KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants

Pak-Iran Joint Investment Company Limited

Financial Statements
For the year ended 31 December 2008

KPMG

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Auditors' Report to the Members

We have audited the annexed balance sheet of **Pak - Iran Joint Investment Company Limited** ("the Company") as at 31 December 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

KPMG Taseer Hadi & Co., a partnership firm registered in Pakistan
and a member firm of the KPMG network of independent member
firms affiliated with KPMG International, a Swiss cooperative

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

Date: 17 APR 2009

Karachi

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Chartered Accountants

Pak - Iran Joint Investment Company Limited
Balance Sheet
As at 31 December 2008

	Note	2008	2007
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	5	**506,887**	19,302
Balances with other banks	6	**1,816,376**	2,808,657
Lendings to financial institutions	7	**611,000**	600,000
Investments (a)	8	**2,477,998**	714,747
Advances	9	**327,318**	-
Operating fixed assets	10	**21,478**	14,310
Deferred tax asset - net	11	**7,283**	-
Other assets	12	**47,126**	36,153
		5,815,466	4,193,169
LIABILITIES			
Bills payable		**-**	-
Borrowings from financial institutions	13	**459,957**	-
Deposits and other accounts		**-**	-
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities - net	11	**-**	1,478
Other liabilities	14	**32,523**	64,229
		492,480	65,707
NET ASSETS		**5,322,986**	4,127,462
REPRESENTED BY			
Share capital	15	**5,000,000**	4,000,000
Reserves	16	**89,250**	25,621
Unappropriated profit (b)		**357,003**	102,486
		5,446,253	4,128,107
Deficit on revaluation of assets - net of tax (b)	17	**(123,267)**	(645)
		5,322,986	4,127,462
CONTINGENCIES AND COMMITMENTS	18		

(a) Investments have been valued using rates quoted on Karachi Stock Exchange as at 31 December 2008.

(b) Impairment loss on equity securities classified as available for sale aggregating to Rs. 90,419 thousand has not been recognised in the profit and loss account in accordance with S.R.O.150(I)/2009 dated 13 February 2009. Had the impairment loss been recognised in the profit and loss account, the (deficit) on revaluation of assets and the unappropriated profit would have been lower by Rs.90,419 thousand (See Note 8.11).

The annexed notes 1 to 36 form an integral part of these financial statements.

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Chairman | **Chief Executive and Managing Director** | **Director** | **Director**

Pak - Iran Joint Investment Company Limited

Profit and Loss Account

For the year ended 31 December 2008

	Note	For the year ended 31 December 2008	For the period from 15 January 2007 to 31 December 2007
		(Rupees in '000)	
Mark-up / return / interest earned	19	527,054	235,459
Mark-up / return / interest expensed	20	31,898	-
Net mark-up / interest income		495,156	235,459
Provision against loans and advances - net		-	-
Provision for diminution in value of investments - net	8.3	(37,500)	-
Bad debts written off directly		-	-
		(37,500)	-
Net mark-up / return / interest income after provisions		457,656	235,459
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		3,621	-
Dividend income		60,266	-
Gain on sale of securities-net	21	30,875	459
Unrealised gain / (loss) on revaluation of investments classified as held for trading		-	-
Other income		-	-
Total non mark-up / return / interest income		94,762	459
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	22	82,513	39,078
Loss from dealing in foreign currencies		-	-
Other provisions / write offs		-	-
Other charges		-	-
Total non mark-up / interest expenses		82,513	39,078
Extraordinary items		-	-
PROFIT BEFORE TAXATION		469,905	196,840
Taxation - Current	23	152,923	67,255
- Prior year		101	-
- Deferred		(1,265)	1,478
		151,759	68,733
PROFIT AFTER TAXATION (c)		318,146	128,107
		(Rupees)	
Basic and diluted earnings per share	24	0.74	0.51

(c) Impairment loss on equity securities classified as available for sale aggregating to Rs. 90,419 thousands has not been recognised in the profit and loss account in accordance with S.R.O.150(I)/2009 dated 13 February 2009. Had the impairment loss been recognised in the profit and loss account, the profit for the year ended 31 December 2008 would have been lower by Rs. 90,419 thousands (See note 8.11).

The annexed notes 1 to 36 form an integral part of these financial statements.

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Chairman	Chief Executive and Managing Director	Director	Director

Pak - Iran Joint Investment Company Limited
Cash Flow Statement
For the year ended 31 December 2008

	Note	For the year ended 31 December 2008	For the period from 15 January 2007 to 31 December 2007
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		469,905	196,840
Less: Dividend Income		(60,266)	-
		409,639	196,840
Adjustments:			
Depreciation		4,639	978
Amortisation		509	-
Provision against loans and advances		-	-
Provision for compensated absences		2,231	-
Provision for Worker's Welfare Fund		9,398	-
Provision against diminution in value of investments		37,500	-
		54,277	978
		463,916	197,818
(Increase) in operating assets			
Lendings to financial institutions		(11,000)	(600,000)
Advances		(327,318)	-
Other assets (excluding advance taxation)		(10,813)	(36,153)
		(349,131)	(636,153)
Increase / (decrease) in operating liabilities			
Borrowings from financial institutions		459,957	-
Other liabilities (excluding current taxation)		(590)	14,780
		459,367	14,780
Income taxes paid		(195,769)	(17,806)
Net cash flow from / (used in) operating activities		378,383	(441,361)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(1,725,882)	(715,392)
Net investments in held to maturity securities		(204,987)	-
Dividend received		60,106	-
Investments in operating fixed assets		(12,316)	(15,288)
Net cash (used in) investing activities		(1,883,079)	(730,680)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of right shares		1,000,000	4,000,000
Net cash generated from financing activities		1,000,000	4,000,000
(Decrease) / increase in cash and cash equivalents		(504,696)	2,827,959
Cash and cash equivalents at beginning of the year		2,827,959	-
Cash and cash equivalents at end of the year	25	2,323,263	2,827,959

The annexed notes 1 to 36 form an integral part of these financial statements.

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Chairman **Chief Executive and Managing Director** **Director** **Director**

Pak - Iran Joint Investment Company Limited
Statement of Changes in Equity
For the year ended 31 December 2008

	Share capital	Statutory reserves	Unappropriated profit	Total
	(Rupees in '000)			
Balance as at 15 January 2007	-	-	-	-
Issue of share capital	4,000,000	-	-	4,000,000
Profit after taxation for the period from 15 January 2007 to 31 December 2007	-	-	128,107	128,107
Total recognised income and expense for the period	-	-	128,107	128,107
Transfer to statutory reserve	-	25,621	(25,621)	-
Balance as at 31 December 2007	**4,000,000**	**25,621**	**102,486**	**4,128,107**
Profit after taxation for the year ended 31 December 2008	-	-	318,146	318,146
Total recognised income and expense for the year	-	-	318,146	318,146
Transfer to statutory reserve	-	63,629	(63,629)	-
Issue of right shares	1,000,000	-	-	1,000,000
Balance as at 31 December 2008	**5,000,000**	**89,250**	**357,003**	**5,446,253**

The annexed notes 1 to 36 form an integral part of these financial statements.

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Chairman | **Chief Executive and Managing Director** | **Director** | **Director**

1. STATUS AND NATURE OF BUSINESS

Pak - Iran Joint Investment Company Limited is a Public Limited Company incorporated in Pakistan on 15 January 2007 under the Companies Ordinance, 1984. The Company has been notified as a Development Financial Institution (DFI) by the Ministry of Finance, Government of Pakistan. The Company is a 50 : 50 Joint Venture between Government of Pakistan and Iran Foreign Investment Company which is owned by Government of Iran. It is engaged in financing for industrial and commercial projects, capital and money market operations, and other investment banking activities. Its registered office is situated at Progressive Plaza, Beaumont Road, Karachi.

2. BASIS OF PRESENTATION

2.1 Basis of measurement

These financial statements have been prepared on the historical cost basis as modified for revaluation of certain investments at market rates in accordance with the requirements of BSD Circular No. 10 dated 13 July 2004 as amended through BSD Circular No. 11 dated 04 August 2004 and BSD Circular No. 14 dated 24 September 2004.

2.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. The amounts are rounded to nearest thousand rupees.

2.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are described in note 34 to these financial statements.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984 or directives issued by SECP and SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

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The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, Investment Property' for DFIs through BSD Circular letter No. 11 dated 11 September 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

During the year, IFRIC 9 - Reassessment of embedded derivatives, IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions, IFRIC 12 - Service Concession Arrangements, IFRIC 14, IAS 19 - The Limit on Defined Benefit Asset Minimum Funding Requirements and their interaction, become effective, the application of these standards did not have material effect on the Bank's financial statements.

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

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2009:

- Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. This change will be affected after directions from regulator.

- Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Company's financial statements.

- Revised IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the standard is not relevant to Company's operations.

- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company's financial statements.

- Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Company's financial statements.

- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Company's financial statements.

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- Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.

- IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard is not likely to have an effect on the Company's financial statements other than increase in disclosures.

- IFRS 8 - Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Company presents segment information in respect of its business and geographical segments. This standard will have no effect on the Company's reported total profit or loss or equity.

- IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The IFRIC 13 is not relevant to Company's operations.

- IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.

- IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2009) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to the profit or loss. The interpretation allows an entity that used the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2009 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.

- IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Company's financial statements.

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- IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount as fair value is recognised in the income statement. As the Company does not distribute non cash assets to its shareholders, this interpretation has no impact on the Company's financial statements.

- IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-Current Assets Held for Sale and Discounted Operations (effective for annual periods beginning on or after 1 July 2009) specify that if an entity is committed to a sale plan involving the loss of control of a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of IFRS 5 are met. Disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation. The amendment is not likely to have an effect on Company's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

4.1 Cash and cash equivalents

Cash and cash equivalents represent cash and balances with treasury banks and balances with other banks in current, deposit and saving accounts.

4.2 Repurchase agreements

The Company enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

a) Sale under repurchase obligations

Securities sold subject to a re-purchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The differential in sale and re-purchase value is accrued over the period of the agreement and recorded as an expense.

b) Purchase under resale obligations

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortised over the period of the agreement and recorded as income.

4.3 Investments

All purchases and sales of investments that require delivery within the time frame established by the regulations or market conventions are recognised at the trade date. Trade date is the date on which Company commits to purchase or sale the investment.

The transactions cost associated with investments under 'held for trading' is charged off at the inception of the transaction. Whereas, transaction costs related to investments under 'available for sale' and 'held to maturity' are included as cost of investment.

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The Company classifies its investments as follows:

a) **Held for trading**

These are securities, which are either acquired for generating a profit from short-term fluctuation in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit making exists.

b) **Held to maturity**

These are securities with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold to maturity. These investments are carried at amortised cost.

c) **Available for sale**

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

Securities where ready quotes are available on Reuters Page (PKRV) or Mutual Fund Associations of Pakistan (MUFAP) or Stock Exchange or from respective asset management companies, other than investments classified as held to maturity, are valued at fair value.

Debt securities are classified on the evaluation / inspection date on the basis of default in their repayment in line with the criteria prescribed for classification of medium & long term facility.

Un-quoted equity investments are classified on the basis of break-up value. Where break-up value is less than the book value, the difference between book value & break-up value will be classified as loss.

The surplus / (deficit) arising on securities classified as available for sale is kept in a separate account shown in the balance sheet below equity until actually realised on disposal or impaired.

Provision for diminution in the value of equity securities is made after considering objective evidence of impairment, if any in their values and is taken to profit and loss account. Provision for diminution in the value of debt securities is made as per the Prudential Regulations issued by SBP.

Profit or loss on sale of investments is included in profit and loss account.

4.4 Advances

Advances are stated net of provision for doubtful debts. Provision for doubtful debts is determined on the basis of 'Prudential Regulations' issued by SBP and charged to the profit and loss account.

Advances are written off when there are no realistic prospects of recovery.

4.5 Operating fixed assets and depreciation

Tangible assets

Operating fixed assets except capital work in progress, are stated at cost less accumulated depreciation and impairment loss, if any. Capital work in progress are stated at cost less impairment, if any.

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Depreciation is charged to profit and loss account on straight line basis so as to write-off the assets over their expected economic lives at the rates specified in note 10.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Full month depreciation is charged charge in the month of purchase and no depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to income as and when incurred. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment.

Gains and losses on disposal of assets are included in profit and loss account.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised from the month when these are available for use, using the straight line method, whereby the cost of an intangible asset is amortised over the period which takes into account the economic benefits that will be available to the Company.

4.6 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned during the year chargeable for tax. The charge for the current tax is calculated using prevailing tax rates enacted at the balance sheet date and, any adjustments to tax payable relating to prior years.

Deferred

Deferred tax is recognised using the balance sheet method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and amounts used for taxation purpose. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would available against which it can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that related tax benefits will be realised.

4.7 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the balance sheet date.

Foreign currency transactions during the period are recorded at the rates prevailing on the date of transaction.

Exchange gains and losses are included in profit and loss account.

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4.8 Revenue recognition

Mark-up / return / interest income and expenses are recognised on a time proportion basis taking into account effective yield on the instrument, except where recovery is considered doubtful, the income is recognised on receipt basis.

A gain / (loss) on sale of securities is recognised in profit and loss account at the time of sale of relevant securities.

The surplus / (deficit) arising on revaluation of the Company's held for trading investment portfolio is taken to the profit and loss account.

Dividend income is recognised when the Company's right to receive the dividend is established.

Fee, commission and brokerage income is recognised as the services are rendered.

4.9 Impairment

The carrying amount of the Company's assets (other than deferred tax asset) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

4.10 Off setting

Financial assets and financial liabilities are only offset and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amount and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements.

4.11 Other provisions

Other provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

4.12 Dividend and appropriation to reserve

Dividend and appropriation to reserves, except appropriation which are required by the law after the balance sheet date, are recognised as liability in the Company's financial statements in the period in which these are approved.

4.13 Earnings per share

Earnings per share is calculated by dividing the profit after tax for the year by the weighted average number of shares outstanding during the year.

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4.14 Segment information

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

Business segments

Following are the main segments of the Company:

Corporate Finance	Undertakes advisory services including mergers and acquisitions, listed and unlisted debt syndications, trustee activities and other investment banking activities.
Trading and Sales	Undertakes Company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the Company.
Commercial Banking	Includes loans, advances, leases and other transactions with corporate customers.

Geographical segments

The Company's all business segments operate only in Pakistan.

4.15 Staff retirement benefit

Defined contribution plan

The Company operates a recognised provident fund scheme for its employees. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 10% of the basic salary.

4.16 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leave as a result of services rendered by the employee against un-availed leaves upto the balance sheet date.

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2008	2007
		(Rupees in '000)	
In hand			
Local currency		2	39
Foreign currencies		203	274
		205	313
With State Bank of Pakistan in			
Local currency current account		1,184	100
With National Bank of Pakistan in			
Local currency current account		30	580
Local currency deposit account	*5.1*	505,468	18,309
		505,498	18,889
		506,887	19,302

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5.1 These carry mark-up at rates ranging from 5% to 15.5% per annum (2007: 2.3% to 8% per annum) with maturity upto January 2009 (2007: Nil).

6. BALANCES WITH OTHER BANKS		2008	2007
		(Rupees in '000)	
Inside Pakistan			
In current accounts		504	10
In deposit accounts	*6.1*	1,815,872	2,808,647
		1,816,376	2,808,657

6.1 These carry mark-up at rates ranging from 5% to 17.5% per annum (2007: 5% to 10.5% per annum) with maturity upto March 2009 (2007: March 2008).

7. LENDINGS TO FINANCIAL INSTITUTIONS

Letters of placement	*7.2 & 7.3*	586,000	600,000
Reverse repurchase agreement lendings	*7.4 & 7.5*	25,000	-
		611,000	600,000

7.1 Particulars of lendings to financial institutions

In local currency	611,000	600,000
In foreign currencies	-	-
	611,000	600,000

7.2 These placements carry mark-up at rates ranging from 21% to 23% per annum (2007 : 9.8% to 10.6%) with maturity upto January 2009 (2007: January 2008).

7.3 This includes a placement with an Investment Bank ("the borrower") amounting to Rs. 291 million due to mature on 6 December 2008. The placement was not repaid on the due date, however, the markup on the outstanding placement was received upto 31 December 2008. For settlement of the above placement, a Settlement Agreement was signed with the borrower, through which the borrower has agreed to transfer 29,685,986 sponsor shares of Rs. 10 each of one its group companies which will settle both the principal and the mark-up due on placement. The arrangement would require necessary approvals from the respective Boards and the Regulator, the process of which has been started.

7.4 This reverse repurchase agreement carries mark-up rate of 20% per annum (2007: Nil) with maturity upto February 2009 (2007: Nil).

7.5 Securities held as collateral against lendings to financial institutions

	2008			2007		
	Held by company	**Further given as collateral**	**Total**	Held by company	Further given as collateral	Total
	(Rupees in '000)					
Listed shares	25,000	-	25,000	-	-	-

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8. INVESTMENTS

8.1 Investments by types

	Note	2008 Held by company	2008 Given as collateral	2008 Total	2007 Held by company	2007 Given as collateral	2007 Total
		-----(Rupees in '000)-----					
Available for sale securities							
Market treasury bills		1,012,911	463,730	1,476,641	-	-	-
Fully paid up ordinary shares / certificates / units - Listed		159,871	-	159,871	565,392	-	565,392
Sukuk bonds-unlisted		210,000	-	210,000	150,000	-	150,000
Term finance certificates		594,762	-	594,762	-	-	-
		1,977,544	463,730	2,441,274	715,392	-	715,392
Held to maturity securities							
Commercial papers		204,987	-	204,987	-	-	-
Investments at cost		2,182,531	463,730	2,646,261	715,392	-	715,392
Less: Provision for diminution in value of investments	8.3	(37,500)	-	(37,500)	-	-	-
Investments - net of provisions		2,145,031	463,730	2,608,761	715,392	-	715,392
Deficit on revaluation of available for sale securities	17	(127,156)	(3,607)	(130,763)	(645)	-	(645)
Total investments at market value		2,017,875	460,123	2,477,998	714,747	-	714,747

8.2 Investments by segments

	Note	2008	2007
		(Rupees in '000)	
Federal Government securities			
- Market treasury bills	8.4	1,476,641	-
Fully paid up ordinary shares / certificates / units - Listed	8.5	159,871	565,392
Term finance certificates			
- Listed	8.6	369,762	-
- Unlisted	8.7	225,000	-
		594,762	-
Commercial papers	8.8	204,987	-
Sukuk bonds - unlisted	8.9	210,000	150,000
Total investments at cost		2,646,261	715,392
Less: Provision for diminution in value of investments	8.3	(37,500)	-
Investments - net of provisions		2,608,761	715,392
Deficit on revaluation of available for sale securities	17	(130,763)	(645)
Total investments at market value		2,477,998	714,747

8.3 Particulars of provision for diminution in value of investments

		2008	2007
Opening balance		-	-
Charge for the year		(37,500)	-
Closing balance		(37,500)	-

8.3.1 Particulars of provision in respect of type and segment

		2008	2007
Available for sale - Term finance certificates -unlisted - Dewan Cement Limited	8.3.2	(37,500)	-

8.3.2 This represents Pre-Initial Public Offering (IPO) disbursement of Rs. 75 million to Dewan Cement Limited (DCL) made on 7 February 2008 at a profit rate of 6 month Karachi Interbank Offer Rate (KIBOR) plus 200 basis points (bps) per annum on the date of disbursement. As per the requirement of the Trust Deed, the IPO was to take place within 270 days of the initial disbursement. However, DCL as yet has not arranged the IPO.

As at 31 December 2008, the rating of the instrument was downgraded from "A-" (single A minus) to "BB+" (BB plus) and subsequent to period end, the instrument was placed under the "non performing debt security" category issued by the Mutual Fund Association of Pakistan (MUFAP).

8.4 Market Treasury Bills carry yield ranging from 10.51% to 13.05% (2007: Nil) per annum with maturities upto March 2009 (2007: Nil).

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8.5 Particulars of investments in listed companies / funds include the following:

2008	2007		Cost 2008	Cost 2007
(Number of shares / certificates / units)			(Rupees in '000)	
		Mutual Funds		
225,500	112,500	Al Meezan Mutual Fund	2,946	1,479
-	189,376	Askari Income Fund	-	20,000
156,745	142,232	Dawood Money Market Fund	15,000	15,000
562,500	100,000	Golden Arrow Stock Fund	3,448	743
-	67,500	JS Value Fund	-	998
-	189,988	KASB Liquid Fund	-	20,000
-	47,566,498	NAFA Cash Fund	-	500,000
910,000	478,000	Pakistan Premier Fund Limited	11,600	6,152
135,500	92,000	Safeway Mutual Fund	1,538	1,020
		Commercial Banks		
177,800	-	Bank Alfalah Limited	8,293	-
200,000	-	BankIslami Pakistan Limited	3,798	-
55,000	-	Habib Bank Limited	9,536	-
200,000	-	National Bank of Pakistan	24,105	-
		Insurance		
40,000	-	Adamjee Insurance Company Limited	9,585	-
2,700	-	IGI Insurance Company Limited	497	-
		Textile Composite		
100,100	-	Nishat Mills Limited	6,217	-
		Cement		
297,800	-	D.G. Khan Cement Company Limited	15,794	-
		Refinery		
40,000	-	Bosicar Pakistan Limited	761	-
		Power Generation and Distribution		
446,000	-	The Hub Power Company Limited	10,238	-
42,000	-	Kot Addu Power Company Limited	1,875	-
		Oil and Gas Exploration Companies		
80,200	-	Oil & Gas Development Company Limited	9,034	-
6,000	-	Pakistan Oilfields Limited	1,424	-
		Technology and Communication		
300,000	-	Pakistan Telecommunication Company Limited	10,202	-
		Fertilizer		
30,000	-	Engro Chemical Pakistan Limited	6,165	-
		Miscellaneous		
276,500	-	PACE (Pakistan) Limited	7,815	-
			159,871	565,392

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8.6 Particulars of Term Finance Certificates - Listed

	Cost 2008	Cost 2007
	(Rupees in '000)	
Orix Leasing Pakistan Limited - Secured *Certificates*: 25,000 (2007: Nil) of Rs.5,000 each *Mark up*: Six month KIBOR + 150 bps per annum with no floor and cap. *Rating*: AA+ (PACRA) *Tenor:* 5 years *Redemption:* The instrument is structured to redeem 0.08% of the principal amount during the first two years in four equal semi-annual installments and the remaining 99.92% of the principal amount during the next three years in six equal semi-annual installments. *Maturity*: May 2012 *Chief Executive* : Mr. Humayun Murad	123,501	-
Trust Investment Bank Limited - Secured *Certificates*: 6,000 (2007: Nil) of Rs.5,000 each *Mark up:* Six month KIBOR + 185 bps per annum with no floor and cap. *Rating*: A (PACRA) *Tenor:* 5 years *Redemption:* Principal repayment in eight equal semi-annual installments commencing from the 18th month from the issue date. *Maturity*: July 2013 *Chief Executive*: Mr. Javaid Bashir Sheikh	30,000	-
United Bank Limited (4th Issue) - Unsecured *Certificates*: 20,000 (2007: Nil) of Rs.5,000 each *Mark up:* Six month KIBOR + 85 bps per annum from 1 to 5 years and six month KIBOR + 135 bps per annum from 6 to 10 years with no floor and cap. *Rating*: AA (JCR-VIS) *Tenor:* 10 years *Redemption:* The instrument is structured to redeem 0.38% of principal amount during first nine and a half years in nineteen equal semi-annual installments and the remaining 99.62% on its maturity. The call option or partial call option may be exercised by the issuer after obtaining written approval from SBP at any time after the period of 5 years from the issue date. *Maturity*: February 2018 *Chief Executive*: Mr. Atif R. Bokhari	87,982	-
NIB Bank Limited - Unsecured *Certificates*: 20,000 (2007 :Nil) of Rs.5,000 each *Mark up*: Six month KIBOR + 115 bps per annum with no floor and cap *Rating*: A+ (PACRA) *Tenor:* 8 years *Redemption:* The instrument is structured to redeem 0.2% of principal amount during first five years in ten equal semi-annual installments and the remaining 99.80% of principal amount during the next three years in six equal semi-annual installments. *Maturity*: March 2016 *Chief Executive*: Mr. Khawaja Iqbal Hassan	89,762	-
Escorts Investment Bank Limited - Secured *Certificates*: 8,000 (2007 :Nil) of Rs.5,000 each *Mark up:* Six month KIBOR + 250 bps per annum with a floor of 8% and a cap of 17% per annum during first three years and a cap of 18% per annum for remaining years. *Rating*: A+ (PACRA) *Tenor:* 5 years *Redemption:* The instrument is structured to redeem 0.08% of the principal amount during first two years in four equal semi-annual installments and the remaining 99.92% of principal amount during the next three years in six semi-annual installments *Maturity*: March 2012 *Chief Executive*: Mr. Rashid Mansur	38,517	-
	369,762	-

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8.7 Particulars of Term Finance Certificates - Unlisted

	Cost 2008	Cost 2007
	(Rupees in '000)	
Dewan Cement Limited Pre-IPO - Secured *Certificates*: 15,000 (2007: NIL) of Rs. 5,000 each *Mark up*: Six month KIBOR + 200 bps per annum with no floor and cap. *Rating:* BB+ (PACRA) *Redemption:* Principal repayment in nine equal semi-annual installments commencing from the 24th month after the public issue subscription date. *Maturity*: 6 years from the date of issue *Chief Executive*: Mr. Dewan M.Yousuf Farooqui	75,000	-
Allied Bank Limited Pre-IPO - Unsecured *Certificates*: 30,000 (2007: NIL) of Rs. 5,000 each *Mark up:* Six month KIBOR + 85 bps per annum from 1 to 5 years and six month KIBOR + 130 bps per annum from 6 to 10 years with no floor and cap. *Rating:* AA- (PACRA) *Redemption:* The instrument is structured to redeem 0.38% of principal amount during first nine and a half years in nineteen equal semi-annual installments and the remaining 99.62% on its maturity. The call option or partial call option may be exercised by the issuer after obtaining written approval from SBP at any time after the period of 5 years from the issue date. *Maturity*: upto 10 years from the date of issue *Chief Executive*: Mr. Muhammad Aftab Mansoor	150,000	-
	225,000	-

8.8 Commercial papers

	Note	2008	2007	2008	2007
		(Number of Notes of Rs. 5,000,000 each)		Cost (Rupees in '000)	
Name of the investee entity					
Pak Elektron Limited		22	-	108,277	-
Pak American Fertilizers Limited		20	-	96,710	-
	8.8.1			204,987	-

8.8.1 Commercial papers are for the period of six months to one year. The effective rate of profit on commercial papers ranges between 15.40% to 15.99% per annum (2007: Nil) with maturities upto March 2009 (2007: Nil).

8.9 Particulars of Sukuk - Unquoted, Secured

	2008	2007
Eden Housing Limited *Certificates*: 30,000 (2007 :30,000) of Rs.5,000 each *Mark up:* Six month KIBOR + 250 bps per annum with a floor of 7% and a cap of 20% per annum. *Rating*: A (JCR-VIS) *Tenor:* 5 years *Redemption:* The instrument is repayable in eight equal semi-annual installments with a grace period of one year. *Maturity:* December 2012 *Chief Executive*: Mr. Muhammad Amjad	150,000	150,000
Sitara Peroxide Limited *Certificate*: 12,000 (2007 :Nil) of Rs.5,000 each *Mark up*: Three month KIBOR + 110 bps per annum with no floor and cap. *Rating*: Unrated *Tenor:* 5 years *Redemption:* The instrument is repayable in sixteen equal quarterly installments starting from 15th month of the issue date. *Maturity:* August 2013 *Chief Executive*: Mr. Imran Ghafoor	60,000	-
	210,000	150,000

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8.10 Quality of available for sale securities

	Market value 2008	Market value 2007	Cost 2008	Cost 2007	Long / medium term credit rating (Entity)	Rated by
	--------(Rupees in '000)--------					
Market Treasury Bills	1,472,423	-	1,476,641	-	Unrated - Government Securities	
Shares / Certificates / Units in Listed Companies						
Adamjee Insurance Company Limited	4,074	-	9,585	-	AA	PACRA
Al Meezan Mutual Fund	807	1,429	2,946	1,479	-	-
Askari Income Fund	-	20,000	-	20,000	-	-
Bank Alfalah Limited	2,975	-	8,293	-	AA	PACRA
BankIslami Pakistan Limited	1,450	-	3,798	-	A-	PACRA
Bosicar Pakistan Limited	186	-	761	-	-	-
D.G. Khan Cement Company Limited	6,334	-	15,794	-	-	-
Dawood Money Market Fund	9,764	15,000	15,000	15,000	-	-
Engro Chemical Pakistan Limited	2,894	-	6,165	-	AA	PACRA
Golden Arrow Stock Fund	1,148	640	3,449	743	-	-
Habib Bank Limited	4,117	-	9,536	-	AA+	JCR-VIS
IGI Insurance Company Limited	311	-	497	-	AA	PACRA
JS Value Fund	-	952	-	998	-	-
KASB Liquid Fund	-	20,000	-	20,000	-	-
Kot Addu Power Company Limited	1,326	-	1,875	-	-	-
NAFA Cash Fund	-	500,000	-	500,000	-	-
National Bank of Pakistan	10,064	-	24,105	-	AAA	JCR-VIS
Nishat Mills Limited	2,262	-	6,217	-	A+	PACRA
Oil & Gas Development Company Limited	4,009	-	9,034	-	AAA	JCR-VIS
PACE (Pakistan) Limited	2,389	-	7,815	-	-	-
Pakistan Oilfields Limited	615	-	1,424	-	-	-
Pakistan Premier Fund Limited	1,838	5,760	11,599	6,152	-	-
Pakistan Telecommunication Company Limited	5,067	-	10,202	-	-	-
Safeway Mutual Fund	1,762	966	1,538	1,020	-	-
The Hub Power Company Limited	6,284	-	10,238	-	-	-
	69,676	564,747	159,871	565,392		

	Market value 2008	Market value 2007	Cost 2008	Cost 2007	Long / medium term credit rating (Securities)	Rated by
Sukuk						
Eden Housing Limited	132,800	150,000	150,000	150,000	A	JCR-VIS
Sitara Peroxide Limited	60,000	-	60,000	-	Unrated	Unrated
	192,800	150,000	210,000	150,000		
Term Finance Certificates						
Listed						
Escorts Investment Bank Limited	37,075	-	38,517	-	A+	PACRA
NIB Bank Limited	79,233	-	89,762	-	A+	PACRA
Orix Leasing Pakistan Limited	120,639	-	123,501	-	AA+	PACRA
Trust Investment Bank Limited	26,682	-	30,000	-	A	PACRA
United Bank Limited (IV)	86,983	-	87,982	-	AA	JCR-VIS
	350,612	-	369,762	-		
Unlisted						
Dewan Cement Limited (Pre-IPO)	37,500	-	75,000	-	BB+	PACRA
Allied Bank Limited (Pre-IPO)	150,000	-	150,000	-	AA-	PACRA
	187,500	-	225,000	-		
Total	2,273,011	714,747	2,441,274	715,392		

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8.11 The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on 27 August 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of "floor mechanism" by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008. The equity securities have been valued at prices quoted on KSE on 31 December 2008 without any adjustment as allowed by SBP vide BSD Circular Letter No. 02 dated 27 January 2009.

Furthermore, SBP BSD Circular No. 4 dated 13 February 2009 has provided to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated 13 February 2009 allowing that the impairment loss, if any, recognised as on 31 December 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment / effect for price movements shall be taken to Profit and Loss account on quarterly basis during the year ending 31 December 2009. The amount taken to equity at 31 December 2008 shall be treated as a charge to profit and loss account for the purposes of distribution as dividend.

International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39), although not applicable for Development Financial Institutions in Pakistan is the only standard dealing with impairment of financial instruments and it requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to Profit and Loss Account.

In view of the floor mechanism as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore, recognition of impairment for "Available for Sale" equity securities through Profit and Loss account will not reflect the correct financial performance of the Company.

The recognition of impairment loss in accordance with the requirements of IAS 39 would have had the following effect on these financial statements:

	For the year ended 31 December 2008	For the period from 15 January 2007 to 31 December 2007
	(Rupees in '000)	
Increase in 'impairment loss' in profit and loss account	**90,419**	-
Decrease in profit for the year	**90,419**	-
Decrease in deficit on revaluation of assets	**90,419**	-
Decrease in unappropriated profit	**90,419**	-
	(Rupees)	
Decrease in earnings per share - basic / diluted	**(0.21)**	-

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9. ADVANCES

	Note	2008	2007
		(Rupees in '000)	
Loans in Pakistan		310,000	-
Staff loans		17,318	-
Advances - gross		327,318	-
Provision for non-performing loans and advances		-	-
Advances - net of provision		327,318	-

9.1 Particulars of advances - gross of provisions

9.1.1

	2008	2007
In local currency	327,318	-
In foreign currencies	-	-
	327,318	-

9.1.2

	2008	2007
Short-term (upto one year)	260,309	-
Long-term (over one year)	67,009	-
	327,318	-

9.2 Staff loans include personal loans and house loans advanced to employees in accordance with their terms of employment. These personal loans and house loans carry mark-up at the rates of 3% and 5% respectively.

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

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

	2008	2007
Balance at beginning of the year	-	-
Loans granted during the year	17,700	-
Repayments during the year	(812)	-
Balance at end of the year	16,888	-

10. OPERATING FIXED ASSETS

	Note	2008	2007
Capital work-in-progress	*10.1*	3,950	-
Property and equipment	*10.2*	15,978	14,310
Intangible asset	*10.3*	1,550	-
		21,478	14,310

10.1 Capital work-in-progress

	2008	2007
Civil works	750	-
Intangibles	3,200	-
	3,950	-

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10.2 Property and equipment

	2008							
	Cost			Accumulated depreciation			Net book value at 31 December 2008	Annual rate of depreciation %
	At 01 January 2008	Additions	At 31 December 2008	At 01 January 2008	Depreciation for the year	At 31 December 2008		
	(Rupees in '000)							
Owned								
Furniture and fixtures	1,709	376	2,085	57	500	557	1,528	20%
Electrical, office and computer equipment	6,359	1,905	8,264	371	1,540	1,911	6,353	20 to 25%
Vehicles	7,220	4,026	11,246	550	2,599	3,149	8,097	25%
2008	15,288	6,307	21,595	978	4,639	5,617	15,978	

	2007							
	Cost			Accumulated depreciation			Net book value at 31 December 2007	Annual rate of depreciation %
	At 15 January 2007	Additions	At 31 December 2007	At 15 January 2007	Depreciation for the period	At 31 December 2007		
	(Rupees in '000)							
Owned								
Furniture and fixtures	-	1,709	1,709	-	57	57	1,652	20%
Electrical, office and computer equipment	-	6,359	6,359	-	371	371	5,988	20 to 25%
Vehicles	-	7,220	7,220	-	550	550	6,670	25%
2007	-	15,288	15,288	-	978	978	14,310	

10.3 Intangible assets

	2008							
	Cost			Accumulated amortisation			Net book value at 31 December 2008	Annual rate of amortisation %
	At 01 January 2008	Additions	At 31 December 2008	At 01 January 2008	Amortisation for the year	At 31 December 2008		
	(Rupees in '000)							
Computer software	-	2,059	2,059		509	509	1,550	33%
2008	-	2,059	2,059	-	509	509	1,550	
2007	-	-	-	-	-	-	-	33%

11. DEFERRED TAX ASSETS / (LIABILITIES) - NET

		2008	2007
		(Rupees in '000)	
Deferred tax assets / (liabilities) - net	11.1	7,283	(1,478)

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11.1 The balance of deferred taxation comprises:

	2008	2007
	(Rupees in '000)	
Debit balances arising on account of:		
Deficit on revaluation of assets - net	7,496	-
Provision for compensated absences	781	-
(Credit) balances arising on account of:		
Accelerated tax depreciation allowance	(994)	(1,478)
	7,283	(1,478)

11.2 Movement in temporary differences during the year

	Balance 01 January 2008	Recognised in profit and loss	Recognised in equity	Balance 31 December 2008
	(Rupees in '000)			
Debit / (credit) balances arising on account of				
Accelerated tax depreciation allowance	(1,478)	484	-	(994)
Deficit on revaluation of assets - net	-	-	7,496	7,496
Provision for compensated absences	-	781	-	781
	(1,478)	1,265	7,496	7,283

	Balance 15 January 2007	Recognised in profit and loss	Recognised in equity	Balance 31 December 2007
	(Rupees in '000)			
Debit / (credit) balances arising on account of				
Accelerated tax depreciation allowance	-	(1,478)	-	(1,478)
Deficit on revaluation of assets - net	-	-	-	-
Provision for compensated absences	-	-	-	-
	-	(1,478)	-	(1,478)

11.3 Deferred tax asset has not been recognised in respect of deficit on revaluation of equity securities amounting to Rs. 38.271 million (2007: 0.225 million), as capital gain is exempt from tax.

12. OTHER ASSETS

	2008	2007
	(Rupees in '000)	
Income / mark-up accrued in local currency	43,185	34,021
Dividend receivable	160	-
Security deposits	2,294	1,294
Advances, deposits, advance rent and other prepayments	1,487	838
	47,126	36,153

13. BORROWINGS FROM FINANCIAL INSTITUTIONS

		2008	2007
In Pakistan (local currency)		459,957	-

13.1 Details of borrowings Secured / Unsecured

Secured			
Repurchase agreement borrowings	*13.2*	459,957	-

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13.2 This carries the mark-up rate of 14.9% per annum (2007: Nil) and are secured against Government Securities having carrying amount of Rs. 460.123 million (2007: Nil). The borrowings will mature upto January 2009 (2007: Nil).

14. OTHER LIABILITIES

	2008	2007
	(Rupees in '000)	
Mark-up/return/interest payable in local currency	188	-
Payable to an associated undertaking	5,392	-
Accrued expenses	743	14,780
Workers' Welfare Fund payable	9,398	-
Provision for taxation - net	6,704	49,449
Provision for compensated absences	2,231	-
Provision for bonus to employees	5,400	-
Others	2,467	-
	32,523	64,229

15. SHARE CAPITAL

15.1 Authorised capital

2008	2007			
(Number of shares)				
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000	10,000,000

15.2 Issued, subscribed and paid-up capital
Ordinary Shares of Rs.10 each

2008	2007				
(Number of shares)					
400,000,000	400,000,000	Ordinary shares of Rs. 10 each issued for cash		4,000,000	4,000,000
100,000,000	-	Right shares of Rs. 10 each issued for cash	*15.3*	1,000,000	-
500,000,000	400,000,000			5,000,000	4,000,000

15.3 During the year, the Company issued right shares in proportion to the existing shares held by each shareholder.

15.4 Major shareholders (holding more than 5% of total paid-up capital)

	2008		2007	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Name of shareholder				
Government of Pakistan *	250,000,000	50%	200,000,000	50%
Iran Foreign Investment Company *	250,000,000	50%	200,000,000	50%
	500,000,000	100%	400,000,000	100%

* This includes nominal shares alloted to the nominee directors of the Company.

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16. RESERVES -STATUTORY RESERVES

	Note	2008	2007
		(Rupees in '000)	
At beginning of the year		25,621	-
Add: Transfer during the year		63,629	25,621
	16.1	89,250	25,621

16.1 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.

17. DEFICIT ON REVALUATION OF ASSETS - NET OF TAX

	Note	2008	2007
Deficit arising on revaluation of quoted equity securities		(90,195)	(645)
Deficit arising on revaluation of T-Bills		(4,218)	-
Deficit arising on revaluation of TFCs		(19,150)	-
Deficit arising on revaluation of Sukuk Bonds		(17,200)	-
		(130,763)	(645)
Related deferred tax asset	*11.1*	7,496	-
		(123,267)	(645)

18. CONTINGENCIES AND COMMITMENTS

	2008	2007
18.1 Commitments for the acquisition of computer software	800	-
18.2 Commitments in respect of repo transactions		
Repurchase	460,333	-
Resale	25,822	-

19. MARK-UP / RETURN / INTEREST EARNED

	For the year ended 31 December 2008	For the period from 15 January 2007 to 31 December 2007
	(Rupees in '000)	
On loans and advances to Customers	36,072	-
On investments in:		
- Available for sale securities	95,670	256
- Held to maturity securities	35,315	-
On deposits with financial institutions	85,431	164,416
On securities purchased under resale agreements	4,778	-
On placements	231,462	70,787
Financing in respect of continuous funding system	38,326	-
	527,054	235,459

			For the year ended 31 December 2008	For the period from 15 January 2007 to 31 December 2007
20.	**MARK-UP / RETURN / INTEREST EXPENSED**		**(Rupees in '000)**	
	Securities sold under repurchase agreements		**15,630**	-
	Other short-term borrowings		**16,268**	-
			31,898	-
21.	**GAIN ON SALE OF SECURITIES**			
	On listed shares and mutual funds		**6,993**	459
	On listed Term Finance Certificates		**23,882**	-
			30,875	459
22.	**ADMINISTRATIVE EXPENSES**			
	Preliminary expenses		**-**	11,546
	Non-executive directors' fee	*28*	**2,762**	1,597
	Salaries, allowances and benefits		**40,418**	8,805
	Contribution to defined contribution plan	*27*	**1,848**	-
	Rent and utilities		**3,752**	1,667
	Repairs and maintenance		**613**	89
	Insurance		**796**	82
	Communication		**680**	326
	Advertisement		**156**	173
	Depreciation	*10.2*	**4,639**	978
	Amortisation	*10.3*	**509**	-
	Printing and stationery		**414**	337
	Legal and professional charges		**1,689**	10,722
	Travelling, conveyance and entertainment		**4,239**	2,131
	Vehicle running and maintenance		**1,975**	372
	Brokerage and commissions		**3,531**	-
	Bank charges		**46**	-
	Fee and subscriptions		**2,653**	-
	Auditors' remuneration	*22.1*	**300**	150
	Workers' Welfare Fund	*22.2*	**9,398**	-
	Others		**2,095**	103
			82,513	39,078
22.1	**Auditors' remuneration**			
	Audit fee		**175**	100
	Half yearly review		**75**	-
	Special certifications and others		**25**	-
	Out of pocket expenses		**25**	50
			300	150

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22.2 This represents accrual for contribution to Workers' Welfare Fund as per the amendments made vide Finance Act, 2008 in the Workers Welfare Fund Ordinance, 1971.

	For the year ended 31 December 2008	For the period from 15 January 2007 to 31 December 2007
	(Rupees in '000)	
23. TAXATION		
Current	152,923	67,255
Prior year	101	
Deferred	(1,265)	1,478
	151,759	68,733

23.1 Relationship between tax expense and accounting profit

Profit before tax	469,905	196,840
Tax on income @ 35%	164,467	68,894
Net tax effect on income taxed at reduced rates	(15,067)	-
Net tax effect of income / expenses not subject to tax	(10,806)	(161)
Tax effect of expenses that are not deductible in determining taxable profit	13,125	-
Net deductible temporary difference	(1,265)	1,478
Prior years charge	101	-
Others	1,204	(1,478)
Tax charge	151,759	68,733

24. BASIC / DILUTED EARNINGS PER SHARE

Profit after taxation for the year (2007: for the period from 15 January 2007 to 31 December 2007)	318,146	128,107
	(Number of shares in '000)	
Weighted average number of ordinary shares outstanding	430,274	248,767
	(Rupees)	
Basic / diluted earnings per share	0.74	0.51

25. CASH AND CASH EQUIVALENTS

	(Rupees in '000)	
Cash and balances with treasury banks	506,887	19,302
Balances with other banks	1,816,376	2,808,657
	2,323,263	2,827,959

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26. STAFF STRENGTH	For the year ended 31 December 2008	For the period from 15 January 2007 to 31 December 2007
	(Number)	
Permanent	22	11
Contractual	2	2
Company's own staff strength at the end of the year	24	13
Outsourced	2	-
Total staff strength	26	13

27. DEFINED CONTRIBUTION PLAN

The Company operates an approved provident fund scheme for all its permanent employees to which both the Company and employees contributes at 10% of basic salary in equal monthly contributions.

	For the year ended 31 December 2008	For the period from 15 January 2007 to 31 December 2007
	(Rupees in '000)	
Contribution from the Company	1,848	-
Contribution from the employees	1,848	-

28. COMPENSATION OF DIRECTORS AND EXECUTIVES

	2008			2007		
	Chief Executive / Managing Director	Directors	Executives	Chief Executive / Managing Director	Directors	Executives
	(Rupees in '000)					
Fees	-	2,762	-	-	1,597	-
Managerial remuneration	6,600	-	13,439	3,300	-	1,588
Contribution to defined contribution plan	660	-	976	-	-	-
Medical	155	-	820	305		-
Rent and house maintenance	2,640	-	4,203	1,320	-	698
Utilities	660	-	1,051	330	-	159
Others	825	-	1,145	-	-	-
	11,540	2,762	21,634	5,255	1,597	2,445
Number of persons	1	5	9	1	5	2

The Chief Executive and executives are provided with free use of company maintained cars.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

29.1 On balance sheet financial instruments

	2008 Book value	2008 Fair value	2007 Book value	2007 Fair value
	(Rupees in '000)		(Rupees in '000)	
Assets				
- Cash and balances with treasury banks	506,887	506,887	19,302	19,302
- Balances with other banks	1,816,376	1,816,376	2,808,657	2,808,657
- Lendings to financial institutions	611,000	611,000	600,000	600,000
- Investments	2,477,998	2,477,998	714,747	714,747
- Advances	327,318	327,318	-	-
- Other assets	45,705	45,705	35,487	35,487
	5,785,284	5,785,284	4,178,193	4,178,193
Liabilities				
- Borrowings from financial institutions	459,957	459,957	-	-
- Other liabilities	32,523	32,523	64,229	64,229
	492,480	492,480	64,229	64,229

The fair value of traded investments is based on quoted market price.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values.

30. SEGMENT ANALYSIS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows

	Corporate finance	Trading and sales	Commercial banking	Total
	(Rupees in '000)			
2008				
Total income	3,621	582,123	36,072	621,816
Total expenses	480	146,644	4,787	151,911
Net income before tax	3,141	435,479	31,285	469,905
Segment assets	-	5,348,156	467,310	5,815,466
Investments provided for	-	75,000	-	75,000
Segment provision required*	-	37,500	-	37,500
Segment liabilities	-	492,480	-	492,480
Segment return on assets (ROA)(%)	-	8.14%	6.69%	
Segment cost of funds(%)	-	10.69%	-	
2007				
Total income	-	235,918	-	235,918
Total expenses	-	39,078	-	39,078
Net income before tax	-	196,840	-	196,840
Segment assets	-	4,193,169	-	4,193,169
Investments provided for	-	-	-	-
Segment provision required*	-	-	-	-
Segment liabilities	-	65,707	-	65,707
Segment return on assets (ROA)(%)	-	4.69%	-	
Segment cost of funds(%)	-	-	-	

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

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31. RELATED PARTY TRANSACTIONS

Related parties comprises of major shareholders, directors and key management personnel and their close family members.

All transactions with the related parties are executed substantially on the same terms, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

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

31.1 The Key Management Personnel / Directors compensation are as follows:

	2008	2007
	(Rupees in '000)	
Loans and advances to key management personnel		
Balance at beginning of the year	-	-
Loans granted during the year	17,505	-
Repayments during the year	(812)	-
Balance at end of the year	16,693	-
Mark-up earned on loans and advances to key management personnel	425	-
Non-executive directors' remuneration	2,762	1,597
Salaries and benefits	29,827	7,700
Contribution to defined contribution plan	1,603	-

31.2 Contribution to defined contribution plan

	2008	2007
Contribution to defined contribution plan	1,848	-

31.3 Issue of Shares to Associates

	2008	2007
Government of Pakistan	500,000	2,000,000
Iran Foreign Investment Company	500,000	2,000,000

31.4 Payable to Iran Foreign Investment Company (Associates)

	2008	2007
Payable to Iran Foreign Investment Company (Associates)	5,392	-

32. CAPITAL - ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

32.1 Scope of applications

The Company has implemented standardized approach of Basel II on standalone basis. The objectives of Basel II aim at providing standardization of the framework under which the Company operates so as to enhance efficiency by managing risk and returns for all stakeholders.

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32.2 Capital structure

The risk weighted assets to capital ratio is calculated in accordance with SBP's guidelines on capital adequacy.

	2008 (Rupees in '000)
Tier I Capital	
1.1 Fully Paid-up capital	5,000,000
1.2 Reserves as disclosed on the Balance Sheet	89,250
1.3 Un-appropriated profits	357,003
	5,446,253
Deductions:	
1.4 Book value of intangible assets	(1,550)
1.5 Deficit on account of revaluation of investments held in AFS category	(130,763)
	(132,313)
Total eligible Tier I capital	5,313,940
Tier II Capital	-
Total eligible Tier III Capital	-
Total Regulatory Capital	5,313,940

32.3 Capital adequacy

The objective of capital management is to safeguard the Company ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurate with the level of risk.

It is the policy of the Company to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Goals of managing capital

The goals of managing capital of the Company are as follows:

- To ensure availability of adequate capital at a reasonable cost so as to enable the Company to grow accordingly.
- To achieve a low cost of capital with appropriate mix of capital elements.
- To be an appropriately capitalized institution, as prescribed by regulatory authorities from time to time.
- To maintain highest quality ratings and to protect the Company against unexpected events.

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33. RISK MANAGEMENT

The primary risks associated with the Company's financial instruments are:

Credit Risk: the risk of loss resulting from client or counterparty default.

Market Risk: the exposure to market variables such as interest rates and equity prices.

Operational Risk: the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and therefore includes legal risk.

The Company's Risk Management Unit has Basel Compliant, Credit, Market, Liquidity and Operational Risk functions. As an independent unit from business group, it reports administratively to CEO and functionally to Board Risk Management Committee (BRMC).

Internal Capital Adequacy Assessment Process (ICAAP) and other Basel II techniques such as Earning at Risk and Value at Risk are also in the process of adoption in order to have more risk sensitive assessment and reporting. The Company's risk management will constantly evolve as its business activities change in response to credit, market, product and other developments.

33.1 Credit risk

Credit risk is the risk of loss to the Company as a result of failure by a client or counterparty to meet its contractual obligations. It is inherent in loans, commitments to lend, traded products, repurchase agreements (repos and reverse repos) and securities borrowing and lending transactions. The role of Credit Risk Management particularly includes:

- Participation in portfolio planning and management.

- Establishment of credit policies and standards that conform to regulatory requirements and the Company's overall objectives.

- Working with Business Units in keeping aggregate credit risk well within the Company's risk appetite.

- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations.

- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

As a benchmark of credit risk of a counterparty, external ratings are obtained through SBP authorized External Credit Rating Agencies. For better credit risk management the Company has designed an Internal Risk Rating Based Policy and methodology which has been approved by the Board of Directors.

The credit products mainly comprise of Term Lending, Reverse Repurchase, Bridge Finance, Investment in TFCs, Sukuk Bonds and Commercial Papers, etc. Exposures, except for term lending, are collateralized by cash equivalents, fixed and current assets including property plant and equipment, and land as the case may be. The Company manages limits and controls concentrations of credit risk as identified, in particular to individual counterparties and groups, and to industries, where appropriate.

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The Capital of the Company is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 6 dated 28 October 2006. The adequacy of the capital is tested with reference to the Risk Weighted Assets of the Company.

The required capital adequacy ratio is maintained by the Company through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and settlement and composition of asset mix with low risk. The Company's operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of SBP that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprises of credit, market and operational risk.

The calculation of Capital Adequacy enables the Company to assess its long-term soundness. It is critically important to continuously monitor the exposure across the entire organisation and aggregate the risks so as to take an integrated view.

In addition, SBP requires that the paid up capital of Development Financial Institutions (DFIs) should be raised to Rs. 6 billion by 31 December 2009. The Company has been increasing its paid up share capital to comply with the aforesaid requirement.

The capital requirements for the DFI as per major risk categories are given below:

	2008	
	Capital requirements	**Risk weighted assets**
Credit risk		
Claims on:		
Banks	50,212	557,912
Corporates	76,827	853,631
Retail portfolio	61	682
Secured by residential property	517	5,743
Past due loans	3,375	37,500
Listed equity investments	1,379	15,319
Investments in fixed assets	1,933	21,478
All other assets	355	3,941
	134,659	1,496,206
Market risk		
Interest rate risk	-	-
Equity risk	9,784	108,711
	9,784	108,711
Operational risk	60,809	675,656
	205,252	2,280,573

Capital adequacy ratio

Total eligible regulatory capital held (a)	5,313,940
Total risk weighted assets (b)	2,280,573
Capital adequacy ratio (a) / (b)*100	233.01%

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Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Company sets limits on its credit exposure to counterparty / groups by industry, product and geographical location, in line with SBP standards.

The Company classifies a claim as impaired if it considers that it will suffer a loss on that claim as a result of the obligor's inability to meet its commitments (including interest payments, principal repayments or other payments due) after realization of any available collateral.

33.1.1 Credit Risk – General Disclosures Basel II specific

The Company's adoption of Standardized approach of Basel II will further lead to the implementation of Foundation Internal Rating Based (FIRB) approach. An action plan has already been submitted to SBP along with the timelines of implementation. As an initial step of FIRB compliance, the Risk Management Unit has prepared a policy and methodology of Internal Rating System which has been approved by the Board of Directors.

33.1.2 Credit Risk: Disclosure for portfolio subject to the Standardized Approach

For the calculation of Risk Weighted Assets under Standardized Approach, external credit ratings have been used for all exposures against Banks lending, corporate lending and debt instruments. The external ratings are further mapped with SBP ratings scale to arrive at risk weights of each transaction.

Types of exposures and ECAI's used

Exposures	JCR-VIS	PACRA
Banks	✓	✓
Corporates	✓	✓

Credit exposures subject to standardised approach

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net amount
		-----------------(Rupees in '000)-------------		
Corporate	1	327,738	-	327,738
	2	785,322	(25,260)	760,062
	3	294,349	-	294,349
	Unrated	113,704	-	113,704
Banks	1	3,039,434	(459,957)	2,579,477
	2,3	84,034	-	84,034
Retail		909	-	909
Sovereigns etc.		1,473,607	-	1,473,607
		6,119,097	(485,217)	5,633,880

CRM = Credit Risk Mitigation

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33.1.2.1 Credit Risk: Disclosure with respect to Credit Risk Mitigation for Standardized approach - Basel II specific

The credit policy of the Company covers credit risk mitigation process and requirements for all secured transactions. Key elements include:

- Collateral type

- Collateral quality and ranking

- Collateral valuation process and;

- Margin requirements

Equitable Mortgage, Token Registered Mortgage, Fixed Assets (Moveable and Immoveable), Current Assets, Pledge of Shares, Lending against Government Securities (for repo style transaction), and hypothecation on stocks and receivables are the main type of collaterals taken against the exposure.

33.1.3 Segmental information

33.1.3.1 Segments by class of business

	2008					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Electronics and electrical appliances	50,000	15%	-	-	-	-
Construction	260,000	79%	-	-	-	-
Individuals	17,318	6%	-	-	-	-
Others	-	-	-	-	-	-
	327,318	100%	-	-	-	-

33.1.3.2 Segment by sector

	2008					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	-	-	-	-	-	-
Private	327,318	100%	-	-	-	-
	327,318	100%	-	-	-	-

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33.1.3.3 Geographical segment analysis

	2008			
	Profit before taxation	**Total assets employed**	**Net assets employed**	**Contingencies & commitments**
	(Rupees in '000)			
Pakistan	**469,905**	**5,815,466**	**5,322,986**	**-**

	2007			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan	196,840	4,193,169	4,127,462	-

33.2 Equity position risk in the trading book-Basel II specific

Equity position risk in trading book arises due to changes in prices of individual stocks or levels of equity indices. The Company's equity trading book comprises of Treasury Capital Market's (TCM), Held for trading (HFT) & Available for Sale (AFS) portfolios.

As of 31 December 2008 the equity portfolio of the Company comprises of investment in listed equities classified in Available for Sale (AFS) category. The marked to market valuation on the instruments is done on daily basis and any unrealised gain / loss is booked in the balance sheet. Total book value of the equity position (listed shares and mutual funds) is Rs. 159,871 thousand whereas the market value is Rs. 69,676 thousand, i.e. a loss of Rs. 90,195 thousand in equity position.

33.3 Market risk

Trading activities are centered in the Treasury & Investment Unit (T&IU) and include market making, facilitation of client business and proprietary position taking. The Company is active in the Money Market, Fixed Income and Equity market that carry interest rate and equity price risk on both trading and banking book respectively.

Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price volatility and market depth and liquidity. They include controls on exposure to individual market risk variables, such as individual interest or equity price ('risk factors'), and on positions in the securities of individual issuers.

Market risk measures and controls are applied at the portfolio level, and concentration limits and other controls are applied where necessary to individual risk types, to particular books and to specific exposures. Portfolio risk measures are common to all market risks, but concentration limits and other controls are tailored to the nature of the activities and the risks they create.

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33.3.1 Foreign exchange risk

Foreign Exchange Risk is the risk of loss resulting from changes in exchange rates. The Company does not carry any product specific Foreign Exchange Risk.

	2008			
	Assets	**Liabilities**	**Off - balance sheet items**	**Net currency exposure**
	(Rupees in '000)			
Pakistan Rupees	**5,815,263**	**492,480**	-	**5,322,783**
US Dollars	**203**	-	-	**203**
UAE Dirhams	-	-	-	-
	5,815,466	**492,480**	-	**5,322,986**

	2007			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupees	4,192,895	65,707	-	4,127,188
US Dollars	271	-	-	271
UAE Dirhams	3	-	-	3
	4,193,169	65,707	-	4,127,462

33.3.2 Equity position risk

The objective of Held For Trading portfolio is to take advantages of short-term capital gains, while the Available For Sale portfolio is maintained with a medium-term view of capital gains and dividend income. Investment policy has been developed to discuss in detail the objectives / policies, risks / mitigates, limits / controls for equity trading portfolios.

33.3.3 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

The Company's Banking Book consists of significant amount of Interest Rate sensitive assets. The investment portfolio comprises of floating interest rate TFCs and Sukuk that are mainly linked to six month KIBOR. Therefore, the overall frequency of banking book interest rate is around six months. Interest rate position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date, the instrument's repayment nature varies from semiannual payments to bullet maturity.

Capital Adequacy Stress test exercise has been conducted by using duration method for measuring the upward and downward shocks of interest rate. This provides the Company risk taking and absorption capacity and its implication on capital adequacy in the worst case scenarios. Going forward, the Company will be using more risk sensitive measures such as earning at risk and economic value at risk.

33.3.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate	Total	2008										
			Exposed to yield / interest risk										Non-interest bearing financial instruments
			Upto one month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years	
		(Rupees in '000)											
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	15.39%	506,887	505,468	-	-	-	-						1,419
Balances with other banks	16.18%	1,816,376	815,872	1,000,000	-	-	-	-	-	-	-	-	504
Lendings to financial institutions	21.92%	611,000	586,000	25,000	-	-	-	-	-	-	-	-	
Investments	13.95%	2,477,998	26,682	1,978,201	403,439	-	-	-	-	-	-	-	69,676
Advances	15.41%	327,318	158	310,317	414	580	1,098	866	1,683	4,208	7,994	-	-
Other assets		45,705	-	-	-	-	-	-	-	-	-	-	45,705
		5,785,284	1,934,180	3,313,518	403,853	580	1,098	866	1,683	4,208	7,994		117,304
Liabilities													
Borrowings from financial institutions	14.90%	459,957	459,957	-	-	-	-	-	-	-	-		-
Other liabilities		32,523	-	-	-	-	-	-	-	-	-		32,523
On-balance sheet gap		5,292,804	1,474,223	3,313,518	403,853	580	1,098	866	1,683	4,208	7,994		84,781
Total yield / interest risk sensitivity gap		5,292,804	1,474,223	3,313,518	403,853	580	1,098	866	1,683	4,208	7,994		
Cumulative yield / interest risk sensitivity gap			1,474,223	4,787,741	5,191,594	5,192,174	5,193,272	5,194,138	5,195,821	5,200,029	5,208,023		

	Effective yield / interest rate	Total	2007										
			Exposed to yield / interest risk										Non-interest bearing financial instruments
			Upto one month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years	
		(Rupees in '000)											
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	2.5% to 8%	19,302	18,309	-	-	-	-	-	-	-	-		993
Balances with other banks	5% to 10.5%	2,808,657	2,608,647	-	200,000	-	-	-	-	-	-		10
Lendings to financial institutions	9.01% to 10.6%	600,000	600,000	-	-	-	-	-	-	-	-		-
Investments	12.48%	714,747	-	-	150,000	-	-	-	-	-	-		564,747
Advances	-	-	-	-	-	-	-	-	-	-	-		-
Other assets	-	35,487	-	-	-	-	-	-	-	-	-		35,487
		4,178,193	3,226,956	-	350,000	-	-	-		-	-		601,237
Liabilities													
Borrowings from financial institutions	-	-	-	-	-	-	-	-	-	-	-		-
Other liabilities		64,229	-	-	-	-	-	-	-	-	-		64,229
On-balance sheet gap		4,113,964	3,226,956	-	350,000	-	-	-	-	-	-		537,008
Total yield / interest risk sensitivity gap		4,113,964	3,226,956	-	350,000	-	-	-	-	-	-		
Cumulative yield / interest risk sensitivity gap		4,113,964	3,226,956	3,226,956	3,576,956	3,576,956	3,576,956	3,576,956	3,576,956	3,576,956	3,576,956		

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33.4 Liquidity risk

The Company's approach to liquidity management is to ensure, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage.

Liquidity risk policy has been designed that entails careful monitoring and control of the daily liquidity position, and regular liquidity stress tests under a variety of scenarios. Scenarios encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Company's business.

Maturity of assets and liabilities

The maturity profile has been prepared on the basis of contractual maturities and the position is discussed by the Assets and Liabilities Management Committee (ALCO) on monthly basis. The withdrawal pattern of these cash-flows reflects a more meaningful analysis of the liquidity risk of the Company.

33.4.1 Maturities of assets and liabilities

	2008									
	Total	Upto One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
		(Rupees in '000)								
Assets										
Cash and balances with treasury banks	506,887	506,887	-	-	-	-	-	-	-	-
Balances with other banks	1,816,376	816,376	1,000,000	-	-	-	-	-	-	-
Lendings to financial institutions	611,000	586,000	25,000	-	-	-	-	-	-	-
Investments	2,477,998	-	1,677,433	22,179	110,768	114,963	114,963	131,051	306,641	-
Advances	327,318	158	5,317	414	5,580	271,098	10,866	21,683	4,208	7,994
Fixed assets	21,478	1,103	3,906	1,060	2,122	4,244	4,244	4,799		
Deferred tax asset - net	7,283	-	-	-	-	7,283	-	-	-	-
Other assets	47,126	14,442	26,764	3,595	31	-	-	-	2,294	-
	5,815,466	1,924,966	2,738,420	27,248	118,501	397,588	130,073	157,533	313,143	7,994
Liabilities										
Borrowings from financial institutions	459,957	459,957	-	-	-	-	-	-	-	
Deferred tax liabilities	-		-	-	-	-	-		-	-
Other liabilities	32,523	16,335	-	316	15,872	-	-	-	-	-
	492,480	476,292	-	316	15,872	-	-	-	-	-
Net assets	5,322,986	1,448,674	2,738,420	26,932	102,629	397,588	130,073	157,533	313,143	7,994
Represented by:										
Share capital	5,000,000									
Reserves	89,250									
Unappropriated profit	357,003									
Deficit on revaluation of assets-net of tax	(123,267)									
	5,322,986									

	2007									
	Total	Upto One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
		(Rupees in '000)								
Assets										
Cash and balances with treasury banks	19,302	19,302	-	-	-	-	-	-	-	-
Balances with other banks	2,808,657	2,608,657	200,000	-	-	-	-	-	-	-
Lendings to financial institutions	600,000	600,000	-	-	-	-	-	-	-	-
Advances	-	-	-	-	-	-	-	-	-	-
Investments	714,747	564,747	-	-	-	37,500	37,500	75,000	-	-
Fixed assets	14,310	298	596	894	1,789	3,578	3,578	3,577	-	-
Other assets	36,153	33,899	275	256	429	-	-	1,294	-	
	4,193,169	3,826,903	200,871	1,150	2,218	41,078	41,078	79,871		-
Liabilities										
Borrowings from financial institutions		-	-	-	-	-	-	-	-	-
Deferred tax liabilities	1,478	-	-	-	-	1,478	-	-	-	-
Other liabilities	64,229	14,780	-	-	49,449		-	-	-	
	65,707	14,780	-	-	49,449	1,478	-	-	-	-
Net assets	4,127,462	3,812,123	200,871	1,150	(47,231)	39,600	41,078	79,871	-	-
Represented by:										
Share capital	4,000,000									
Reserves	25,621									
Unappropriated profit	102,486									
(Deficit) on revaluation of assets-net of tax	(645)									
	4,127,462									

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33.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. At present, the management is in the process to streamline internal control function of the Company. Subsequent to the establishment of Internal Control function, the Company will be able to manage operational risk process in a more systematic way that includes analyzing current systems for data collection, migration, validation and retention for current and historical reference and calculation. Data warehousing solutions are being assessed for timely availability and storage of data.

A methodology for Risk and Control Self Assessment and Business Continuity Plan are the main steps for the proper implementation of operational risk management.

33.5.1 Operational risk disclosure - Basel II specific

Basic Indicator approach of Basel II has been used to calculate Operational Risk charge of the Company.

34. Critical accounting estimates and judgements

i) Impairment of available for sale investments

The Company determines that available for sale quoted 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 making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. The equity securities have been valued at prices quoted on KSE on 31 December 2008 without any adjustment as allowed by SBP BSD Circular Letter No. 2 dated 27 January 2009.

ii) Investments stated at fair values

Management has determined fair value of certain investments by using quotations from active market, and review of conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matter of judgement (e.g. evaluation, interest rates, etc.) and therefore, cannot be determined with precision.

iii) Held to maturity investments

The Company has classified certain investment as held to maturity. In this regard, judgement is involved in evaluating the intention and ability to hold these investments till their respective maturities.

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iv) Taxation

In making the estimates for income taxes currently payable by the Company, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provisions for deferred taxes, estimates of the Company's future taxable profits are also taken into account.

v) **Provision against advances**

The Company reviews its loan portfolio to assess the amount of non-performing advances and provision required there against on a regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

vi) Fixed assets, depreciation and amortisation

The Company reviews the rate of depreciation / useful life, residual values and value of assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipments with a corresponding effect on the depreciation charge and impairment.

35. GENERAL

Corresponding figures have been rearranged and reclassified, whenever necessary, for better presentation and disclosure.

Reclassification from	Reclassification to	2008 (Rupees in '000)
Balance Sheet		
Advances, deposits, advance rent and other prepayments	Security deposits	1,294

36. DATE OF AUTHORIZATION

These financial statements were authorized for issue on 17 APR 2009 by the Board of Directors of the Company.

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Chairman	Chief Executive and Managing Director	Director	Director