (note 4.12 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 4.1:

4.1 SBP revised the format for presentation of Banks / DFIs financial statements for the year ended 31 December 2018. This requires a change in accounting policy for (deficit) / surplus on revaluation of assets which is now required to be shown as part of equity (note 4.4, 4.24 and 20). Previously, it was shown below the equity.

4.2 Cash and cash equivalents

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

4.3 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.

4.4 Investments

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

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 consolidated profit and loss account for the period.

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes 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.

4.5 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.

4.6 Advances and net investment in finance lease

4.6.1 Advances

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

4.6.2 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.

4.6.3 Net investment in lease

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

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

4.7 Fixed assets

4.7.1 Property and equipment – owned

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to 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.

4.7.2 Property and equipment - leased

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

4.7.3 Capital work-in-progress

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

4.8 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.

4.9 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.

4.10 Taxation

4.10.1 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.

4.10.2 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.

4.11 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.

4.12 Staff retirement benefits

4.12.1 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 2018.

4.12.2 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.

4.12.3 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.

4.13 Compensated absences

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

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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.

4.20 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.

4.21 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	2018	2017
		(Rupees in '000)	
In hand			
local currency		433	434
foreign currency		198	158
		631	592
With State Bank of Pakistan in			
Local currency current account	5.1	121,861	169,408
With National Bank of Pakistan in			
Local currency current account		248	2,235
		122,740	172,235

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	2018	2017
		(Rupees in '000)	
In Pakistan:			
In current accounts		17,776	4,111
In deposit accounts	6.1	2,275,788	2,036,465
		2,293,564	2,040,576
Outside Pakistan:			
In current accounts		503	326
		2,294,067	2,040,902

6.1 These include term deposit receipts (TDRs) of Rs. 2,250 million (2017: Rs. 2,000 million) maturing between January 2019 to March 2019 (2017: January 2018 to June 2018). These carry mark-up rates ranging from 9.35% to 12% (2017: 6.75% to 9%) per annum.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2018	2017
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	7.1	5,434,296	2,038,288

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 9.95% to 10.45% (2017: 5.70% to 6.25%) per annum and will mature in January 2019 (2017: January 2018).

7.2 Particulars of lendings

	2018	2017
	(Rupees in '000)	
In local currency	5,434,296	2,038,288

7.3 Securities held as collateral against Lending to financial institutions

	Note	2018			2017		
		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		-	1,912,589	1,912,589	-	1,328,288	1,328,288
Pakistan Investment Bonds		46,000	3,475,707	3,521,707	-	710,000	710,000
	7.3.1	46,000	5,388,296	5,434,296	-	2,038,288	2,038,288

7.3.1 Market value of these securities amount to Rs. 5,447 million (2017: Rs. 2,099 million).

8 INVESTMENTS

	2018				2017			
	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	**22,528,724**	**-**	**(3,246)**	**22,525,478**	23,853,698	-	(2,459)	23,851,239
Shares	**-**	**-**		**-**	4,409	-	9	4,418
Non-Government debt securities	**419,849**	**-**	**8,587**	**428,436**	290,219	-	155	290,374
	22,948,573	**-**	**5,341**	**22,953,914**	24,148,326	-	(2,295)	24,146,031
Available-for-sale securities								
Federal Government securities	**1,405,393**	**-**	**(43,262)**	**1,362,131**	11,672,330	-	(1,954)	11,670,376
Shares	**347,333**	**(121,333)**	**-**	**226,000**	493,140	(192,444)	-	300,696
Non-Government debt securities	**3,237,772**	**(467,723)**	**32,843**	**2,802,892**	3,589,400	(505,256)	13,611	3,097,755
	4,990,498	**(589,056)**	**(10,419)**	**4,391,023**	15,754,870	(697,700)	11,657	15,068,827
Associates	**996,898**	**-**	**-**	**996,898**	1,189,118	-	-	1,189,118
Total Investments	**28,935,969**	**(589,056)**	**(5,078)**	**28,341,835**	41,092,314	(697,700)	9,362	40,403,976

8.2 Investments by segments

	2018				2017			
	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	**4,439,651**	**-**	**(44,134)**	**4,395,517**	2,497,845	-	5	2,497,850
- Market treasury bills	**19,494,466**	**-**	**(2,374)**	**19,492,092**	33,028,183	-	(4,418)	33,023,765
	23,934,117	**-**	**(46,508)**	**23,887,609**	35,526,028	-	(4,413)	35,521,615
Shares								
- Listed companies	**-**	**-**	**-**	**-**	150,216	(71,111)	9	79,114
- Unlisted companies	**347,333**	**(121,333)**	**-**	**226,000**	347,333	(121,333)	-	226,000
	347,333	**(121,333)**	**-**	**226,000**	497,549	(192,444)	9	305,114
Non-Government debt securities								
- Term finance certificate - listed	**1,049,685**	**(185,226)**	**(2,714)**	**861,745**	1,269,304	(213,517)	7,240	1,063,027
- Term finance certificate - unlisted	**1,913,702**	**(121,452)**	**32,536**	**1,824,786**	1,646,750	(130,694)	(1,032)	1,515,024
- Sukuk certificates	**694,234**	**(161,045)**	**11,608**	**544,797**	916,086	(161,045)	7,558	762,599
- Commercial papers	**-**	**-**	**-**	**-**	47,479	-	-	47,479
	3,657,621	**(467,723)**	**41,430**	**3,231,328**	3,879,619	(505,256)	13,766	3,388,129
Associates								
- Japan Power Generation Limited	**-**	**-**	**-**	**-**	-	-	-	-
- Pak Oman Microfinance Bank Limited	**372,261**	**-**	**-**	**372,261**	362,245	-	-	362,245
- Pak Oman Advantage Islamic Income Fund	**177,363**	**-**	**-**	**177,363**	175,361	-	-	175,361
- Pak Oman Islamic Asset Allocation Fund	**95,021**	**-**	**-**	**95,021**	107,021	-	-	107,021
- Pak Oman Advantage Asset Allocation Fund	**93,408**	**-**	**-**	**93,408**	101,619	-	-	101,619
- Pak Oman Government Securities Fund	**258,845**	**-**	**-**	**258,845**	257,385	-	-	257,385
- Askari High Yield Scheme	**-**	**-**	**-**	**-**	185,487	-	-	185,487
	996,898	**-**	**-**	**996,898**	1,189,118	-	-	1,189,118
Total investments	**28,935,969**	**(589,056)**	**(5,078)**	**28,341,835**	41,092,314	(697,700)	9,362	40,403,976

8.2.1 Investments given as collateral

	2018				2017			
	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	**3,827,167**	**-**	**(44,398)**	**3,782,769**	1,231,632	-	765	1,232,397
- Market treasury bills	**18,374,587**	**-**	**(2,253)**	**18,372,334**	30,254,571	-	(4,207)	30,250,364
	22,201,754	**-**	**(46,651)**	**22,155,103**	31,486,203	-	(3,442)	31,482,761
Shares								
- Listed companies	**-**	**-**	**-**	**-**	-	-	-	-
- Unlisted companies	**226,000**	**-**	**-**	**226,000**	226,000	-	-	226,000
	226,000	**-**	**-**	**226,000**	226,000	-	-	226,000
Total investments	**22,427,754**	**-**	**(46,651)**	**22,381,103**	31,712,203	-	(3,442)	31,708,761

8.3 Provision for diminution in value of investments

	2018	2017
	(Rupees in '000)	
8.3.1 Opening balance	**697,700**	778,034
Charges / reversals		
Charge for the year	**-**	113,486
Reversals for the year	**(37,533)**	(95,456)
	(37,533)	18,030
Transfers - net	**(71,111)**	(98,364)
Amounts written off	**-**	-
Closing balance	**589,056**	697,700

8.3.2 Particulars of provision against debt securities

Category of classification	**2018 NPI**	**2018 Provision**	2017 NPI	2017 Provision
	(Rupees in '000)			
Domestic				
Other assets especially mentioned	**-**	**-**	-	-
Substandard	**-**	**-**	-	-
Doubtful	**-**	**-**	-	-
Loss	**488,172**	**467,723**	525,705	505,256
Total	**488,172**	**467,723**	525,705	505,256

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 2018	Cost 2017
		(Rupees in '000)	
Pakistan Investment Bonds	8.7	**1,405,393**	1,081,920
Market Treasury Bills	8.8	**-**	10,590,410
		1,405,393	11,672,330

Shares

Listed shares

	Cost 2018	Cost 2017
Chemical	-	46,435
Commercial Banks	-	99,372
	-	145,807

Unlisted Shares

	2018 Cost	2018 Break-up / carrying value	2017 Cost	2017 Break-up / carrying value
	(Rupees in '000)			
Alhamra Avenue (Private) Limited	**50,000**	**50,000**	50,000	50,000
Pakistan Textile City Limited	**50,000**	**50,000**	50,000	50,000
Techlogix International Limited	**21,333**	**21,333**	21,333	21,333
Orient Power Company (Private) Limited (Note 21.2)	**226,000**	**610,352**	226,000	562,331
	347,333	**731,685**	347,333	683,664

Non Government Debt Securities

	Cost 2018	Cost 2017
	(Rupees in '000)	
Listed		
- AAA	**234,924**	349,213
- AA+, AA, AA-	**167,117**	246,532
- A+, A, A-	**384,573**	385,003
- BBB+, BBB, BBB-	**49,851**	49,862
	836,465	1,030,610
Unlisted		
- AA+, AA, AA-	**895,775**	956,134
- A+, A, A-	**1,017,360**	1,029,472
- CCC and below	**488,172**	525,705
- Unrated	**-**	47,479
	2,401,307	2,558,790
	3,237,772	3,589,400

8.5 Investment in associates

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

8.5.2	Number of shares / units 2018	Number of shares / units 2017	Carrying Value 2018 (Rupees in '000)	Carrying Value 2017 (Rupees in '000)	Holding	Break-up value per share / (Rupees)	Latest available unaudited financial statements	Name of the chief executive
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	**95,021**	107,021	30.98%	**47.51**	31-Dec-18**	Mr. Adeel Ahmad Khan
Pak Oman Advantage Asset Allocation Fund	**2,000,000**	2,000,000	**93,408**	101,619	88.66%	**46.70**	31-Dec-18**	Mr. Adeel Ahmad Khan
Pak Oman Advantage Islamic Income Fund	**3,269,170**	3,269,170	**177,363**	175,361	70.44%	**54.25**	31-Dec-18**	Mr. Adeel Ahmad Khan
Pak Oman Government Securities Fund	**23,660,643**	23,660,643	**258,845**	257,385	98.68%	**10.94**	31-Dec-18**	Mr. Adeel Ahmad Khan
Askari High Yield Scheme	-	1,788,938	-	185,487	-	**105.23**	31-Dec-18**	Mr. Adeel Ahmad Khan
Unquoted								
Pak Oman Microfinance Bank Limited (Note 8.6)	**38,470,788**	38,470,788	**372,261**	362,245	16.67%	**10.25**	31-Dec-18 *	Mr. Teizoon Kisat
			996,898	1,189,118				

**Published Net Asset Value
* Audited 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 Powor Generation Limited ***	Pak Oman Microfinance Bank ***
	(Rupees in '000)					
Assets	255,291	315,833	108,309	265,895	11,856,868	2,489,548
Liabilities	3,826	9,077	2,957	3,589	17,673,828	123,211
Total income	21,806	(41,133)	(32,824)	19,278	-	508,188
Profit / (loss) before taxation	15,117	(52,048)	(38,465)	12,469	-	100,573
Profit / (loss) after taxation	15,117	(52,048)	(38,465)	12,469	-	60,228

**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 June 2028 (2017: July 2024) and the effective yield ranges from 6.80% to 11.08% (2017: 6.00 % to 8.25%) per annum.

8.8 Market treasury bills carry yield ranging 8.72% to 10.31% (2017: 5.93% to 6.01%) per annum with maturities upto February 2019 (2017: March 2018).

9 ADVANCES

	Note	Performing		Non-performing		Total	
		2018	2017	**2018**	2017	**2018**	2017
		(Rupees in '000)		**(Rupees in '000)**		**(Rupees in '000)**	
Loans, cash credits, running finances, etc.	9.1 & 9.3	**20,122,055**	18,392,102	**711,233**	964,378	**20,833,288**	19,356,480
Margin trading		**229,460**	309,281	**-**	-	**229,460**	309,281
Advances - Gross		**20,351,515**	18,701,383	**711,233**	964,378	**21,062,748**	19,665,761
Provision against advances							
Specific		**-**	-	**580,479**	875,047	**580,479**	875,047
General		**213**	213	**-**	-	**213**	213
	9.5	**213**	213	**580,479**	875,047	**580,692**	875,260
Advances - net of provision		**20,351,302**	18,701,170	**130,754**	89,331	**20,482,056**	18,790,501

9.1 Includes Net investment in Finance Lease

	2018			2017		
	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	**711,875**	**905,100**	**1,616,975**	740,694	691,342	1,432,036
Residual value	**216,398**	**158,497**	**374,895**	106,907	221,258	328,165
Minimum lease payments	**928,273**	**1,063,597**	**1,991,870**	847,601	912,600	1,760,201
Financial charges for future periods	**(117,511)**	**(107,816)**	**(225,327)**	(81,956)	(58,812)	(140,768)
Present value of minimum lease payments	**810,762**	**955,781**	**1,766,543**	765,645	853,788	1,619,433

9.1.1 In respect of the aforementioned finance leases the Group holds an aggregate sum of Rs. 356.216 million (2017: Rs. 291.874 million) as security deposits on behalf of the lessees which are included under 'other liabilities' (note 17).

9.2 Particulars of advances (Gross)

	2018	2017
	(Rupees in '000)	
In local currency	**21,062,748**	19,665,761

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 (2017: 5) percent per annum, while no mark-up is charged on personal loans and car loan.

9.3.1 In 2015, POAMCL provided interest free loan to its Chief Executive Officer (CEO) amounting to Rs. 4 million, payable over period of 5 years, for the purpose of purchase of motor vehicle. The Company has recorded receivable from the CEO at present value of the loan, amounting to Rs. 3.25 million, calculated at the rate of 8.5% per annum. As at year ended 31 December 2018, the present value of loan amounted to Rs. 1.354 million (2017: Rs. 2.008 million).

Further, the loan has been granted in accordance with the appointment letter of the CEO as approved by the Chairman of the Board of Directors and the Company has also obtained approval from SECP in this respect vide its letter no. SCD/AMCW/POAMCL/181/2015 dated 24 November 2015 in compliance with the section 195 of the repealed Companies Ordinance, 1984.

9.4 Advances include Rs. 711 million (2017: Rs 964 million) which have been placed under the non-performing status as detailed below:

Category of Classification	2018 Non performing loans	2018 Provision	2017 Non performing loans	2017 Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	-	-	-	
Substandard	**26,912**	-	-	-
Doubtful	**182,820**	**90,000**	209,246	130,938
Loss	**501,501**	**490,479**	755,132	744,109
	711,233	**580,479**	964,378	875,047

9.5 Particulars of provision against advances

	Note	2018 Specific	2018 General	2018 Total	2017 Specific	2017 General	2017 Total
		(Rupees in '000)					
Opening balance		**875,047**	**213**	**875,260**	1,065,205	73	1,065,278
Charge for the year		-	-	-	2,969	140	3,109
Reversals		**(294,568)**	-	**(294,568)**	(189,452)	-	(189,452)
		(294,568)	-	**(294,568)**	(186,483)	140	(186,343)
Amounts written off	9.7	-	-	-	(3,675)	-	(3,675)
Closing balance		**580,479**	**213**	**580,692**	875,047	213	875,260

9.5.1 Particulars of provision against advances

	2017 Specific	2017 General	2017 Total	2016 Specific	2016 General	2016 Total
	(Rupees in '000)					
In local currency	**580,479**	**213**	**580,692**	875,047	213	875,260
In foreign currencies	-	-	-	-	-	-
	580,479	**213**	**580,692**	875,047	213	875,260

9.6 In accordance with BPRD Circular No. 6 dated 26 June 2014 issued by the SBP, the Group has availed the benefit of FSV against the non-performing advances and term finance certificates. As of 31 December 2018, the Group has availed total accumulated FSV benefit amounting to Rs. 4.3 million (net of tax Rs. 3.1 million). Accordingly, accumulated profit of Rs. 3.1 million (net of transfer to statutory reserves Rs. 2.5 million) will not be available for the distribution as cash or stock dividend to the shareholders / bonus to employees of the Group as required by the aforementioned SBP directives.

		Note	2018	2017
			(Rupees in '000)	
9.7	**Particulars of write offs**			
9.7.1	Against provisions		-	3,675
	Directly charged to profit and loss account		-	-
			-	3,675
9.7.2	Write offs of Rs. 500,000 and above			
	- Domestic		-	3,675
	Write offs of below Rs 500,000		-	-
			-	3,675
10	**FIXED ASSETS**			
	Property and equipments	*10.1*	**103,626**	90,675

10.1 Property and Equipments

	Office premises*	Improvements	Office equipments	Computer equipments	Furniture and fixtures	Vehicles	Assets subject to finance lease - vehicle	Total
	2018							
	(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%**	**20%**	**33.33%**	**20%**	**20%**	**20%**	

	2017							
	Office premises*	Improvements	Office equipments	Computer equipments	Furniture and fixtures	Vehicles	Assets subject to finance lease - vehicle	Total
	(Rupees in '000)							
As at 01 January 2017								
Cost	42,126	24,623	14,528	29,698	15,600	84,750	1,972	213,297
Accumulated depreciation	(25,975)	(11,292)	(11,187)	(26,081)	(11,253)	(32,111)	(427)	(118,326)
Net book value	16,151	13,331	3,341	3,617	4,347	52,639	1,545	94,971
Year ended 31 December 2017								
Opening net book value	16,151	13,331	3,341	3,617	4,347	52,639	1,545	94,971
Additions	-	16,826	1,348	856	3,788	4,237	-	27,055
Disposals	-	-	(512)	-	(418)	(1,799)	-	(2,729)
Depreciation charge	(2,106)	(2,368)	(1,586)	(2,371)	(1,534)	(18,262)	(395)	(28,622)
Closing net book value	14,045	27,789	2,591	2,102	6,183	36,815	1,150	90,675
As at 31 December 2017								
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
Rate of depreciation (percentage)	5%	10-20%	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:

	2018	2017
	(Rupees in '000)	
Improvements	**2,656**	2,656
Office equipments	**8,718**	8,079
Computer equipments	**20,154**	15,497
Furniture and fixtures	**4,804**	4,817
Vehicles	**1,722**	2,693
	38,054	33,742

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	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
	(Rupees in '000)						
Vehicles							
Mercedes	13,400	13,400	-	-	-	As per Terms of Employment Contract	Mr. Bahauddin Khan (Chief executive officer)
Toyota Corolla	2,462	2,462	-	-	-	As per Terms of Employment Contract	Mr. Bahauddin Khan (Chief executive officer)
Honda Civic	2,388	2,388	-	478	478	Company policy	Mr. Jehangir Shah (Executive)
Honda Civic	2,035	1,425	610	1,043	433	Company policy	Mr. Zalmai Rahmanuddin Khan (Executive)
Toyota Corolla	1,551	1,551	-	310	310	Company policy	Syed Abdullah Jamal Ahmed Naqvi
Suzuki Cultus	1,010	1,010	-	202	202	Company policy	Mr. Muhammad Ali Bhai (Executive)
Suzuki Cultus	970	970	-	194	194	Company policy	Mr. Khalil Ahmed (Executive)
Suzuki Cultus	1,010	1,010	-	202	202	Company policy	S.M. Hasan Baqar Rizvi (Executive)
Toyota Corolla	1,049	839	210	876	666	Negotiations	M/s Cars Qilla
Suzuki Cultus	1,044	661	383	890	507	Negotiations	M/s Cars Qilla
Honda Civic	2,558	441	2,117	2,625	508	Negotiations	M/s Cars Qilla
	29,477	**26,157**	**3,320**	**6,820**	**3,500**		
Apple IPAD	88	88	-	-	-	Board Approval	Mr. Hamed Sloom Mubarak Al Athobi (Former Non-Executive Director)
Equipments	2,792	2,792	-	-	-	As per Terms of Employment Contract	Mr. Bahauddin Khan (Chief executive officer)
Furniture and fixture	650	650	-	-	-	As per Terms of Employment Contract	Mr. Bahauddin Khan (Chief executive officer)
Furniture and fixture	100	23	77	77	-	Company policy	Ms. Noor Muhammad Saheto (Former Executive)
Furniture and fixture	150	103	47	47	-	Company policy	Mr. Khuram Abbasi (Former Executive)
Furniture and fixture	150	23	127	127	-	Company policy	Syed Misbah Maqbool (Former Executive)
Furniture and fixture	223	223	-	-	-	Company policy	Noaman Abdul Majid (Executive)
Others	263	188	75	55	(20)		
	33,893	**30,247**	**3,646**	**7,126**	**3,480**		

11 INTANGIBLE ASSETS

	Note	2018	2017
		(Rupees in '000)	
Computer software	11.1	437	907
Goodwill	11.2	263,632	263,632
		264,069	264,539

11.1 Computer software

	2018	
	Computer software	Total
	(Rupees in '000)	
As at 01 January 2018		
Cost	18,767	18,767
Accumulated amortisation and impairment	(17,860)	(17,860)
Net book value	907	907
Year ended 31 December 2018		
Opening net book value	907	907
Additions	-	-
Disposals	-	-
Amortisation charges	(470)	(470)
Closing net book value	437	437
As at 31 December 2018		
Cost	18,767	18,767
Accumulated amortisation and impairment	(18,330)	(18,330)
Net book value	437	437
Rate of amortisation	33%	33%

	2017	
	Computer software	Total
As at 01 January 2017		
Cost	21,451	21,451
Accumulated amortisation and impairment	(20,085)	(20,085)
Net book value	1,366	1,366
Year ended 31 December 2017		
Opening net book value	1,366	1,366
Additions	39	39
Disposals	-	-
Amortisation charges	(498)	(498)
Closing net book value	907	907
As at 31 December 2017		
Cost	18,767	18,767
Accumulated amortisation and impairment	(17,860)	(17,860)
Net book value	907	907
Rate of amortisation	33%	33%

11.2 Goodwill

	Note	2018	2017
		(Rupees in '000)	
Allocation of Goodwill			
Management Rights Value		195,750	195,750
Brand Value		24,487	24,487
Goodwill		43,395	43,395
	11.3	263,632	263,632

11.3 Business Combination

The POAMCL has purchased 100% shares of Askari Investment Management Limited for a consideration of Rs. 551 million. The acquisition was 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 POAMCL effective from 30 October 2017.

The POAMCL has acquired the operations of the Askari Investment Management Limited to augment Assets Under Management and strengthen operational streams. The management believes that the merger would also result in administrative cost savings and economies of scale leading to enhanced profitability and shareholder value.

The proposal for the amalgamation and the scheme of amalgamation were approved by the shareholders of the Companies in their meetings held on 21 June 2017. The Securities and Exchange Commission of Pakistan (SECP), through its order dated 13 October 2017, under section 282 (L) of the repealed Companies Ordinance, 1984 sanctioned the merger scheme of Askari Investment Management Limited with and into POAMCL effective from 30 October 2017. This merger resulted in goodwill amounting to 263.6 million.

11.4 As at 31 December 2018, the gross carrying amount of fully amortised intangible assets still in use amounted to Rs. 17.358 million (2017: Rs. 17.358 million).

12 DEFERRED TAX ASSETS

	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)**
	(17,138)	**2,464**	**4,521**	**(10,153)**
	510,857	**(118,919)**	**10,935**	**402,873**

	1 January 2017	Recognized in: Profit and loss account	Recognized in: Recognised in OCI	31 December 2017
	-----	(Rupees in '000)	-----	
Deductible Temporary Differences on				
Provision for diminution in the value of investments	201,620	(13,643)	-	187,977
Assets subject to finance leases	38	21	-	59
Amortisation of premium on Federal Government Securities	9,128	(5,406)	-	3,722
Provision against non-performing advances	319,583	(57,005)	-	262,578
Revaluation on investments classified as available-for-sale	(113,531)	-	110,034	(3,497)
Revaluation on investments classified as held-for-trading	1,066	(329)	-	737
Net Investment in finance leases	(3,350)	79,769	-	76,419
	414,554	3,407	110,034	527,995
Taxable Temporary Differences on				
Accelerated tax depreciation allowances	1,274	(1,286)	-	(12)
Revaluation on Non-banking assets	(23,395)	6,269	-	(17,126)
Dividend receivable	(212)	212	-	-
	(22,333)	5,195	-	(17,138)
	392,221	8,602	110,034	510,857

13 OTHER ASSETS

	Note	2018	2017
		(Rupees in '000)	
Income/ Mark-up accrued in local currency - net of provision		**454,508**	312,707
Mark-up / profit receivable on purchase of securities		**13,373**	54,396
Security deposits		**8,262**	8,262
Prepayments		**18,963**	23,880
Receivable against sale of investments		**-**	3,726
Non-banking assets acquired in satisfaction of claims	13.1	**267,226**	311,168
Receivable from funds under management and investment advisory clients		**106,719**	106,695
Staff Gratuity	35.2	**9,928**	7,309
Others		**6,936**	1,392
		885,915	829,535
Less: Provision held against other assets		**-**	-
Other assets (net of provisions)		**885,915**	829,535
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		**65,176**	79,114
		951,091	908,649

13.1 Market value of non-banking assets acquired in satisfaction of claims — **381,744** | 443,104

	2018	2017
Market value of non-banking assets acquired in satisfaction of claims	**381,744**	443,104

13.1.1 Non-banking assets acquired in satisfaction of claims

	2018	2017
Opening Balance	**390,282**	411,180
Disposals	**(38,791)**	-
Depreciation	**(19,089)**	(20,898)
Closing Balance	**332,402**	390,282

13.1.2 Gain / loss on disposal of non-banking assets acquired in satisfaction of claims

	2018	2017
Disposal proceeds	**46,000**	-
less		
- Cost	**32,096**	-
- Impairment / depreciation	**(3,477)**	-
	28,619	-
Gain / loss	**17,381**	-

14 BORROWINGS

	Note	2018	2017
Secured			
Borrowings from the State Bank of Pakistan:			
- Long term financing facility (LTFF)	14.2	**2,128,804**	1,644,315
- Financing facility for storage of agricultural produce (FFSAP)		**-**	3,343
Repurchase agreement borrowings	14.3	**25,823,942**	22,837,748
Long term borrowings	14.4	**6,415,633**	6,523,387
Short term running finance	14.5	**581,897**	563,390
Bai Muajjal	14.6	**1,296,869**	9,696,507
Total secured		**36,247,145**	41,268,690
Unsecured			
Placements	14.7	**3,007,000**	1,540,000
Murabaha financing	14.8	**1,000,000**	2,350,000
Total unsecured		**4,007,000**	3,890,000
		40,254,145	45,158,690

14.1 Particulars of borrowings with respect to currencies

	2018	2017
In local currency	**40,254,145**	45,158,690

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% (2017: 2% to 6.25%) per annum. These are repayable within 10 years (2017: 10 years).

14.3 The mark up rate on these repurchase agreement borrowings, maturing in January 2019 (2017: January 2018), ranges between 10.19% to 10.40% (2017: 5.83% to 5.90%) per annum. Securities having cost of Rs. 25.809 million (2017: Rs 23,205 million) have been pledged against these borrowings.

14.4 The mark up rate on these long-term borrowings ranges from 8.35% to 11.14% (2017: 6.29% to 6.65%) per annum. The above facilities are secured against advances receivable and Government securities. This also includes Rs 292.5 million (2017: Rs 551 million) 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% (2017: 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 April 2019 (2017: January 2018 to February 2018) is 6.56% (2017: 5.75% to 5.84%) per annum.

14.7 The mark up rate on these placements, maturing between January 2019 to February 2019 (2017: January 2018 to June 2018) ranges between 10.25% to 11% (2017: 6.15% to 6.25%) per annum.

14.8 The mark up rate on these murabaha financing, maturing in January 2019 (2017: January 2018) is 10.50% (2017: 6.15% to 6.50%) per annum.

15 DEPOSITS AND OTHER ACCOUNTS

	2018		2017	
	In local currency	**Total**	In local currency	Total
	(Rupees in '000)			
Certificates of investment				
Financial institutions	**2,961,000**	**2,961,000**	3,129,000	3,129,000
Others	**6,049,490**	**6,049,490**	7,372,149	7,372,149
	9,010,490	**9,010,490**	10,501,149	10,501,149

15.1 The rate of return on deposits maturing between January 2019 to December 2019 (2017: January 2018 to November 2018) ranges between 3.90% to 10.60% (2017: 6% to 6.40%) per annum.

15.2 Deposits includes Certificate of Investments purchased by gratuity fund of the holding company amounting to Rs. 5.49 million (2017: Rs. 18.74 million) and by provident fund of the holding company amounting to nil (2017: Rs. 17.89 million).

15.3 Deposits include Certificate of Investments purchased by Pak Oman Microfinance Bank Limited (associate) of the holding company amounting to Nil (2017: Rs. 450 million).

15.4 Composition of deposits

	2018	2017
	(Rupees in '000)	
Individuals	**1,235,734**	908,948
Government (Federal and Provincial)	**1,226,596**	1,465,000
Public Sector Entities	**311,569**	1,904,024
Banking Companies	**2,400,000**	1,500,000
Non-Banking Financial Institutions	**536,000**	1,610,000
Private Sector	**3,300,591**	3,113,177
	9,010,490	10,501,149

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2018			2017		
	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	**431**	**49**	**382**	431	78	353
Later than one year and upto five years	**628**	**18**	**610**	1,059	66	993
	1,059	**67**	**992**	1,490	144	1,346

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% (2017: 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	2018	2017
		(Rupees in '000)	
Mark-up / return/ interest payable in local currency		**340,718**	737,691
Accrued expenses		**224,954**	232,957
Security deposits against investment in finance leases	9.1.1	**356,216**	291,874
Taxation		**970**	15,439
Payable against purchase of investments		**-**	5,494
Advance rent		**4,600**	10,600
Sales tax and federal excise duty payable		**91,012**	90,437
Others	17.1 & 17.2	**59,563**	143,736
		1,078,033	1,528,228

17.1 This includes advance of nil (2017: Rs. 46 million) received against sale of non-banking assets.

17.2 This also includes provision for Sindh Worker's Welfare Fund amounting to Rs. 1.5 million (2017: 1.4 million). The Finance Act 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Supreme Court of Pakistan vide its judgment dated 10 November 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act 2008 are ultra-vires to the Constitution.

The Federal Board of Revenue has filed many Civil Review Petitions in respect of above judgment with the prayer that the judgment dated 10 November 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

18 SHARE CAPITAL

18.1 Authorized Capital

2018	2017		2018	2017
(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

2018	2017		2018	2017
(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 (2017: 307,495,900) ordinary shares of the holding company, while 4,100 (2017: 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

	2018	2017
	(Rupees in '000)	
Surplus / (deficit) on revaluation of		
- Available for sale securities	**(10,419)**	11,679
- Non-banking assets acquired in satisfaction of claims	**65,176**	79,114
	54,757	90,793
Deferred tax on surplus / (deficit) on revaluation of:		
- Available for sale securities	**2,917**	(3,497)
- Non-banking assets acquired in satisfaction of claims	**(18,249)**	(23,734)
	(15,332)	(27,231)
	39,425	63,562

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

	2018	2017
Surplus on revaluation as at January 01,	**79,114**	83,352
Realised on disposal during the year	**(10,172)**	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	**(3,766)**	(4,238)
	65,176	79,114
Less: Related deferred tax liability on:		
- Revaluation as at January 01,	**(22,152)**	(25,006)
- Realised on disposal during the year	**2,849**	-
- Incremental depreciation charged during the year	**1,054**	1,272
	(18,249)	(23,734)
Surplus on revaluation of assets as at December 31,	**46,927**	55,380

20.1.1 Surplus on revaluation of non-banking asset arising on the property located in Lahore having a market value of Rs 374.538 million (2017: Rs 374.538 million) on valuation report Sep 08, 2016 and property located in Karachi having a market value of Nil (2017:Rs 43.424 million on valuation report April 07, 2016). The factors taken include the nature, physical condition of building & civil structure, location, market feedback, the property buying and selling activity, buyers' purchasing power, prevailing market conditions, return on investment, adverse factors, threats and opportunities of real estate industry, etc.

21 NON-CONTROLLING INTEREST

	Note	2018	2017
		(Rupees in '000)	
Opening balance		**8,142**	9,664
Change during the year		**176**	(1,522)
Closing balance		**8,318**	8,142

22 CONTINGENCIES AND COMMITMENTS

	Note	2018	2017
Transaction related contingent liability:			
Standby letter of credit		**208,513**	178,690
Pledge of shares on behalf of Japan Power Generation Limited	22.1	**70,726**	70,726
Pledge of shares on behalf of Orient Power Company (Private) Limited	22.2	**226,000**	226,000
Commitments for:			
Purchase of Government securities		**13,944,874**	121,256
Sale of Government securities		**2,869,539**	1,798,281
Purchase of Term finance certificates (TFCs)		-	76,548
Commitments for advances and net investment in finance leases		**2,042,040**	3,740,991
Securities given as collateral against loan taken by Pak Oman Asset Management Company Limited	22.3	**334,000**	626,000

22.1 Shares in Japan Power Generation Limited (JPGL) (an associate) aggregating 17,622,878 having a cost of Rs. 70.726 million (2017: 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. 334 million (2017: PIBs and T-Bill Rs 626 million) which have been collateralized against a loan sanctioned to Pak Oman Asset Management Company Limited from Habib Bank Limited for the acquisition of Askari Investment Management Limited (AIML).

22.4 Pak Oman Asset Management Company Limited

22.4.1 In year 2007, the Pak Oman Asset Management Company Limited ("POAMCL" or "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 POAMCL 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 POAMCL in year 2009 allegedly violating the NBFC regulations and provisions of the trust deed.

The legal advisor of POAMCL has opined that the suit is based on factual inconsistencies and POAMCL has sound defense on legal grounds. During the year ended 31 December 2015, POAMCL had also lodged a counter claim of Rs. 250 million against BOP for damaging the image and reputation of POAMCL.

22.4.2 During the years ended 31 December 2013 and 2014 two former employees of the merged entity served notices to the Company and its former Chief Executive Officer. The employees demanded Rs. 28.5 million for defamation and Rs. 0.723 million against settlement of outstanding dues. Later, the employees also filed cases in the Court of District Judge South at Karachi. The legal advisors of the Company are of the view that although the outcome of the case appears to be favourable, the Company's chances of success cannot currently be determined due to the inherently uncertain nature of the litigation. Furthermore, the management expects that an insignificant amount will be required to settle these cases. Accordingly, provision to the extent of Rs. 0.489 million has been recognised on account of settlement of outstanding dues while no provision has been recognised in respect of defamation claim in the financial statements for the year ended 31 December 2018.

		Note	2018	2017
23	**MARK-UP / RETURN / INTEREST EARNED**		**(Rupees in '000)**	
	On loans and advances		**1,796,952**	1,434,801
	On investments		**1,298,281**	2,384,876
	On lendings to financial institutions		**366,630**	83,160
	On balances with banks		**110,573**	66,775
			3,572,436	3,969,612
24	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		**680,203**	486,076
	Borrowings		**2,055,170**	2,635,405
			2,735,373	3,121,481
25	**FEE AND COMMISSION INCOME**			
	Credit related fees		**35,044**	38,787
	Investment banking fees		**21,906**	15,120
	Commission on guarantees		**3,552**	585
	Underwriting commission of Government securities auction		**1,367**	6,712
	Remuneration from funds under management		**80,130**	69,521
	Fee from investments advisory services		**3,704**	4,926
			145,703	135,651
26	**GAIN ON SECURITIES**			
	Realised	*26.1*	**26,345**	181,864
	Unrealised - held for trading		**7,791**	1,668
			34,136	183,532
26.1	**Realised gain on:**			
	Federal Government Securities		**6,802**	288,202
	Non-Government debt securities		**(5,718)**	(58,295)
	Shares		**25,261**	(48,043)
			26,345	181,864
27	**OTHER INCOME**			
	Gain on sale of fixed assets - net		**3,480**	2,761
	Rental income		**8,200**	2,864
	Gain on sale of non-banking assets - net		**17,381**	-
	Scarp sale		**1,820**	9
	Reversal of liabilities		**1,681**	35
	Front end loan		**106**	400
	Others		**145**	296
			32,813	6,365

28 OPERATING EXPENSES

	Note	2018	2017
		(Rupees in '000)	
Total compensation expense	28.1	**433,811**	450,141
Property expense			
Rent & taxes		**36,740**	33,286
Utilities cost		**3,902**	4,824
Security (including guards)		**903**	913
Repair & maintenance (including janitorial charges)		**7,955**	9,099
Depreciation		**2,106**	2,106
		51,606	50,228
Information technology expenses			
Software maintenance		**1,283**	2,928
Hardware maintenance		**17**	354
Depreciation		**1,686**	2,371
Amortisation	11	**470**	498
Network charges		**2,100**	2,121
Others		**814**	1,338
		6,370	9,610
Other operating expenses			
Directors' fees and allowances		**25,645**	23,367
Directors' fees and allowances - Subsidiary		**5,140**	5,200
Legal & professional charges		**18,038**	16,345
Travelling & conveyance		**14,536**	10,675
Depreciation	28.4	**41,872**	45,043
Training & development		**1,015**	442
Postage & courier charges		**447**	424
Communication		**6,471**	6,042
Stationery & printing		**1,580**	2,778
Marketing, advertisement & publicity		**1,090**	3,047
Donations	28.2	**1,520**	1,200
Auditors' remuneration	28.3	**4,139**	2,065
Membership and subscriptions		**10,172**	10,454
Transportation		**8,920**	9,318
Insurance		**4,539**	5,281
Finance charges on leased assets		**140**	106
Entertainment and canteen expenses		**3,217**	3,923
Shahriah advisor fee		**300**	500
Distribution commission		**5,932**	4,684
Others		**5,058**	13,064
		159,771	163,958
Total operating expenses		**651,558**	673,937

28.1 Total compensation expenses

	Note	2018	2017
Fees and Allowances etc		-	-
Employees' Remuneration			
i) Fixed		**290,450**	296,805
ii) Variable			
of which;			
a) Cash Bonus /Awards etc		**62,000**	82,000
b) Commission		**2,307**	554
Charge for defined benefit plan	35.6	**17,789**	16,388
Contribution to defined contribution plan		**19,259**	19,295
Rent and house maintenance		-	-
Utilities		**3,141**	3,073
Medical		**8,317**	6,969
Leave Fare Assistance		**23,990**	19,271
Others		**6,558**	5,786
		433,811	450,141

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:

	2018	2017
	(Rupees in '000)	
Daimer Bhasha and Mohmand Dam Fund	**1,000**	-
	1,000	-

28.3 Auditors' remuneration

	2018	2017
Audit fee	**736**	701
Half yearly review	**204**	194
Auditors' remuneration of subsidiary company	**332**	600
Special certifications and sundry advisory services	**2,614**	300
Out-of-pocket expenses	**253**	270
	4,139	2,065

28.4 This includes depreciation on non-banking assets Rs 19.089 (2017: Rs 20.898) million.

29 OTHER CHARGES

	Note	2018	2017
		(Rupees in '000)	
Penalties imposed by State Bank of Pakistan		**2,976**	-
Fees, commission and others		**20,408**	27,423
		23,384	27,423

30 (REVERSALS) / PROVISIONS & WRITE OFFS - NET

(Reversals) / provisions for diminution in value of investments	*8.3.1*	**(37,533)**	18,030
(Reversals) / provisions against loans & advances	*9.5*	**(294,568)**	(186,343)
		(332,101)	(168,313)

31 TAXATION

Current	**134,191**	285,563
Prior years	**27,884**	34,971
Deferred	**118,919**	(8,602)
	280,994	311,932

31.1 Relationship between tax expense and accounting profit

Profit before taxation	**747,629**	634,952
Tax at the applicable rate of 29% (2017: 30%)	**216,812**	190,486
Tax effect due to change in tax rate	**34,057**	-
Deferred tax asset (recognized) / not recognized	**(7,499)**	-
Tax effect of income taxed at different rate	**(7,647)**	(15,694)
Income subject to minimum tax	**6,707**	-
Tax effect of capital loss / (gain) on listed shares and mutual funds	**(109)**	22,636
Tax effect of provision for diminution in the value of listed shares and mutual funds	**-**	34,046
Prior year	**27,884**	34,971
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	**(144)**	45,487
	280,994	311,932

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 and 2017, 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, 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 2018.

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 additional amounted to Rs. 17.3 million 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 2018, deferred tax asset amounting to Rs. 42.49 million (31 December 2017: Rs. 36.94 million) has not been recognized as the management considers that there is uncertainty with regards to availability of future profits against which such assets can be adjusted. The unrecognized deferred tax asset has been arising on account of accumulated tax losses and deductible temporary differences.

31.3 Taxation - prior

This includes super tax at 3% on the taxable income for the tax year 2018 & tax year 2017 for rehabilitation of temporarily displaced persons imposed through Finance Act, 2018 & 2017 respectively.

32 BASIC AND DILUTED EARNINGS PER SHARE

		2018	2017
Profit attributable to shareholders of the holding company	Rupees in '000	**466,459**	324,542
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	**0.76**	0.53

32.1 There were no convertible dilutive potential ordinary shares outstanding on 31 December 2017 and 2018.

33 CASH AND CASH EQUIVALENTS

	Note	2018	2017
		(Rupees in '000)	
Cash and balances with treasury banks	5	**122,740**	172,235
Balances with other banks	6	**2,294,067**	2,040,902
		2,416,807	2,213,137

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

	2018											
	Liabilities						Equity					
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated debt	Liabilities against assets subject to finance lease	Other liabilities	Share capital	Reserves	Surplus on revaluation of assets	Unappropriated profit	Non-controlling interest	Total
	(Rupees in '000)											
Balance as at 01 January 2018	-	45,158,690	10,501,149	-	1,346	1,528,226	6,150,000	1,071,761	63,562	737,744	8,142	65,220,622
Changes from financing cash flows												
Receipts from subordinated debts - net	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(430,500)	-	(430,500)
Total changes from financing cash flows	-	-	-	-	-	-	-	-	-	(430,500)	-	(430,500)
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	-	-	-	-	-	-	-	92,882		(92,882)	-	-
Profit for the year	-	-	-	-	-	-	-	-		466,459	176	466,635
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-		6,984	-	6,984
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(24,137)	2,802	-	(21,335)
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-	-	-		-	-	-
	-	(4,904,545)	(1,490,659)	-	(354)	(450,195)	-	92,882	(24,137)	383,363	176	(6,393,469)
Balance as at 31 December 2018	-	**40,254,145**	**9,010,490**	-	**992**	**1,078,033**	**6,150,000**	**1,164,643**	**39,425**	**690,607**	**8,318**	**58,396,653**

	2017											
	Liabilities						Equity					
	Bills payable	Borrowings	Deposits and other accounts	Sub-ordinated debt	Liabilities against assets subject to finance lease	Other liabilities	Share capital	Reserves	Surplus on revaluation of assets	Unappropriated profit	Non-controlling interest	Total
	(Rupees in '000)											
Balance as at 01 January 2017	-	25,150,898	5,342,975	-	1,671	870,853	6,150,000	984,427	354,679	984,139	9,664	39,849,306
Changes from financing cash flows												
Receipts from subordinated debts - net	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(492,000)	-	(492,000)
Total changes from financing cash flows	-	-	-	-	-	-	-	-	-	(492,000)	-	(492,000)
Liability - related												
Changes in bills payable	-	-	-	-	-	-	-	-		-	-	-
Changes in borrowings	-	20,007,792	-	-	-	-	-	-		-	-	20,007,792
Changes in deposits and other accounts	-	-	5,158,174	-	-	-	-	-		-	-	5,158,174
Changes in Liabilities against assets subject to finance lease					(325)	-	-	-		-	-	(325)
Changes in other liabilities												
- Cash based	-	-	-	-	-	-	-	-		-	-	-
- Non - cash based - Actuarial loss on remeasurements of defined benefit plan	-	-	-	-	-	657,375	-	-		-	-	657,375
Transfer of profit to reserve	-	-	-	-	-	-	-	87,334	-	(87,334)	-	-
Profit for the year	-	-	-	-	-	-	-	-		324,542	(1,522)	323,020
Other comprehensive income - net of tax	-	-	-	-	-	-	-	-		5,431	-	5,431
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-		-	-	-
Exchange differences on translation of net investment in foreign branches	-	-	-	-	-	-	-	-	(291,117)	2,966	-	(288,151)
	-	20,007,792	5,158,174	-	(325)	657,375	-	87,334	(291,117)	245,605	(1,522)	25,863,316
Balance as at 31 December 2017	-	**45,158,690**	**10,501,149**	-	**1,346**	**1,528,228**	**6,150,000**	**1,071,761**	**63,562**	**737,744**	**8,142**	**65,220,622**

34 STAFF STRENGTH

	2019	2017
	(Number)	
Permanent		
Temporary / contractual	**79**	88
Group's own staff strength at end of the year	**39**	30
Outsourced	**118**	118
'Total staff strength	-	4
	118	122

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 2018.

Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2018	2017
	(Number)	
Gratuity fund	**61**	65

35.1.1 Principal actuarial assumptions

The latest actuarial valuation for defined benefit plan scheme was carried out as at 31 December 2018 using the Projected Unit Credit Method (PUCM). The following significant assumptions were used for the actuarial valuation:

	2018	2017
	(Percent per annum)	
Discount rate	**13.25**	8.25
Expected short term rate of increase in salary levels	**8.25**	8.25
Expected long term rate of increase in salary levels	**11.25**	8.25
Expected rate of return on plan assets	**13.25**	8.25

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.

35.2 Reconciliation of receivable from defined benefit plan

	Note	2018	2017
		(Rupees in '000)	
Present value of defined benefit obligation	35.3	**127,610**	141,181
Fair value of plan assets	35.4	**(137,538)**	(148,490)
Receivable	35.5	**(9,928)**	(7,309)

35.3 Movement in defined benefit obligation

	2018	2017
Obligation at the beginning of the year	**141,181**	118,450
Current service cost	**18,828**	17,028
Interest cost	**10,920**	9,376
Benefits paid during the year	**(17,642)**	(2,505)
Remeasurement gain	**(25,677)**	(1,168)
Obligation at the end of the year	**127,610**	141,181

35.4 Movement in fair value of plan assets

	Note	2018	2017
Fair value at the beginning of the year		**148,490**	118,504
Interest income on plan assets		**11,959**	10,016
Contribution by the holding company - net		**10,572**	15,885
Benefits paid during the year		**(17,642)**	(2,505)
Remeasurement (loss) / gain on plan assets		**(15,841)**	6,590
Fair value at the end of the year	35.7	**137,538**	148,490

35.5 Movement in receivable under defined benefit plan

	Note	2018	2017
Opening balance		**(7,309)**	(54)
Charge for the year	35.6	**17,789**	16,388
Re-measurement gain recognised in other comprehensive income during the year		**(9,836)**	(7,758)
Contributions by the holding company - net		**(10,572)**	(15,885)
Closing balance		**(9,928)**	(7,309)

35.6 Charge for defined benefit plans

35.6.1 Cost recognised in the profit and loss

	2018	2017
Current service cost	**18,828**	17,028
Net interest on defined benefit asset	**(1,039)**	(640)
	17,789	16,388

35.6.2 Re-measurement recognised in OCI during the year

	2018	2017
Loss / (gain) on obligation		
-Experience / Financial adjustment	**(25,677)**	(1,168)
Actuarial loss / (gain) on plan assets	**15,841**	(6,590)
Total re-measurements recognised in OCI	**(9,836)**	(7,758)

35.7 Components of plan assets

Particulars	Note	2018 Rating	2017 Rating	2018 (Rupees in '000)	2018 %	2017 (Rupees in '000)	2017 %
Market Treasury Bills		**Unrated**	Unrated	-	-	-	-
Pakistan Investment Bonds		**Unrated**	Unrated	**79,892**	**58.09**	9,157	6.17
Special Saving Certificates (SSCs)		-	Unrated	-	-	24,386	16.42
Term Deposit receipts		**Unrated**	Unrated	**50,110**	**36.43**	95,301	64.18
Term Finance Certificates - WorldCall Telecom Limited		**D**	D	**623**	**0.45**	804	0.54
Certificate of Investments	*35.7.1*	**Unrated**	Unrated	**5,706**	**4.15**	18,828	12.68
Bank balance		**Unrated**	Unrated	**1,207**	**0.88**	14	0.01
				137,538	**100.00**	148,490	100.00

35.7.1 These include Certificate of Investment held with the holding company. These carry mark-up at rates 9.90 (2017: 6.15) percent per annum.

35.8 Sensitivity analysis

	2018 (Rupees in '000)
1% increase in discount rate	**(8,748)**
1% decrease in discount rate	**9,899**
1 % increase in expected rate of salary increase	**10,644**
1 % decrease in expected rate of salary increase	**(9,536)**

35.9 Maturity profile of defined benefit obligation

Benefit payments

The average duration of the benefit obligation at 31 December 2018 is 7.31 years (2017: 9.34 years).

Distribution of timing of benefit payments

Years	2018 (Rupees in '000)	2017
1	**4,885**	4,988
2	**4,942**	4,980
3	**4,903**	4,875
4	**73,858**	47,280
5	**3,469**	11,602
6 to 10	**66,235**	37,279
11 and above	**353,114**	259,843

35.10 Expected contributions to be paid to the funds in the next financial year 8,716

35.11 Expected charge / (reversal) for the next financial year 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.

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

	2018 (Rupees in '000)	2017
Contribution from the holding company	**17,356**	16,756
Contribution from employees of the holding company	**17,356**	16,756
	34,712	33,512
Contribution from the subsidiary company	**1,903**	2,539
Contribution from employees of the subsidiary company	**1,903**	2,539
	3,806	5,078

The number of employees covered under the defined contribution plan as at 31 December 2018 is 79 (31 Decemer 2017: 88).

37 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Non-Executive Directors		Executives	
	2018	2017	2018	2017	2018	2017
	(Rupees in '000)					
Fees / remuneration	-	-	**25,645**	23,367	-	-
Managerial remuneration	**126,369**	113,984	-	-	**216,200**	215,194
Charge for defined benefit plan	**3,063**	2,879	-	-	**12,510**	11,933
Contribution to defined contribution plan	**4,153**	3,323	-	-	**12,628**	12,885
Medical	**885**	782	-	-	-	-
Utilities	**2,646**	2,659	-	-	**357**	371
Membership fee	**275**	184	-	-	**284**	269
Others	**1,127**	1,389	-	-	**929**	1,959
	138,518	125,200	**25,645**	23,367	**242,908**	242,611
Number of persons	**1**	1	**5**	5	**51**	52

37.1 The managing director and certain executives are provided with free use of holding company's maintained cars. It includes particulars of Chief executive and executives of POAMCL. Executive means employees other than managing director and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

37.2 During the year 2018, Government of Sultanate of Oman has nomination 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

	2018		2017	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
Assets				
Cash and balances with treasury banks	**122,740**	**122,740**	172,235	172,235
Balances with other banks	**2,294,067**	**2,294,067**	2,040,902	2,040,902
Lendings to financial institutions	**5,434,296**	**5,434,296**	2,038,288	2,038,288
Investments	**28,341,835**	**28,341,835**	40,403,976	40,427,414
Advances	**20,482,056**	**20,482,056**	18,790,501	18,790,501
Other assets	**589,798**	**589,798**	487,178	487,178
	57,264,792	**57,264,792**	63,933,080	63,956,518
Liabilities				
Borrowings	**40,254,145**	**40,254,145**	45,158,690	45,158,690
Deposits and other accounts	**9,010,490**	**9,010,490**	10,501,149	10,501,149
Liabilities against assets subject to finance lease	**992**	**992**	1,346	1,346
Other liabilities	**1,077,063**	**1,077,063**	1,512,789	1,512,789
	50,342,690	**50,342,690**	57,173,974	57,173,974
	6,922,102	**6,922,102**	6,759,106	6,782,544
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	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**
Non-Government Debt Securities	-	**3,003,598**	-	**3,003,598**
Mutual funds	**624,637**	-	-	**624,637**
Financial assets - disclosed but not measured at fair value				
Investments	-	-	-	**598,261**

On balance sheet financial instruments	2017			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	35,521,615	-	35,521,615
Shares	27,856	-	-	27,856
Non-Government Debt Securities	-	3,097,755	-	3,097,755
Mutual funds	826,873	-	-	826,873
Financial assets - disclosed but not measured at fair value				
Investments	-	-	-	588,245

39 SEGMENT INFORMATION

39.1 Segment Details with respect to Business Activities

	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**	**104,418**	**99,393**	**683,421**
Reversals	**(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	**15,797,715**	**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	**20,660,380**	**3,251,709**	**33,625,314**	**659,251**	**58,396,653**
Contingencies & Commitments	**2,250,553**	**630,726**	**16,814,413**	-	**19,695,692**

	2017				
	Corporate Banking	Investment Banking	Treasury	Asset Management	Total
	(Rupees in '000)				
Profit & Loss					
Net mark-up/return/profit	484,045	(45,093)	417,058	(7,879)	848,131
Non mark-up / return / interest income	39,372	(40,304)	277,752	62,598	339,418
Total Income	523,417	(85,397)	694,810	54,719	1,187,549
Segment direct expenses	325,745	96,918	197,564	100,683	720,910
(Reversals) / Provisions	(186,343)	(59,384)	77,414	-	(168,313)
Profit before tax	384,015	(122,931)	419,832	(45,964)	634,952
Balance Sheet					
Cash & Bank balances	-	-	2,182,200	30,937	2,213,137
Investments	-	2,756,900	37,171,215	475,861	40,403,976
Lendings to financial institutions	-	-	2,038,286	-	2,038,286
Advances - performing	18,389,881	-	309,281	2,008	18,701,170
- non-performing	89,331	-	-	-	89,331
Others	603,702	548,931	219,929	402,158	1,774,720
Total Assets	19,082,914	3,305,831	41,920,913	910,964	65,220,622
Borrowings	14,395,395	2,208,356	28,003,940	551,000	45,158,690
Subordinated debt	-	-	-	-	-
Deposits & other accounts	3,116,056	539,810	6,845,282	-	10,501,149
Others	831,730	58,875	746,589	92,380	1,529,574
Total liabilities	18,143,182	2,807,041	35,595,811	643,380	57,189,413
Equity	939,732	498,790	6,325,103	267,584	8,031,209
Total Equity & liabilities	19,082,914	3,305,831	41,920,913	910,964	65,220,622
Contingencies & Commitments	3,919,681	922,726	1,996,085	-	6,838,492

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, FINCA Microfinance Bank Limited, Shakarganj Food Products Limited and United Bank Limited. The Company is holding the trust properties in fiduciary capacity on behalf of the relevant beneficiaries. In this behalf, the Company is fulfilling all its obligations and duties in accordance with the provisions of the respective trust documents.

41 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

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:

	2018					2017				
	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	-	-	1,189,118	-	226,000	-	-	1,278,356	-	226,000
Investment made during the year	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	(192,220)	-	-	-	-	(89,238)	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	996,898	-	226,000	-	-	1,189,118	-	226,000
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	-
Advances										
Opening balance	-	32,399	68,200	-	114,232	-	36,040	68,200	-	150,533
Addition during the year	-	11,744	-	-	-	-	9,221	-	-	-
Repaid during the year	-	(9,468)	-	-	(41,316)	-	(12,862)	-	-	(36,301)
Transfer in / (out) - net	-	8,951	-	-	-	-	-	-	-	-
Closing balance	-	43,626	68,200	-	72,916	-	32,399	68,200	-	114,232
Provision held against advances	-	-	68,200	-	-	-	-	68,200	-	-

	2018					2017				
	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	-	-	-	-	2,045	-	-	-	-	2,704
Receivable from staff retirement fund	-	-	-	9,928	-	-	-	-	7,309	-
Other receivable			106,719					106,695		
Provision against other assets	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	-	1,168	450,000	36,626	-	-	1,610	174,700	28,540	-
Received during the year	-	30,281	1,000,000	241,156	-	-	12,549	1,300,000	271,027	-
Withdrawn during the year	-	(30,540)	(1,450,000)	(272,290)	-	-	(12,991)	(1,024,700)	(262,941)	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-
Closing balance	-	909	-	5,492	-	-	1,168	450,000	36,626	-
Other Liabilities										
Interest / mark-up payable	-	3	-	2	-	-	5	10,270	255	-
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-
Other liabilities										
Outright sale of Government Securities			965,241	250,474		-	-	955,316	2,033	-
Outright purchase of Government Securities	-	-	4,978	94,955	-	-	-	-	2,033	-
Contingencies and Commitments										
Other contingencies	-	-	70,726	-	226,000	-	-	70,726	-	226,000

41.6 Related party transactions

	Note	2018					2017					
		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		-	**2,014**	-	-	**8,922**	-	-	1,497	-	-	11,869
Fee and commission income		-	-	-	-	-	-	-	-	-	-	-
Dividend income		-	-	**18,305**	-	**33,900**	-	-	-	-	-	-
Net gain on sale of securities		-	-	-	-	-	-	-	-	32,459	-	-
Other income		-	-	-	-	-	-	-	-	-	-	45,200
Other comprehensive income		-	-	-	-	-	-	-	-	-	7,758	-
Expense												
Mark-up / return / interest paid		-	**141**	**5,362**	**1,871**	-	-	-	69	25,656	3,806	-
Operating expenses	37											
Directors' fees and allowances		**25,645**	-	-	-	-	-	23,367	-	-	-	-
Compensation expenses		**138,518**	**142,896**	-	-	-	-	125,200	138,452	-	-	-
Contribution to defined contribution plan		-	-	-	**19,259**	-	-	-	-	-	19,295	-
Charge for defined benefit plan		-	-	-	**17,789**	-	-	-	-	-	16,388	-

42 CAPITAL ADEQUACY

42.1 Capital management policies and procedures

The Company's objectives when managing capital are:

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

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

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

Capital Structure

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

- Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1 (refer note 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 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 2018.

Scope of application

The Basel III Framework for capital adequacy is applicable to the Company both at the consolidated level (including subsidiaries) and also on standalone basis. Pak Oman Investment Company Limited is the only Company in the Group to which Basel III captai adequacy framework applies.

42.2 The Company's CAR as at 31 December 2018 was 16.27% 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 16.27% 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.

42.3 Capital adequacy, leverage ratio & liquidity requirements

	2018	2017
	(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	5,438,603	5,735,720
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	5,438,603	5,735,720
Eligible Tier 2 Capital	-	-
Total Eligible Capital (Tier 1 + Tier 2)	5,438,603	5,735,720
Risk Weighted Assets (RWAs):		
Credit Risk	30,183,104	25,400,113
Market Risk	1,003,458	1,322,627
Operational Risk	2,240,602	2,369,510
Total	33,427,164	29,092,250
Common Equity Tier 1 Capital Adequacy ratio	16.27%	19.72%
Tier 1 Capital Adequacy Ratio	16.27%	19.72%
Total Capital Adequacy Ratio	16.27%	19.72%

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.

	2018	2017
Leverage Ratio (LR):		
Eligiblle Tier-1 Capital	5,438,603	5,735,720
Total Exposures	78,092,345	72,059,114
Leverage Ratio	6.96%	7.96%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	6,503,094	3,093,640
Total Net Cash Outflow	16,808,490	13,615,135
Liquidity Coverage Ratio	39%	23%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	20,705,300	20,319,660
Total Required Stable Funding	18,970,216	19,302,637
Net Stable Funding Ratio	109.15%	105.27%

42.4 The full disclsoures 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 avialable 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

Exposures	**Rating Category**	**2018**			2017		
		Amount Outstanding	**Deduction CRM***	**Net amount**	Amount Outstanding	Deduction CRM*	Net amount
		(Rupees in '000)					
Corporate	0	-	-	-	-	-	-
	1	**804,976**	-	**804,976**	1,339,584	247,705	1,587,289
	2	**10,365,263**	-	**10,365,263**	7,364,049	-	7,364,049
	3-4	**808,705**	-	**808,705**	1,342,889	-	1,342,889
	5-6	-	-	-	20,450	-	20,450
	Unrated	**7,456,600**	-	**7,456,600**	8,938,200	(247,705)	8,690,495
		19,435,544	-	**19,435,544**	19,005,172	-	19,005,172
Banks	0	-	-	-	-	-	-
	1	**5,448,363**	-	**5,429,885**	2,055,263	1,440,583	3,495,846
	2-3	**30,000**	-	**30,000**	1,285,594	(692,949)	592,645
	4-5	-	-	-	-	-	-
	6	-	-	-	747,634	(747,634)	-
	Unrated	-	-	-	-	-	-
		5,478,363	-	**5,459,885**	4,088,491	-	4,088,491

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	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Public / Government	**350,000**	200,000	-	-	-	-
Private	**5,084,296**	1,838,288	-	-	-	-
	5,434,296	2,038,288	-	-	-	-

43.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Textile	**81,090**	81,090	**81,090**	81,090	**60,641**	60,641
Electronics and electrical appliances	**85,000**	132,479	**85,000**	85,000	**85,000**	85,000
Power (electricity), Gas, Water, Sanitary	**103,456**	143,879	-	-	-	-
Transport, Storage and Communication	**185,226**	213,517	**185,226**	213,517	**185,226**	213,517
Financial	**26,802,431**	38,458,230	**15,404**	24,646	**15,404**	24,646
Others	**334,535**	376,452	**121,452**	121,452	**121,452**	121,452
	27,591,738	39,405,647	**488,172**	525,705	**467,723**	505,256

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Public / Government	**24,412,345**	35,801,488	-	-	-	-
Private	**3,179,393**	3,604,159	**488,172**	525,705	**467,723**	505,256
	27,591,738	39,405,647	**488,172**	525,705	**467,723**	505,256

43.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Textile	**4,695,334**	3,486,973	**356,355**	415,859	**345,332**	399,348
Chemical and Pharmaceuticals	**174,968**	4,800	**-**	-	**-**	-
Cement	**408,512**	-	**-**	-	**-**	-
Sugar	**1,246,563**	1,762,723	**-**	-	**-**	-
Automobile and transportation equipment	**291,759**	345,091	**-**	54,076	**-**	54,076
Electronics and electrical appliances	**617,857**	828,571	**50,000**	50,000	**50,000**	50,000
Construction	**485,492**	675,418	**-**	-	**-**	-
Power (electricity), Gas, Water, Sanitary	**1,929,344**	1,818,679	**68,200**	68,200	**68,200**	68,200
Wholesale and Retail Trade	**35,476**	32,968	**-**	-	**-**	-
Transport, Storage and Communication	**2,976,830**	3,284,574	**-**	-	**-**	-
Financial	**2,472,857**	3,587,722	**5,161**	5,161	**5,161**	5,161
Services	**1,311,753**	531,709	**2,219**	-	**-**	-
Individuals	**106,515**	117,964	**-**	-	**-**	-
Others	**4,309,488**	3,188,569	**229,298**	371,082	**111,786**	298,262
	21,062,748	19,665,761	**711,233**	964,378	**580,479**	875,047

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in '000)					
Public/ Government	**1,138,820**	1,437,926	**-**	-	**-**	-
Private	**19,923,928**	18,227,835	**711,233**	964,378	**580,479**	875,047
	21,062,748	19,665,761	**711,233**	964,378	**580,479**	875,047

43.1.4 Contingencies and Commitments

Credit risk by industry sector

	2018	2017
	(Rupees in '000)	
Textile	439,900	953,896
Chemical and Pharmaceuticals	-	325,000
Cement	91,490	500,000
Automobile and transportation equipment	18,880	52,990
Construction	287,500	350,000
Power (electricity), Gas, Water, Sanitary	115,290	501,625
Wholesale and Retail Trade	-	7,500
Transport, Storage and Communication	-	160,000
Services	154,970	100,000
Others	934,010	789,980
	2,042,040	3,740,991

Credit risk by public / private sector

	2018	2017
Public/ Government	-	-
Private	2,042,040	3,740,991
	2,042,040	3,740,991

43.1.5 Concentration of Advances

The DFI's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 9,009.177 million (2017: Rs 9,160.757 million) are as following:

	2018	2017
	(Rupees in '000)	
Funded	9,009,177	9,160,757
Non Funded	-	-
Total Exposure	9,009,177	9,160,757

The sanctioned limits against these top 10 exposures aggregated to Rs 11,235 million (2017: Rs 10,475 million).

Total funded classified therein

	2018		2017	
	Amount	Provision held	Amount	Provision held
	(Rupees in '000)			
OAEM	-	-	-	-
Substandard	26,912	-	-	-
Doubtful	182,820	90,000	209,246	130,938
Loss	501,501	490,479	755,132	744,109
Total	711,233	580,479	964,378	875,047

43.1.6 Advances - Province / Region-wise Disbursement & Utilization

	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	-

	2017						
	Disbursements	Utilization					
Province/Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Sindh	9,241,054	2,937,148	4,365,585	300,000	-	1,638,321	-

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

	2018			2017		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	**122,740**	**-**	**122,740**	172,235	-	172,235
Balances with other banks	**2,294,067**	**-**	**2,294,067**	2,040,902	-	2,040,902
Lendings to financial institutions	**5,434,296**	**-**	**5,434,296**	2,038,288	-	2,038,288
Investments	**996,898**	**27,344,937**	**28,341,835**	1,189,118	39,214,858	40,403,976
Advances	**20,482,056**	**-**	**20,482,056**	18,790,501	-	18,790,501
Fixed assets	**103,626**	**-**	**103,626**	90,675	-	90,675
Intangible assets	**264,069**	**-**	**264,069**	264,539	-	264,539
Deferred tax assets	**402,873**	**-**	**402,873**	510,857	-	510,857
Other assets	**951,091**	**-**	**951,091**	908,649	-	908,649
	31,051,716	**27,344,937**	**58,396,653**	26,005,764	39,214,858	65,220,622

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.

	2018		2017	
	Foreign currency assets	**Net foreign currency exposure**	Foreign currency assets	Net foreign currency exposure
	(Rupees in '000)			
United States Dollar	**75**	**75**	65	65
Omani Riyal	**428**	**428**	261	261
	503	**503**	326	326

	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	**(7)**	-	(5)	-
- 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.

	2018		2017	
	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)**	-	(146,419)
- Other comprehensive income	-	-	-	-

* 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.

	2018		2017	
	Banking book	**Trading book**	Banking book	Trading book
	---------- **(Rupees in '000)** ----------			
Impact of 1% change in interest rates on				
Profit and loss account *	**208,123**	**(268,912)**	322,903	(386,194)
Other comprehensive income *	**(10,069)**	**94,173**	(18,710)	102,349

* Earning approach

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

	Effective yield / interest rate	2018										
		Total	Exposed to yield / interest risk									
			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		122,740	-	-	-	-	-	-	-	-	-	122,740
Balances with other banks	11.16%	2,294,067	1,825,768	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	82	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		6,922,182	(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	

	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
		2017										
			Exposed to yield / interest risk									
			(Rupees in '000)									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		172,235	-	-	-	-	-	-	-	-	-	172,235
Balances with other banks	7.31%	2,040,902	1,036,465	450,000	550,000	-	-	-	-	-	-	4,437
Lending to financial institutions	6.03%	2,038,288	2,038,288	-	-	-	-	-	-	-	-	-
Investments	6.24%	40,403,976	7,523,831	26,364,096	3,017,227	122,396	954,593	-	927,541	60	-	1,494,232
Advances	7.83%	18,790,501	5,960,933	7,031,689	3,780,450	249,443	248,003	230,561	437,373	813,752	25,715	12,582
Other assets		487,178	-	-	-	-	-	-	-	-	-	487,178
		63,933,080	16,559,517	33,845,785	7,347,677	371,839	1,202,596	230,561	1,364,914	813,812	25,715	2,170,664
Liabilities												
Borrowings	5.83%	45,158,690	31,775,130	8,826,927	2,923,783	18,540	199,793	212,889	421,126	780,502	-	-
Deposits and other accounts	6.21%	10,501,149	3,715,824	3,126,600	2,507,129	1,151,596	-	-	-	-	-	-
Liabilities against assets subject to finance leases	7.91%	1,346	29	57	87	180	382	611	-	-	-	-
Other liabilities		1,512,789	-	-	-	-	-	-	-	-	-	1,512,789
		57,173,974	35,490,983	11,953,584	5,430,999	1,170,316	200,175	213,500	421,126	780,502	-	1,512,789
On-balance sheet gap		6,759,106	(18,931,466)	21,892,201	1,916,878	(798,477)	1,002,421	17,061	943,788	33,310	25,715	657,875
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			(18,931,466)	21,892,201	1,916,678	(798,477)	1,002,421	17,061	943,788	33,310	25,715	
Cumulative yield / interest risk sensitivity gap			(18,931,466)	2,960,735	4,877,413	4,078,938	5,081,357	5,098,418	6,042,206	6,075,516	6,101,231	

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.

42.4 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.

42.5 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.

42.5.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities

2018 (Rupees in '000)

	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
Assets															
Cash and balances with treasury banks	122,740	-	-	122,740	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,294,967	-	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	-	4,808,838	-	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	579,632	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	951,891	-	88,610	40,038	98,106	99,506	61,081	552,183	5,060	1,219	-	-	4,288	-	-
	58,396,653	-	6,069,681	1,167,171	2,654,355	15,364,117	1,112,482	2,465,055	1,592,838	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	-	1,838,494	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	1,549,739	303,652	222,241	408,733	-	-	-	-	-
Liabilities against assets subject to finance leases	- 632	-	-	-	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 assets - net of tax	39,425
Non-controlling interest	8,318
	8,052,993

2017 (Rupees in '000)

	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
Assets															
Cash and balances with treasury banks	172,235	-	172,235	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,040,902	-	40,902	1,000,000	-	-	450,000	550,000	-	-	-	-	-	-	-
Lending to financial institutions	2,038,288	-	1,102,363	49,601	886,324	-	-	-	-	-	-	-	-	-	-
Investments	40,403,976	-	-	-	6,726,330	12,311,077	13,131,267	1,682,855	122,396	137,474	1,563,679	187,540	2,787,201	1,754,157	-
Advances	18,790,501	-	115,574	22,422	113,063	358,681	636,500	1,451,988	962,802	1,431,612	4,696,313	3,639,073	3,718,573	1,618,185	25,715
Fixed assets	90,675				2,597	2,597	2,597	16,532	6,426	6,426	23,514	8,626	10,343	11,019	-
Intangible assets	264,539	-	-	-	363	272	272						263,632		-
Deferred tax assets	510,857				(44,700)	(8,842)	(6,842)	(31,072)	(40,424)	(40,424)	(77,873)	14,435	475,111	272,597	890
Other assets	908,649	-	62,343	26,955	58,732	78,114	73,895	598,432	4,620	1,270	-	-	4,288	-	-
	65,220,622	-	1,493,417	1,098,978	7,742,709	12,741,899	14,285,689	4,288,735	1,055,820	1,536,358	6,205,633	3,849,674	7,259,148	3,655,958	26,605
Liabilities															
Borrowings from financial institutions	45,158,690	-	24,901,138	1,892,178	4,748,480	4,733,043	1,118,884	1,217,690	614,895	685,772	2,014,046	1,112,142	1,339,920	780,502	-
Deposits and other accounts	10,601,149	-	815,600	194,657	2,705,567	989,709	2,136,891	2,507,129	1,143,637	7,959	-	-	-	-	-
Liabilities against assets subject to finance leases	1,346				29	28	29	87	89	91	382	611	-	-	-
Others Liabilities	1,528,228	-	60,059	104,037	226,292	260,215	399,430	52,914	92,380	131,221	137,355	28,402	31,423	4,500	-
	57,189,413	-	25,776,797	2,190,872	7,680,368	5,982,995	3,655,234	3,777,820	1,851,001	825,043	2,151,783	1,141,165	1,371,343	785,002	-
Net assets	8,031,209	-	(24,283,380)	(1,091,894)	62,341	6,758,904	10,630,455	490,916	(795,181)	711,315	4,063,850	2,708,519	5,887,805	2,870,956	26,605

Share capital	6,150,000
Reserves	1,071,761
Unappropriated profit	737,744
Surplus on revaluation of investment - net of tax	63,562
Non-controlling interest	8,142
	8,031,209

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.

42.5.2 **Maturities of assets and liabilities - based on expected maturities of the assets and liabilities**

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	28,482,056	485,844	1,107,627	1,664,887	2,633,928	4,927,788	3,739,143	3,853,904	1,988,284	80,671
Intangible assets	264,069	287	150	-	-	-	-	263,632	-	-
Deferred tax assets	402,873	(52,145)	(36,708)	(28,787)	(34,840)	(47,183)	(11,078)	325,136	287,650	748
Other assets	951,091	227,754	160,587	552,163	6,279	-	-	4,288	-	-
Fixed assets	163,626	2,824	5,646	15,280	13,154	24,666	23,253	12,285	6,518	-
	58,396,653	12,891,287	16,476,578	2,465,055	6,666,118	5,094,638	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	363,652	630,974	-	-	-	-	-
Liabilities against assets subject to finance leases	992	31	62	94	195	610	-	-	-	-
Others liabilities	1,076,633	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	704,343	-
Net assets	8,052,993	(22,301,631)	11,801,594	(301,615)	4,697,484	2,899,719	2,277,593	6,118,727	2,787,163	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									

2017

	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 8 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	172,235	172,235	-	-	-	-	-	-	-	-
Balances with other banks	2,040,902	1,040,902	450,000	550,000	-	-	-	-	-	-
Lending to financial institutions	2,038,288	2,038,288	-	-	-	-	-	-	-	-
Investments	40,403,976	6,728,330	25,442,344	1,682,855	259,870	1,563,679	187,540	2,787,201	1,754,157	-
Advances	18,790,501	251,059	995,181	1,451,988	2,394,414	4,896,313	3,639,073	3,718,573	1,618,185	25,715
Other assets	908,649	148,030	152,009	598,432	5,890	-	-	4,288	-	-
Fixed assets	90,675	2,597	6,193	16,532	12,851	23,514	8,826	10,343	11,019	-
Intangible assets	264,539	363	544	-	-	-	-	263,632	-	-
Deferred tax assets	510,857	(44,700)	(17,684)	(31,072)	(80,647)	(77,873)	14,435	475,111	272,597	890
	65,220,622	10,335,104	27,027,587	4,288,735	2,592,178	8,205,633	3,649,874	7,259,148	3,655,958	26,605
Liabilities										
Borrowings from financial institutions	45,158,690	31,541,796	5,851,927	1,217,690	1,300,667	2,014,046	1,112,142	1,339,920	780,502	-
Deposits and other accounts	10,501,149	3,715,624	3,126,600	2,507,129	1,151,596	-	-	-	-	-
Liabilities against assets subject to finance leases	1,346	29	57	87	180	382	611	-	-	-
Others Liabilities	1,528,228	390,388	659,645	52,914	223,601	137,355	28,402	31,423	4,500	-
	57,189,413	35,648,037	9,638,229	3,777,820	2,676,044	2,151,763	1,141,155	1,371,343	785,002	-
Net assets	8,031,209	(25,312,933)	17,389,358	490,915	(63,866)	4,053,850	2,708,519	5,887,805	2,870,958	26,605
Share capital	6,150,000									
Reserves	1,071,781									
Unappropriated profit	737,744									
Surplus on revaluation of investment - net of tax	63,562									
Non-controlling interest	8,142									
	8,031,209									

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 07 March 2019 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 Captions, as prescribed by BPRD Circular No.2 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these consolidated financial statements, except for captions of the consolidated statement of financial position and consolidated profit and loss account.

45.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

45.3 The JCR-VIS Credit Rating Group 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.

45.4 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 2018.

45.5 Corresponding figures

Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements wherever necessary to facilitate comparison and better presentation in accordance with the new format prescribed by State Bank of Pakistan vide BPRD circular no. 2 of 2018.

46. **DATE OF AUTHORISATION**

These consolidated financial statements were authorised for issue on 07 March 2019 by the Board of Directors of the holding company.

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

Annexure I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2018

S. No.	Name and address of the borrower	Name of individuals /partners / directors with CNIC No.	Father's / Husband's name	Outstanding liablities at beginning of year				Principal written-off	Interest / mark-up written off	Other financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				(9+10+11)
1	2	3	4	5	6	7	8	9	10	11	12
				(Rupees in '000)							
1	**Magna Steel (Pvt) Limited**			36,659	6,107	44,697	87,463	-	5,366	47,750	53,116
		Mr. Abid Ali 61101-8234241-7	Mr. Zain-ul-Abedin								
		Mr. Muhammad Tariq Iqbal Mughal 35201-9057040-1	Mr. Bashir Ahmed Mughal								
		Mr. Abdul Ghani 42401-0336246-7	Mr. Haji Abdul Ghaffar								
2	**Dewan Farooque Motors**			22,662	185,955	43,421	252,038	-	185,955	43,421	229,376
		Mr. Dewan M. Ayub Khalid 42201-9975110-3	Mr. Dewan M. Khalid Farooqui								
		Mr. Dewan M. Yousuf Farooqui 42301-6948978-9	Mr. Dewan M. Umer Farooque								
		Mr. Dewan Abdul Rehman Farooqui 42301-0862043-3	Mr. Dewan M. Salman Farooqui								
		Mr. Dewan M. Asim Mushfiq Farooqui 42301-4927084-9	Mr. Dewan M. Umer Farooque								
		Mr. Dewan Zia-Ur-Rehman Farooqui 61101-1738570-1	Mr. Dewan M. Umer Farooque								
		Mr. Dewan Ghulam Mustafa Khallid 42201-7707647-9	Mr. Dewan M. Khalid Farooqui								
		Mr. Dewan Abdullah Ahmed 42301-7511974-1	Mr. Dewan M. Umer Farooque								
3	**Al - Abid Silk Mills Limited**			42,878	2,988	22,345	68,211	-	-	26,381	26,381
		Mr. Qamar Mashkoor 42201-6780761-7	Mr. Mashkoor Ahmed								
		Mr. Muhammad Sajid Hafeez 42101-3124729-3	Mr. Ejaz Ahmed Siddiqui								
		Mst. Adia Naseem 42301-0783384-4	Mr. Naseem Ahmed Sattar								
		Mrs.Sadaf Nadeem 42301-0878886-8	Mr. Nadeem Yousuf								
		Mr. S.M. Javed Azam 42201-8147445-3	Syed Muhammad Farooq								
		Mr. Azim Ahmed 42301-0912143-9	Mr. Naseem Ahmed								
		Mr.Naseem A.Sattar 42301-0840043-1	Mr. Abdul Sattar								
		Mr. Syed Raza Abbas Jaffari 42201-0215685-1	Mr. Sayad Shabit Hussain								
4	**MGA Industries (Pvt.)**			31,414	8,041	35,380	74,835	-	1,956	38,870	40,826
		Mr. Malik Muhammad Aslam 35202-0419653-5	Mr. Malik Sultan Ahmed								
		Mr. Tahir Javed Malik 35202-7926036-9	Mr. Malik Sultan Ahmed								
		Mr. Khalid Javed Malik 35202-9915586-9	Mr. Malik Sultan Ahmed								
				133,613	203,091	145,843	482,547	-	193,277	156,422	349,699