



Annual Report 2008



Unearthing  
Potential



## A WORD ABOUT PAK BRUNEI INVESTMENT COMPANY LIMITED

Pak Brunei Investment Company Limited is a joint venture between the Government of Pakistan and Brunei Investment Agency that commenced operations in September 2007. It brings together a young and dynamic team equipped to deal with the challenging economic environment while making use of the opportunities within Pakistan and beyond. A key objective is to promote investment between the Islamic Republic of Pakistan and other countries in the region, particularly Brunei Darussalam. The Company endeavours to identify and structure transactions that meet internal return targets while also playing a role in the development of high growth sectors of Pakistan.





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## CORPORATE VISION

Pak Brunei will play a role in the economic progress and development of Pakistan by providing an entire range of advisory services as well as financial support to viable projects in high growth sectors of the economy.





## MISSION STATEMENT

Pak Brunei aims to be at the vanguard of innovation in Investment Banking Services, offering the best solutions to our clients, value to our shareholders and a challenging, equal-opportunity environment to our employees.





## CORE VALUES

05

### INTEGRITY

We will be honest, professional and fair in all our dealings with all our stakeholders.

### PERFORMANCE

We will be result-oriented and encourage a competitive culture.

### INNOVATION

We will look beyond conventional wisdom.

### TEAMWORK

We will have shared goals and objectives.

### CUSTOMER FOCUS

We will understand our customers' needs and try to exceed customer expectations.



## ENTITY RATING

Assigned by PACRA

Medium to Long Term

AA (Double A)

This denotes a very low expectation of credit risk indicating a very strong capacity for timely payment of financial commitment. This capacity is not significantly vulnerable to foreseeable events.

Short Term

A1+ (A One Plus)

This denotes that obligations are supported by a strong capacity for timely repayments.





## CORPORATE INFORMATION

### Board of Directors

Dr. Hj Mohammad Amin Liew bin Abdullah	- <i>Chairman</i>
Mr. Tariq Mahmood Pasha	- <i>Director</i>
Mr. Junaidi bin Haji Masri	- <i>Director</i>
Ms. Ayesha Aziz	- <i>Managing Director</i>

### Audit Committee

Dr. Hj Mohammad Amin Liew bin Abdullah	- <i>Chairman</i>
Mr. Tariq Mahmood Pasha	- <i>Member</i>
Mr. Junaidi bin Haji Masri	- <i>Member</i>

### Company Secretary

Mr. Abdul Hafeez

### Statutory Auditors

M. Yousuf Adil Saleem & Company (A member firm of Deloitte Touche Tohmatsu)  
Chartered Accountants

### Tax Consultant

A.F. Ferguson & Company (A member firm of PriceWaterhouseCoopers)  
Chartered Accountants

### Legal Advisor

Ijaz Ahmed & Associates

### Registered Head Office

Khadija Towers, Plot No. 11/5, Scheme No. 5, Block-2, Clifton, Karachi.  
Tel: +9221-5361215-19 Fax: +9221-5361213

### Website

[www.pakbrunei.com.pk](http://www.pakbrunei.com.pk)

## SHAREHOLDERS

GOVERNMENT OF PAKISTAN	50%
BRUNEI INVESTMENT AGENCY	50%

Sultan Omar Ali  
Saifuddin Mosque,  
Bandar Seri Begawan,  
Brunei Darussalam.



## A WORD ABOUT BRUNEI INVESTMENT AGENCY

The Brunei Investment Agency (BIA) is a body corporate established under the Brunei Investment Agency Act. The principal objective of BIA is to hold and manage in Brunei Darussalam and overseas the General Reserve Fund of the Government and all external assets of the Government.



## SENIOR MANAGEMENT

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Abdul Jaleel Shaikh

*Group Head Operations*

Abdul Hafeez

*CFO & Company Secretary*

Tariq Ahsan

*Head Of Treasury*

Ahmed Ateeq

*Head Of Fixed Income*

Syed Misbah Maqbool

*Head Of Equities*

Erum Ghaznavi

*Unit Head - Advisory & Strategic Investment Group*

Fawwad Kazmi

*Unit Head - Advisory & Strategic Investment Group*

Ihsanullah Ihsan

*Head Of Corporate Banking*

Lubna Khalid

*Head Of Credit Administration*

Sadaf Aliuddin

*Unit Head - Risk Management*

Faiza Kapadia Raffay

*Head Of Legal & Corporate Affairs*

Syed Askary Haider Rizvi

*Head Of Internal Audit*

Sultan Abid

*Head Of Compliance*

## RANGE OF ACTIVITIES

### FUND BASED ACTIVITIES

- Short term financing
- Medium and Long term financing
- Project finance
- Short and medium term trading portfolios
- Strategic investment portfolio/  
Private equity

### NON FUND BASED ACTIVITIES

- Corporate finance advisory
- Project finance advisory
- Real estate advisory
- Underwriting
- Guarantees



# BOARD OF DIRECTORS



**Dr. Hj Mohammad Amin Liew bin Abdullah  
Chairman**

Dr. Amin is the Managing Director of Brunei Investment Agency that oversees the General Reserve Fund and all external assets of the Government of Brunei. Before assuming the post of Managing Director, he headed Research and Business Development and was subsequently made responsible for all alternative asset investments in the Agency. In 2008, Dr. Amin was given the additional responsibility of Permanent Secretary at the Ministry of Finance.

Dr Amin graduated with a Masters Degree in Management in 1989 and a Doctorate in Corporate Finance in 1993 from Imperial College, University of London. He is a CFA charterholder and a member of the CFA Society in Singapore.



**Mr. Junaidi bin Haji Masri  
Director**

Mr. Masri joined the Brunei Investment Agency in 1991. He is in charge of Venture Capital and Strategic Investments responsible for managing the Agency's investment in Private Equity, Hedge Funds, Commodities and other long term Strategic Investments.

Mr. Masri holds a B.Sc Degree in Computer and Management Sciences from Keele University, United Kingdom.



**Mr. Tariq Mahmood Pasha  
Director**

Mr. Tariq Mahmood Pasha is a law graduate from the University of Peshawar. He brings with him over 24 years of experience working at various governmental positions including serving the Federal Government in the Ministry of Finance, Economic Affairs Division, the Prime Minister's Secretariat, Pakistan Media Regulatory Authority, the Federal Board of Revenue (FBR) and the National Accountability Bureau (NAB).

Mr. Pasha is currently serving as Finance Secretary for the Government of Punjab. Apart from Public Finance, he has a thorough understanding of the macroeconomic framework, international tax treaties and tax reforms, investigation into money laundering and multi lateral agencies funding programs for development projects.



**Ms. Ayesha Aziz  
Managing Director**

Ms. Aziz brings with her over 17 years of experience in Project Finance, Arrangement of Private Equity, Structuring and Placement of debt and equity and Strategic Advisory businesses. She helped position Pak Oman Investment Company as a leading Investment banking outfit when it was first set up in 2001 and subsequently helped in setting up various strategic initiatives including an asset management company, a microfinance bank and an off shore branch before moving to Pak Brunei. Prior to that she spent ten years with ANZ Grindlays Bank in various areas of the bank including Portfolio Management, Corporate Finance, Treasury and Strategic Planning.

She is an MBA from the Institute of Business Administration Karachi and a CFA Charterholder.



## CHAIRMAN'S REVIEW

It gives me pleasure to present the financial results of Pak Brunei Investment Company Limited for the year 2008 which was our first full year of operations. We have posted encouraging results in a difficult year in which Pakistan witnessed considerable slowdown in commercial activity following political and economic instability. In fact, the year 2008 saw significant turmoil globally starting from the subprime crisis and growing into a global recession which has not yet turned the corner.

In this challenging environment, Pak Brunei has posted after-tax profit of PKR 222 million for FY2008. This was made possible by following a prudent strategy of staying liquid and maintaining a preference for quality in every aspect of our operations.

## ECONOMIC ENVIRONMENT

Global economic managers face a combination of complex issues today including a liquidity crunch in the financial sector which has dried up credit for businesses and individuals alike, low consumer demand and rising unemployment as businesses trim down their expenses. Pakistan's economy has been additionally affected by spiraling inflation in food and commodity prices, inflationary pressure from removal of subsidies, high dependence of the economy on foreign inflows which have dried up as a result of the global liquidity crunch, a rising trade deficit and the resultant deterioration in exchange rates. A consequence of high inflation has been the tight monetary stance of the State Bank of Pakistan, contrary to other Central Banks. The good news has been Pakistan's entry into the International Monetary Fund program in November 2008 which has sent some positive signals and helped restore confidence in the economic management of the country.

With this backdrop, the financial sector is expected to be impacted by asset quality issues as a result of weak corporate performance in FY2009-10. The corporate sector has been affected by a combination of factors including a depreciated rupee with severe consequences for import dependent companies, weak global demand which will continue to hurt export oriented companies, high domestic inflation which has hit local demand as well, increased cost of power and a power supply crisis to name a few. Domestic inflation is proving to be persistent, despite a fall in commodity prices globally. To combat it, the SBP has had to resort to increasing the Discount Rate (DR) which has led to increased cost of borrowing. Since July 2007, the SBP has raised the DR from 9.5% to 15% currently. However, going forward, we expect rates to start easing.

## OPERATIONAL PERFORMANCE

The Company's operational performance has been quite commendable given that team buildup continued during the year while business slowed down considerably during the latter half of the year.

## ADVISORY & STRATEGIC INVESTMENT GROUP (ASIG)

ASIG was successful in closing several transactions during the early part of the year including:

- PKR 5,000 mn Privately Placed, SLR Compliant Short term Sukuk for Lahore Electric Supply Corporation
- PKR 1,100 mn Privately Placed, Rated, Sukuk for Pak Electron Ltd.
- PKR 1,620 mn Offer for Sale of Shares of KASB Securities

However, faced with a subsequent liquidity crunch in the market, ASIG's main concentration was to focus on high growth ventures which may eventually be rolled out into a Private Equity Fund. These interests are in areas including value added agriculture development projects and agriculture related service industries, high growth manufacturing sector industries which adopt "green" practices, real estate development projects targeting low/middle income commercial and residential markets and the energy sector.

## CORPORATE BANKING

The Corporate Banking Group was established in second half of the year 2008 to support the bilateral and syndicated funded & non-funded lending operations of the Company. It also independently evaluates and recommends deals originated by ASIG for Pak Brunei's own credit portfolio. In a short time span, the department was able to streamline its functions and actively build up a portfolio of appr. PKR 1,000 million. Going forward, Pak Brunei aims to become a center of excellence in Project Financing.

## CAPITAL MARKETS UNIT

The equity desk was quite active during the early part of the year. In face of a precipitating meltdown of the market, it exited to a large extent from its exposures by April 2008 to contain losses. Prohibition of short-selling and subsequent imposition of trading floor virtually halted all activity in the capital market towards the year-end. We expect the capital markets in Pakistan to remain sluggish for the time being. We feel that the stock market crisis was intensified due to placement of price floor on trading which prolonged the period



▲  
National Day Logo 2009  
"Kedewasaan Bernegara"

Specially designed logo for the  
25th anniversary of Brunei Darussalam.





of uncertainty. The KSE-100 Index is currently at around mid-5000 levels after removal of the trading floor put in place in the later part of 2008 while it had witnessed a high of 15,676 during the year 2008.

The previous high index level and trading volumes are not expected in the medium term or until the global financial system stabilizes. However, dividend yields on stocks of fundamentally strong companies have become attractive due to low prices and the equity desk is vigilantly taking advantage of these opportunities.

### TREASURY & FUNDS MANAGEMENT

Treasury group played a major role during FY2008 in order to preserve the liquidity position of the company in a stressed market and to maintain strong relationships for inter-bank lines. Emphasis remained on generating spread income with relatively stronger counter parties. In an increasing interest rate scenario, the strategy was essentially to lend short to maximize absolute return.

The group participated in attractive primary market deals and also actively exploited secondary market opportunities to invest in TFCs which were being offered at attractive discounts by counterparties in need of immediate liquidity.

### THE WAY AHEAD

Pak Brunei remains relatively comfortable on both the credit and overall liquidity aspects. While the current economic situation has impacted nearly all players of the economy, we take pride in our sound underwriting skills and remain committed to support our clients through this relatively difficult period. In this environment, our emphasis is on strong internal controls and a dynamic risk management framework. We feel that our project advisory skills will be of considerable benefit to our current and prospective client pool. Most of all we remain committed to making full use of Pak Brunei Investment Company as a vehicle for exploiting the myriad opportunities available in the traditional and non-traditional sectors of Pakistan.



Dr. Hj Mohammed Amin  
Liew bin Abdullah  
Chairman

March 08, 2009

## DIRECTORS' REPORT

The Directors of Pak Brunei Investment Company Ltd. are pleased to present the 2nd Annual Report and results of the first full year of operations of the Company along with the auditor's report thereon.

### SECTOR AND ECONOMIC OUTLOOK

2008 proved to be a challenging year for the financial sector after several years of macroeconomic stability. The biggest challenge that the sector faced was liquidity stress arising from a host of factors which went beyond the control of even the bigger market players. The tightening of monetary policy by the State Bank of Pakistan (SBP) coincided with deterioration in major economic variables resulting in an uncertain environment, loss of public confidence and consequent withdrawal of funds from the banking system. However, subsequent developments including lowering of liquidity requirements by the SBP as well as Pakistan's entry into the IMF-led program has facilitated a restoration of public confidence.

### PERFORMANCE HIGHLIGHTS

This was the first full year of operations for the Company. By mid-year, a human resource team and an appropriate policy and procedure framework across all functions was in place. Hence, the Company was in a position to focus on meeting its objectives and delivering on its broader goals. However, in view of the economic slowdown and the ensuing market conditions, a scaling-back of operations in all revenue generating departments was implemented with the view of holding on to liquidity. This also provided us with the opportunity to assess the full impact of the slowdown on various sectors of the economy.

Despite the difficult business environment, we are pleased to present the annual performance highlights for 2008. These remain positive inspite of taking higher-than-budgeted unrealized losses for our equity portfolio as well as making provisions for potential infection in assets purely on a subjective basis.



## FINANCIAL HIGHLIGHTS

	December 31, 2008	
	PKR in million	US \$ in million
Interest Income	672.25	8.56
Dividend and Capital Gain	44.16	0.56
Fee Income	41.18	0.52
Gross Income	757.86	9.65
Profit before taxation	373.47	4.76
Profit after taxation	222.27	2.83
Total Assets	5,528.89	70.43
Net Assets	5,281.16	67.28
Earning per share (EPS)	PKR 0.52	US \$ 0.01

The recommendation for appropriation is as follows:

	December 31, 2008	
	PKR in million	US \$ in million
To Statutory Reserve	44.45	0.57



## CREDIT RATING

Pak Brunei has been assigned a credit rating of 'AA' (Double A) in the medium to long term and A1+ (A One Plus) in the short-term by Pakistan Credit Rating Agency Ltd. (PACRA), an SBP-approved rating agency. These ratings indicate a low expectation of credit risk emerging from our strong capacity to discharge financial obligations. The rating report commended Pak Brunei's progress in terms of building a professional management team, executing a demonstrably profitable business plan as well as capitalizing on market opportunity. We expect that these factors will enable us to deliver a strong financial performance in 2009, projected to be another economically demanding year.

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Directors declare that:

- The financial statements prepared by the Management of Pak Brunei Investment Company Ltd., present fairly its state of affairs, the results of its operations, cash flows and statement of changes in equity
- Proper books of accounts of Pak Brunei have been maintained
- Appropriate accounting policies have been consistently

applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements
- The system of internal control is sound in design and has been effectively implemented and monitored. An audit committee, comprises of three non-executive directors has been formed that meets periodically
- There are no doubts at present about Pak Brunei's ability to continue as a going concern
- There has been no material departure from the best practices of Code of Corporate Governance

The Board of Directors of the Company held four meetings during the year ended December 31, 2008. These were attended by the Directors as follows:

### MEETINGS ATTENDED

Dr. Hj Mohammad Amin Liew bin Abdullah, CFA	4
Mr. Junaidi bin Haji Masri	4
Mr. Tariq Mahmood Pasha	4
Ms. Ayesha Aziz, CFA	4

### STATEMENT OF INTERNAL CONTROL

It is the responsibility of the Management of Pak Brunei to establish and maintain adequate controls and procedures. In keeping with this the Management has enforced an organizational structure with independent Internal Audit and Compliance functions. Policies and procedures, encompassing relevant functional and administrative areas, have been developed and circulated across all pertinent levels of the organization. External Consultants have also been appointed to identify possible gaps in this framework and all suggestions for improvement have been incorporated. The Board of Directors and the Senior Management remains actively engaged in the review of Company controls and are approving or ratifying authorities respectively, in terms of any revisions in policy or process. The Company's Internal Audit function monitors the level of compliance in this regard and regularly appraises the Board on the same through the Audit Committee.

### RISK MANAGEMENT

Risk management is an integral part of every employee's job description at Pak Brunei. On an institutional level, the Risk management Unit (RMU) is responsible for measuring and monitoring risk as well as notifying Management of any improvements required in the organization's risk management framework. The function oversees all aspects of primary and secondary risks, relevant to the institution, in a manner that allows for an integrated approach to risk monitoring.





Five key committees have been structured to manage and monitor risk in various essential activities of the Company. These include 'Asset & Liability Management Committee', 'Credit Committee', 'IT Steering Committee', 'Purchase Committee' and a 'Co-ordination Committee' that administers operational issues and other miscellaneous matters.

A comprehensive 'Risk Budget' has been approved by the Board of Directors, which sets the broader framework for managing and undertaking all risk exposures. In accordance with SBP's requirements, an Internal Risk Rating Model was developed and implemented in all significant credit areas. A 'Credit Risk Measurement Software' has been acquired and is currently pending validation due to our short history; both the budget and the software are expected to measure risks in a parallel manner thereby further enhancing controls. Pricing decisions have been systematically correlated with the level of risk being taken, maintaining a trade-off between risk and return. Currently, Treasury Mid Office role also lies with RMU for independent day-to-day monitoring of the Company's treasury operations.

We remain committed to the implementation of Basel-II at Pak Brunei, both by way of regulatory compliance but more importantly for enhancement of shareholder value. The Company has adopted in entirety, the Standardized Approach specified under Basel II; moreover systems are being strengthened and data history is being built in order for the Company to eventually migrate to advanced approaches.

## MANAGEMENT INFORMATION SYSTEMS

From the outset, we have installed software for accurate and timely recording and reporting of Treasury and Capital Market activities as well as of General Ledger functions. These software modules are now fully operational and integrated. We are implementing credit software to support our financing activities; this will be integrated with the General Ledger for consolidated reporting. As mentioned earlier, Pak Brunei has also procured risk-assessment software, to facilitate its internal rating system, which will also help the Company comply with regulatory requirements.





## CHANGE IN DIRECTORS

There was a change in the Board of Directors whereby Dr. Waqar Masood Khan was replaced by Mr. Tariq Mahmood Pasha as a nominee of the Government of Pakistan.

## STATEMENT OF INVESTMENT OF PROVIDENT FUND

Investment of Provident fund as at December 31, 2008 according to its un-audited financial statements were PKR 1.78 million (2007: NIL)

## APPOINTMENT OF AUDITORS

The present Auditors, M/s M. Yousuf Adil Saleem & Co., Chartered Accountants (a member firm of Deloitte Touche Tohmatsu) retire and being eligible, offer themselves for reappointment. The Board, on the proposal of the Audit Committee recommends the appointment of M/s M. Yousuf Adil Saleem & Co., Chartered Accountants as Auditors for the year 2009.

Shareholder	Pattern of Shareholding	Shareholding (%)
Ministry of Finance - Govt. of Pakistan		49.99933%
Brunei Investment Agency		50.00000%
Economic Affairs Division - Govt. of Pakistan		0.00067%

## ACKNOWLEDGEMENTS

The Board is grateful to its shareholders, the Government of Pakistan and Brunei Investment Agency, for their support to this newly formed institution. The Board also commends the efforts of Management for its commitment to the Company and its dedicated efforts in ensuring a successful start of operations. The Board also appreciates the Management's exceptional efforts in combating the effects of the fire that broke out on office premises during the early months of the year. These include reestablishing the office at another location within one working day, with no operational or financial loss. Company data was immediately accessible due to appropriate storage systems and individual asset insurance led to zero financial losses. We are above all thankful to Almighty Allah that no loss of life was incurred. The Board takes this opportunity to express its gratitude to the State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their continued guidance and support.

Ayesha Aziz  
Managing Director

March 08, 2009

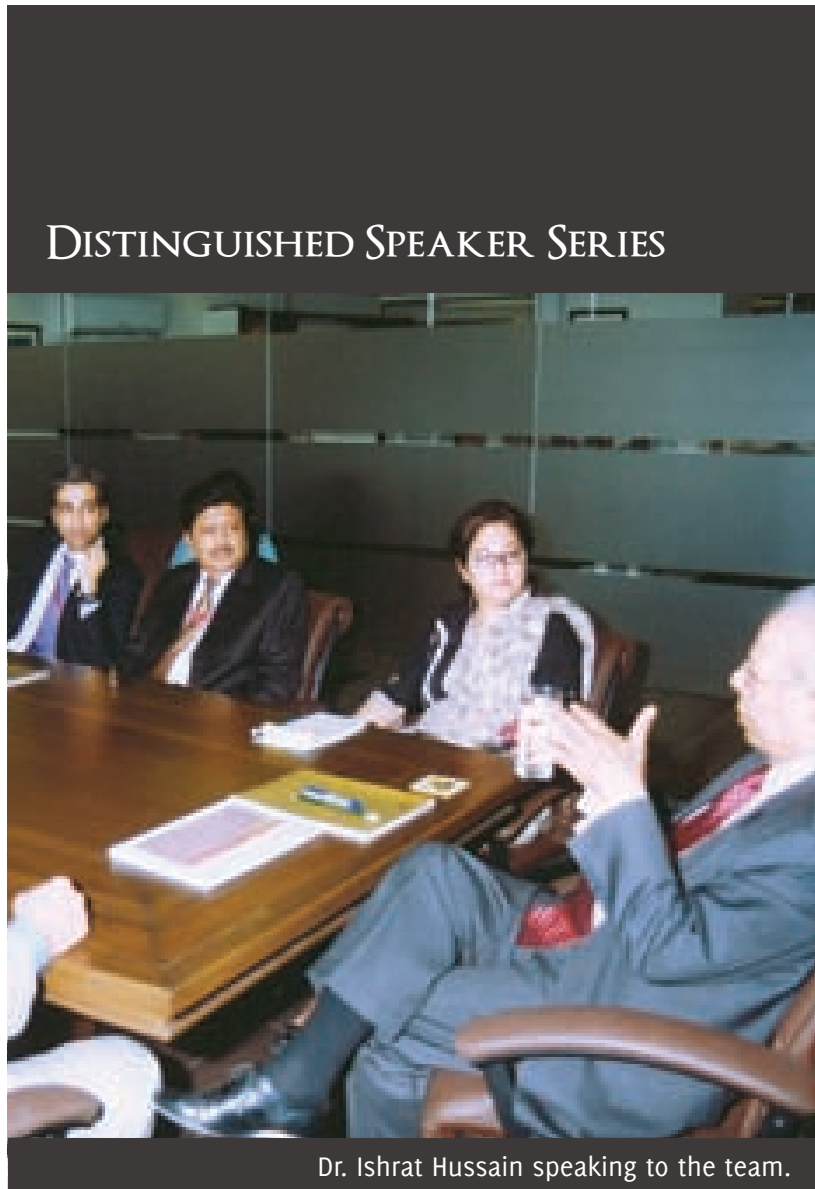
## RECENT EVENTS

Pak Brunei Investment Company has recently instituted a “Distinguished Speaker Series” program. This is an effort in employee development through interaction and dialogue with Government, Business And Academic Leaders.

Pak Brunei started this series by inviting Dr Ishrat Hussain for a discussion on the current economic environment and ensuing risks and opportunities. The discussion was held at Pak Brunei offices in Karachi.

Dr Ishrat who is currently the Dean of IBA and has served as Governor State Bank of Pakistan, was upbeat on the economy and investment opportunities in Pakistan. He discussed in detail how the economy plagued with international sanctions, effects of 9/11, tense border relations and worse economic fundamentals had shown its innate resilience and made a strong recovery in the past. He encouraged DFI’s in Pakistan to work on their strategies and take a longer term view on the opportunities in the country.

In the second session of the Distinguished Speaker Series Mr. Khalid Mirza, Chairman of the Competition Commission of Pakistan was invited. In this session Mr. Mirza discussed the genesis of the current world wide debt and



Dr. Ishrat Hussain speaking to the team.





economic meltdown. He highlighted the importance of strict regulatory measures and anti competitive laws in a developing economy and emphasized the role of Development Financial Institutions in the current economic environment and the challenges faced by them. Both sessions were followed by interactive questions and answers.



Mr. Khalid Mirza speaking to the team.

## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

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

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

As mentioned in paragraph 11 of the Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2008, a formal orientation course is yet to be conducted.

Based on our review, except for the matters described in preceding paragraph, nothing has come to our attention, which causes us to believe that the Statement of Compliance with the Code of Corporate Governance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended December 31, 2008.

M. Yousuf Adil Saleem & Co.  
Chartered Accountants  
Karachi

March 08, 2009



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD ENDED DECEMBER 31, 2008

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

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

1. The Board of Directors of the Company is appointed by the Government of Islamic Republic of Pakistan (GoP), represented by Ministry of Finance and the Brunei Investment Agency (BIA). Under Joint Venture Agreement dated March 17, 2006, the GoP and the BIA both will appoint two directors on their behalf. At present three directors are non-executive directors and one director is executive director.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. The resident directors of the Company have confirmed that they are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year ended December 31, 2008. However, the Ministry of Finance, Government of Pakistan, nominated/appointed Mr. Tariq Mahmood Pasha on February 26, 2008 in place of Dr. Waqar Masood Khan who was nominated/appointed on September 08, 2007.
5. The Company has prepared a 'Statement of Ethics and Business Practices' which is signed by all the directors and employees of the Company.
6. The Company has developed a vision/mission statement, overall corporate strategy and significant policies.
7. All the powers of the Board of Directors have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman. The Board met 4 times during the year and at least once in a quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are conversant with the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and articles of association and are aware of their duties and responsibilities. The Directors have also discussed the corporate governance requirements of the DFIs as required by the State Bank of Pakistan Prudential Regulations during the year.
10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit and as authorized by the Board their remuneration and terms and conditions of employment were determined by the CEO.
11. Although a formal orientation course has not been conducted, the directors of the Company have been appraised about their responsibilities relating to the Code of Corporate Governance.
12. The Directors' Report for the period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The Company's financial statements were duly endorsed by CEO and CFO before approval by the Board.
14. The Directors, CEO and Executives do not hold any interest in the shares of the Company.
15. The Company has complied with all other corporate and financial reporting requirements of the Code.
16. Since the Company has appointed the Head of Internal Audit on May 22, 2008, approved by the Board on April 28, 2008. As a result, the requirement of the Code, regarding attendance of the Head of Internal Audit in the Audit Committee meeting for the quarter ended March 31, 2008 at which issues relating to audit and accounts are discussed, was not met. Other than that requirement internal audit function was effective in remaining part of the year. Internal audit report is accessible to the Audit Committee and important points arising out of internal audit were reviewed by the Audit Committee and important points requiring the Board's attention were brought to their notice.



17. The Board has formed an audit committee consisting of three non-executive directors, including the Chairman.
18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the audit committee have been formed and advised to the audit committee for compliance.
19. The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.



Dr. Hj Mohammed Amin  
Liew bin Abdullah  
Chairman



Ayesha Aziz  
Managing Director

March 08, 2009



# FINANCIAL STATEMENTS



FOR THE PERIOD ENDED  
DECEMBER 31<sup>ST</sup> 2008







## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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

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

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

- a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b. in our opinion:
  - i. the 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 period was for the purpose of the Company's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the period 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 and the related 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 December 31, 2008 and of the profit, its cash flows and changes in equity for the period then ended; and
- d. in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

M. Yousuf Adil Saleem & Co.  
Chartered Accountants  
Karachi

March 08, 2009

# BALANCE SHEET

AS AT DECEMBER 31, 2008

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks	5	4,267	1,580
Balances with other banks	6	14,870	266,141
Lendings to financial institutions	7	1,519,299	1,464,299
Investments-net (a)	8	2,687,585	1,956,095
Advances-net	9	1,062,744	254,444
Operating fixed assets	10	44,334	38,590
Deferred tax assets - net	11	27,236	-
Other assets	12	168,558	381,325
		<b>5,528,893</b>	<b>4,362,474</b>
<b>LIABILITIES</b>			
Bills payable		-	-
Borrowings	13	186,154	1,150,000
Deposits and other accounts		-	-
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease	14	20,710	20,529
Deferred tax liabilities - net	11	-	1,163
Other liabilities	15	40,869	54,504
		<b>247,733</b>	<b>1,226,196</b>
<b>NET ASSETS</b>		<b>5,281,160</b>	<b>3,136,278</b>
<b>REPRESENTED BY</b>			
Share capital	16	5,000,000	3,000,000
Reserves		72,602	28,149
Unappropriated profit (b)		290,407	112,594
		<b>5,363,009</b>	<b>3,140,743</b>
Deficit on revaluation of assets - net of tax	17	(81,849)	(4,465)
		<b>5,281,160</b>	<b>3,136,278</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	18		

- (a) The investments in listed equity securities held as available-for-sale are valued at prices quoted on the stock exchanges as at December 31, 2008. Out of the total decline in value of Rs. 143 million on such investments, an amount of Rs. 72 million has been recognized in the profit and loss account and the remaining amount has been reflected as deficit in equity in accordance with the option provided in the State Bank of Pakistan (SBP) BSD Circular No. 4 dated February 13, 2009.
- (b) Had the entire amount of decline in value been recognized in the profit and loss account, the unappropriated profit would have been lower by Rs. 72 million. See note 8.3.2.

The annexed notes 1 to 39 form an integral part of these financial statements.



Ayesha Aziz  
Chief Executive



Junaidi bin Haji Masri  
Director



Tariq Mahmood Pasha  
Director



Hj Mohd. Amin Liew bin Abdullah  
Chairman

# PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2008

		For the year ended December 31, 2008	For the period ended from November 28, 2006 to December 31, 2007
	Note	Rupees in '000	
Mark-up/Return/Interest earned	20	672,254	177,507
Mark-up/Return/Interest expensed	21	131,801	630
Net Mark-up/ Interest Income		540,453	176,877
Provision against non-performing loans and advances		-	-
Provision for diminution in the value of investments (a)	8.3	108,921	-
Bad debts written off directly		-	-
Net Mark-up/ Interest Income after provisions		431,532	176,877
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee, commission and brokerage income		41,182	11,351
Dividend income		7,012	2,105
Income from dealing in foreign currencies		-	-
Gain on sale of securities - net	22	37,145	56,317
Unrealized loss on revaluation of investments classified as held-for-trading	8.5	-	(2,491)
Other income	23	269	17
Total non-markup/interest income		85,608	67,299
		517,140	244,176
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Administrative expenses	24	118,675	53,810
Other provisions/reversals	12.2	25,000	-
Other charges		-	3,825
Total non-markup/interest expenses		143,675	57,635
Extra ordinary/unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		373,465	186,541
Taxation - Current		170,972	44,135
- Prior years		2,921	-
- Deferred		(22,694)	1,663
	25	151,199	45,798
<b>PROFIT AFTER TAXATION (b)</b>		222,266	140,743
Unappropriated profit brought forward		112,594	-
Profit available for appropriation		334,860	140,743
		..... Rupees .....	
Basic earnings per share (b)	26	0.52	0.75
Diluted earnings per share (b)	27	0.52	0.75

(a) The investments in the listed equity securities and mutual funds held as available-for-sale are valued at prices quoted on the stock exchanges and the relevant net asset values as at December 31, 2008. Out of the total decline in value of Rs. 143 million on such investments, an amount of Rs. 72 million has been recognized in the profit and loss account and the remaining amount has been reflected as deficit in equity in accordance with the option provided in the State Bank of Pakistan (SBP) BSD Circular No. 4 dated February 13, 2009.

(b) Had the entire amount of decline in value been recognized in the profit and loss account, the profit for the year and the earnings per share would have been lower by Rs. 72 million and Rs. 0.17 respectively. See note 8.3.2.

The annexed notes 1 to 39 form an integral part of these financial statements.

Ayesha Aziz  
Chief Executive

Junaidi bin Haji Masri  
Director

Tariq Mahmood Pasha  
Director

Hj Mohd. Amin Liew bin Abdullah  
Chairman

# CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008

For the year  
ended  
December 31,  
2008

For the period  
ended from  
November 28,  
2006 to  
December 31,  
2007

	Note	Rupees in '000	Rupees in '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		373,465	186,541
Less: Dividend income		7,012	2,105
		366,453	184,436
<b>Adjustments for non-cash charges</b>			
Depreciation	10.2	7,251	1,658
Amortization	10.3	1,197	118
Provision for diminution in value of investment	8.3	108,921	-
Other provisions/reversals	12.2	25,000	-
Gain on sale of property and equipment	23	(89)	-
Unrealized loss on revaluation of investments classified as held-for-trading	8.5	-	2,491
Financial charges on leased assets		2,455	448
		144,735	4,715
		511,188	189,151
<b>(Increase) / Decrease in operating assets</b>			
Lendings to financial institutions		(55,000)	(1,464,299)
Held-for-trading securities		99,315	(101,806)
Advances		(808,300)	(254,444)
Others assets		187,767	(381,325)
		(576,218)	(2,201,874)
<b>(Decrease) / Increase in operating liabilities</b>			
Borrowings		(963,846)	1,150,000
Other liabilities (excluding current taxation)		(15,423)	43,967
		(979,269)	1,193,967
		(1,044,299)	(818,756)
Financial charges paid		(2,154)	(448)
Income tax paid		(172,406)	(33,598)
Net cash used in operating activities		(1,218,859)	(852,802)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(1,022,815)	(1,861,745)
Dividend income received		7,012	2,105
Investment in operating fixed assets		(21,310)	(20,169)
Sale proceeds of property and equipment disposed off		11,507	-
Net cash used in investing activities		(1,025,606)	(1,879,809)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of lease obligations		(4,119)	332
Issue of share capital		2,000,000	3,000,000
Net cash flows from financing activities		1,995,881	3,000,332
Increase in cash and cash equivalents		(248,584)	267,721
Cash and cash equivalents at the beginning of the year / period		267,721	-
Cash and cash equivalents at the end of the year / period	28	19,137	267,721

The annexed notes 1 to 39 form an integral part of these financial statements.

Ayesha Aziz  
Chief Executive

Junaidi bin Haji Masri  
Director

Tariq Mahmood Pasha  
Director

Hj Mohd. Amin Liew bin Abdullah  
Chairman

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2008

	Share capital	Capital reserve Statutory	Unappropriated profit	Total
	Rupees in '000.....			
Balance as at November 28, 2006	-	-	-	-
* Total recognised income and expense for the period	-	-	140,743	140,743
Transfer to statutory reserve	-	28,149	(28,149)	-
Issue of share capital	3,000,000	-	-	3,000,000
Balance as at December 31, 2007	<u>3,000,000</u>	<u>28,149</u>	<u>112,594</u>	<u>3,140,743</u>
Balance as at January 1, 2008	3,000,000	28,149	112,594	3,140,743
* Total recognised income and expense for the year	-	-	222,266	222,266
Transfer to statutory reserve	-	44,453	(44,453)	-
Issue of share capital	2,000,000	-	-	2,000,000
Balance as at December 31, 2008	<u>5,000,000</u>	<u>72,602</u>	<u>290,407</u>	<u>5,363,009</u>

	For the year ended December 31, 2008	For the period ended from November 28, 2006 to December 31, 2007
	Rupees in '000	
* Total recognised income and expense for the year / period		
Profit for the year / period	<u>222,266</u>	<u>140,743</u>

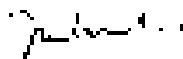
The annexed notes 1 to 39 form an integral part of these financial statements.



Ayesha Aziz  
Chief Executive



Junaidi bin Haji Masri  
Director



Tariq Mahmood Pasha  
Director



Hj Mohd. Amin Liew bin Abdullah  
Chairman

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

## 1. STATUS AND NATURE OF BUSINESS

Pak Brunei Investment Company Limited (the Company) is incorporated as an un-listed public limited company under the Companies Ordinance 1984. The State Bank of Pakistan (SBP) granted the approval for commencement of business with effect from August 20, 2007. The Company is a joint venture between the Government of Pakistan and the Brunei Investment Agency. The Company's objective interalia includes making investments in the industrial and agri based industrial fields in Pakistan on commercial basis through carrying out of industrial and agri based industrial projects and making of their products in Pakistan and abroad and to undertake other feasible business and to establish and acquire companies to conduct various businesses. The registered office of the Company is situated at Khadija Towers, Plot No. 11/5, Block No. 2, Scheme No.5, Clifton, Karachi, Pakistan.

## 2. STATEMENT OF COMPLIANCE

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, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

The SECP has approved the adoption of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, "Investment Property". The requirements of these standards have not been taken into account for the purpose of these financial statements as the implementation of the said standards has been deferred by SBP, vide BSD circular letter number 11 dated September 11, 2002 for Non Banking Financial Institutions in Pakistan till further instructions. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

## 3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain investments have been stated at revalued amounts in accordance with the directives of the SBP.

### 3.1 Reporting period

The financial statements for the last period were prepared for the period from November 28, 2006 to December 31, 2007 as this was the first financial reporting period of the Company after its incorporation. Therefore, the comparative amounts of profit and loss account, cash flow statement, statement of changes in equity and the related notes are not comparable.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts.

### 4.2 Revenue recognition

Mark-up/return/interest earned on advances and investments are recognised on time proportion basis taking into account effective yield on the instrument except in case of advances and investments classified under the Prudential Regulations on which mark-up/return/interest is recognized on receipt basis.

Dividend income is recognized when the Company's right to receive income is established. Dividend received on investments acquired after the announcement of dividend till book closure date are not taken to income but reflected as reduction in the cost of investment.

Fee, commission and brokerage income and remuneration for trustee services are recognized at the time of performance of services.

#### 4.3 Advances

Advances are stated net of provisions. Provision is determined on the basis of the Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account. Provisions comprise of provisions against identified losses and provisions against unidentified losses. Provisions against unidentified losses include provision based on historical loss experience on advances. Advances are written off when there is no realistic prospect of recovery.

#### 4.4 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the acquisition of investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. The Company has classified its investment portfolio into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' portfolios as follows:

##### Held-for-trading

These are investments, which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists and are to be sold within 90 days of acquisition. These are carried at market value, with the related surplus/(deficit) being taken to profit and loss account.

##### 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 are carried at amortised cost using the effective interest rate method.

##### Available-for-sale

These are investments that do not fall under the "held-for-trading" or "held-to-maturity" categories. These are carried at market value with the surplus/(deficit) taken to 'surplus/(deficit) on revaluation of assets' account below equity. Provision in respect of unquoted shares is calculated with reference to break-up value. Provision for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as "surplus/(deficit) on revaluation of assets" below equity is included in the profit and loss account for the period.

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

Premium or discount on debt securities classified as available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to interest income.

Gains and losses on derecognition of investments are included in the profit and loss account in the year in which they arise.

The carrying values of investments are reviewed for impairment at each balance sheet date. Where any such indications exist that the carrying values exceed the estimated recoverable amounts, provision for impairment is made through the profit and loss account.

#### 4.5 Repurchase and resale agreements

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

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



#### 4.6 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the profit and loss account.

#### 4.7 Trade date accounting

All regular way purchases/sales of investment are recognised on the trade date, i.e., the date, the Company commits to purchase/sell the investments. Regular way purchases or sales of investment require delivery of securities within two working days after the transaction date as required by stock exchange regulations.

#### 4.8 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

#### 4.9 Taxation

##### Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account the tax credits and tax rebates available, if any. The charge for current tax also includes adjustments whenever considered necessary relating to prior year, arising from assessments framed during the year.

##### Deferred

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

Deferred income tax relating to the items recognised directly in equity are recognized in equity and not in the profit and loss account.

#### 4.10 Operating fixed assets

##### Property and equipment

##### Owned

Operating fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to the profit and loss account using the straight line method at the rates stated in note 10.2. Depreciation is charged from the date when the asset is available for use and no depreciation is charged from the date when the assets are deleted.

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

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

Gain / loss on sale or deletion of fixed assets is recognised in the profit and loss account.

#### Leased

Assets held under finance lease are accounted for by recording the assets and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation.

Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding finance lease liability.

Depreciation is charged on leased assets on a basis similar to that of owned assets.

#### Intangibles

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Intangible assets are amortised using the straight line method at the rate stated in note 10.3.

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

#### Capital work-in-progress

Capital work-in-progress is stated at cost. These are transferred to specific assets as and when assets are available for use.

#### Impairment

The carrying values of operating fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets.

#### 4.11 Provisions

Provision is made when the Company has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

#### 4.12 Offsetting

Financial assets and financial liabilities are only set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

#### 4.13 Staff retirement benefit

##### 4.13.1 Defined contribution plan

##### Staff provident fund

The Company operates a 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 8.33% of basic salary.

#### 4.14 Foreign currencies translation

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in income.

The Company's financial statements are presented in Pak Rupees (Rs.) which is the Company's functional and presentation currency.

#### 4.15 Dividend distribution

Dividend is recognised as a liability in the period in which it is declared.

#### 4.16 Distributions of bonus shares and other appropriations to reserves

The Company recognises all appropriations, other than statutory appropriations, to reserves including those in respect of bonus shares, in the period in which such appropriations are approved.

#### 4.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at December 31, 2008.

#### 4.18 Segment Reporting

A segment is a distinguishable component of the Company that is engaged either in providing product 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.

##### 4.18.1 Business Segments

###### Corporate finance

Corporate banking includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

###### Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

###### Commercial Banking

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

##### 4.18.2 Geographical segments

The Company operates in Pakistan only.

#### 4.19 Accounting estimates and judgments

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 as follows:

##### 4.19.1 Classification of investments

- i. In classifying investments as 'held for trading', the Company has determined securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- ii. In classifying investments as 'held to maturity', the Company follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.
- iii. The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

##### 4.19.2 Provision against non-performing loans and advances

The Company reviews its loan portfolio to assess amount of non-performing loans and advances and provision required thereagainst. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and requirements of prudential regulations are considered.

#### 4.19.3 Impairment of available-for-sale equity investments

The Company determines that available-for-sale equity 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.

#### 4.20 Reporting Standards, interpretations and amendments to published approved accounting standards that are not yet effective

##### 4.20.1 The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after the dates mentioned thereagainst. Except for the enhanced disclosures, these standards and interpretations are not likely to have any significant impact on the Company's financial statements.

IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after April 28, 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 standard likely to be applied when IAS 39 – Financial Instruments – Recognition and Measurement becomes applicable for Banks / DFIs.

IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after April 28, 2008). The Company does not have any operations in Hyperinflationary Economies.

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after January 01, 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 profit and loss account (income statement) and all non-owner changes in equity in a single statement), or in a profit and loss account (income statement) and a separate statement of comprehensive income. The change will be effected only if the format of the FS is modified by SBP.

Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after January 01, 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.

Amendments to IAS 32 - Financial instruments: Presentation and IAS 1 Presentation of financial statements (effective for annual periods beginning on or after January 01, 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.

Amendment to IFRS 2 - Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after January 01, 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.

Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after July 01, 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 fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest 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.

IFRS 8 – Operating Segments (effective for annual periods beginning on or after January 01, 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 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 as per requirements of BSD Circular No. 6 of 2004 of SBP.

Amended IAS 27 - Consolidated and separate financial Statements (effective for annual periods beginning on or after July 01, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss.

IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after July 01, 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.

IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after October 01, 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.

IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after October 01, 2008) 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 profit or loss. The interpretation allows an entity that uses 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.

- 4.20.2 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 January 01, 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.

IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after July 01, 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.

IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 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 and 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.

		December 31, 2008	December 31, 2007
	Note	Rupees in '000	
5.	CASH AND BALANCES WITH TREASURY BANKS		
	With State Bank of Pakistan in local currency current account	4,090	1,357
	With National Bank of Pakistan in local currency current account	177	223
		<u>4,267</u>	<u>1,580</u>
5.1	This includes the minimum cash reserve required to be maintained with the SBP in accordance with the requirement of BSD Circular No. 04 dated May 22, 2004.		
6.	BALANCES WITH OTHER BANKS		
	In Pakistan		
	On current account	-	162
	On deposit account	14,870	265,979
		<u>14,870</u>	<u>266,141</u>
6.1	These carry mark-up at rates ranging from 5% to 12.5% per annum (2007: 8.5% to 9.75% per annum).		
7.	LENDINGS TO FINANCIAL INSTITUTIONS		
	Placements	100,000	355,000
	Certificate of Investments (COIs) / Term deposit receipts (TDRs)	1,344,299	1,109,299
	Certificate of Musharika	75,000	-
		<u>1,519,299</u>	<u>1,464,299</u>
7.1	PARTICULARS OF LENDING		
	In local currency	1,519,299	1,464,299
	In foreign currencies	-	-
		<u>1,519,299</u>	<u>1,464,299</u>
7.2	The profit rate on placement is 18% per annum (2007: 11.10% to 13.00% per annum). Placement is due for maturity within 1 week (2007: 1 week).		
7.3	The profit rate on these COIs and TDRs ranges between from 10.13% to 19% per annum (2007: 9.50% to 11.20%). All COIs and TDRs are due for maturity within 1 month to 3 months (2007: 1 month to 16 months) and 4 months to 46 months (2007: 5 years) respectively.		
7.4	The profit rate on certificate of musharika is 11.11% per annum (2007: Nil). This will mature within 2 months (2007: Nil).		

## 8. INVESTMENTS

	Note	December 31, 2008			December 31, 2007		
		Held by the Company	Further given as collateral	Total	Held by the Company	Further given as collateral	Total
.....Rupees in '000.....							
<b>8.1 INVESTMENTS BY TYPES:</b>							
Held-for-trading securities							
Ordinary shares of listed companies		-	-	-	101,806	-	101,806
Available-for-sale securities	8.4						
Market Treasury Bills	8.6	196,974	247,196	444,170	18,825	-	18,825
Ordinary shares of listed companies	8.7	281,591	-	281,591	34,568	-	34,568
Pakistan Investment Bonds	8.6	46,696	-	46,696	-	-	-
Term Finance Certificates and Sukuk	8.9	2,083,263	-	2,083,263	1,418,680	-	1,418,680
Units of mutual funds	8.8	28,840	-	28,840	230,156	-	230,156
Commercial papers		-	-	-	159,516	-	159,516
		<u>2,637,364</u>	<u>247,196</u>	<u>2,884,560</u>	<u>1,861,745</u>	<u>-</u>	<u>1,861,745</u>
Investments at cost		2,637,364	247,196	2,884,560	1,963,551	-	1,963,551
Less: Provision for diminution in value of Investments	8.3	(108,921)	-	(108,921)	-	-	-
Investments (net of provisions)		<u>2,528,443</u>	<u>247,196</u>	<u>2,775,639</u>	<u>1,963,551</u>	<u>-</u>	<u>1,963,551</u>
Deficit on revaluation of held-for-trading securities	8.5	-	-	-	(2,491)	-	(2,491)
Deficit on revaluation of available-for-sale securities	17	(88,054)	-	(88,054)	(4,965)	-	(4,965)
Total investments at market value		<u>2,440,389</u>	<u>247,196</u>	<u>2,687,585</u>	<u>1,956,095</u>	<u>-</u>	<u>1,956,095</u>

	Note	December 31, 2008	December 31, 2007
		Rupees in '000	
<b>8.2 INVESTMENTS BY SEGMENTS:</b>			
Federal Government Securities			
Market Treasury Bills	8.6	444,170	18,825
Pakistan Investment Bonds	8.6	46,696	-
Fully Paid up Ordinary Shares			
Listed Companies	8.7	281,591	136,374
Term Finance Certificates and Sukuk			
Listed	8.9	571,886	218,680
Unlisted	8.9	1,511,377	1,200,000
Units of mutual funds	8.8	28,840	230,156



	Note	December 31, 2008	December 31, 2007
		Rupees in '000	
Commercial papers		-	159,516
Total investments at cost		2,884,560	1,963,551
Less: Provision for diminution in value of investments	8.3	(108,921)	-
Investments (Net of Provisions)		2,775,639	1,963,551
Deficit on revaluation of Held-for-trading securities	8.5	-	(2,491)
Deficit on revaluation of Available-for-sale securities	17	(88,054)	(4,965)
Total investments at market value		2,687,585	1,956,095
8.3 Particulars of Provision			
Opening balance		-	-
Charge for the year	8.3.1	108,921	-
Reversals		-	-
Closing Balance		108,921	-
8.3.1 Particulars of Provision in respect of Type and Segment			
Available-for-sale securities			
Ordinary shares of listed companies	8.3.2	67,845	-
Units of mutual funds	8.3.2	3,576	-
Term Finance Certificates and Sukuk		37,500	-
		108,921	-

8.3.2 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 August 27, 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 August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. There were lower floors on a number of securities at December 31, 2008. The equity securities have been valued at prices quoted on the KSE on December 31, 2008 without any adjustment as allowed by the State Bank of Pakistan (SBP) BSD Circular Letter No. 2 dated January 27, 2009.

Furthermore, SBP BSD Circular No. 4 dated February 13, 2009 has allowed to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 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 December 31, 2009. The amount taken to equity at December 31, 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

The impairment loss based on market values as at December 31, 2008 has been determined at Rs. 143 million. 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. Since full recognition of impairment for 'Available for Sale' equity securities through Profit and Loss account will not reflect the correct financial performance of the Company. Therefore, the management on the basis of their estimates has made a provision of Rs. 72 million against the above amount.

The recognition of remaining impairment loss based on the market values as at December 31, 2008 would have had the following effect on these financial statements:

	December 31, 2008 Rupees in '000
Decrease in 'Deficit on revaluation of assets (available for sale securities)'	71,421
Decrease in 'Unappropriated profit'	71,421
Increase in 'Provision for diminution in the value of investments'	71,421
Decrease in tax charge for the year	-
Decrease in 'Profit for the year - after tax'	71,421 Rupees
Decrease in 'Earnings per share (basic and diluted)'	0.17

#### 8.4 Quality of Available-for-Sale Securities

	December 31, 2008		December 31, 2007	
	Market value / Carrying value for unlisted investments  Rupees in '000	Rating	Market value/ Carrying value for unlisted investments  Rupees in '000	Rating
Market Treasury Bills	442,380	Unrated - Government Securities	18,811	Unrated - Government Securities
Pakistan Investment Bond	35,202	Unrated - Government Securities	-	-
Ordinary shares of listed companies				
Dewan Cement Limited	5,998	BB	32,900	A-
Pakistan State Oil Company Limited	7,229	AAA	-	-
Oil and Gas Development Company Limited	9,498	AAA	-	-
Fauji Fertilizer Company Limited	41,111	Unrated	-	-
Hub Power Company Limited	5,706	Unrated	-	-
Adamjee Insurance Company Limited	1,018	Unrated	-	-
Pace Pakistan Limited	3,456	A+	-	-
Habib Bank Limited	187	AA+	-	-
JS Bank Limited	12,261	A	-	-
KASB Securities Limited	60,532	A+	-	-
	146,996		32,900	
Units of mutual funds				
Askari Income Fund	-	-	126,376	Unrated
HBL Income Fund	-	-	75,245	Unrated
Pak Oman Advantage Fund	21,688	AA- (f)	23,793	AA- (f)
	21,688		225,414	

December 31, 2008

December 31, 2007

## Term Finance Certificates (TFCs) and Sukuk

Listed TFCs

	Market value / Carrying value for unlisted investments	Rating	Market value/ Carrying value for unlisted investments	Rating
	Rupees in '000		Rupees in '000	
Faysal Bank Limited	2,805	AA-	35,188	AA-
Engro Chemicals Limited	43,289	AA	34,951	AA
NIB Bank Limited	142,831	A+	150,000	A
Allied Bank Limited	62,545	AA-	-	-
Bank Alfalah Limited - 3rd Issue	9,766	AA-	-	-
Bank Al Habib Limited	9,644	AA-	-	-
Pace Pakistan Limited	582	AA-	-	-
Soneri Bank Limited	25,102	A+	-	-
United Bank Limited - 1st Issue	52,419	AA	-	-
- 2nd Issue	139,877	AA	-	-
Saudi Pak Leasing Company Limited	45,882	A-	-	-
Pak Arab Fertilizer Limited	32,810	AA	-	-
<u>Unlisted TFCs and Sukuk</u>				
Sui Southern Gas Company Limited	500,000	AA	500,000	AA
Eden Housing Limited	400,000	A	450,000	A
AZGARD Nine Limited	24,990	AA-	100,000	A+
New Allied Electronics (Private) Limited	112,500	D (note 8.4.1)	150,000	Unrated
Karachi Shipyard and Engineering Works Limited (Sukuk)	9,977	Unrated	-	-
Maple Leaf Cement Factory Limited (Sukuk)	203,850	A-	-	-
Pak Electron Limited - 3rd Issue	200,000	A	-	-
Kohat Cement Company Limited	22,450	Unrated	-	-
	2,041,319		1,420,139	
Commercial Papers				
Pak Electron Limited	-	-	91,401	Not available
World Call Telecom Limited	-	-	68,115	Not available
	-		159,516	
	<u>2,687,585</u>		<u>1,856,780</u>	

8.4.1 These TFCs have been guaranteed by First Dawood Investment Bank Limited (FDIBL). FDIBL has been assigned credit rating of 'A-' by the credit rating agency.

	December 31, 2008	December 31, 2007		
	Rupees in '000			
8.5				
Deficit on revaluation of investments classified as held-for-trading				
Ordinary shares of listed companies	-	2,491		
	-	2,491		
8.6				
Particulars of investments in Federal Government Securities				
Name of the security		December 31, 2008 Rupees in '000		
Market Treasury Bills		444,170		
Pakistan Investment Bond		46,696		
Carrying value (before revaluation) of investments in federal government securities		490,866		
Deficit on revaluation of securities		(13,284)		
Market value as at December 31, 2008		477,582		
8.7				
Particulars of investments in ordinary shares of listed companies				
Name of investee company / fund	No. of shares / units held	Nominal / paid-up value per share / unit	Total nominal / paid-up value	Cost as at December 31, 2008
		Rupees	Rupees in '000.....	
Dewan Cement Limited	1,979,500	10	19,795	33,330
Pakistan State Oil Company Limited	50,000	10	500	13,375
Oil and Gas Development Company Limited	190,000	10	1,900	9,446
Fauji Fertilizer Company Limited	700,000	10	7,000	40,068
Hub Power Company Limited	405,000	10	4,050	13,530
Adamjee Insurance Company Limited	10,000	10	100	3,846
Pace Pakistan Limited	400,000	10	4,000	8,347
Habib Bank Limited	2,500	10	25	502
JS Bank Limited	2,136,000	10	21,360	48,242
KASB Securities Limited	1,721,617	10	17,216	110,905
Carrying value (before revaluation and provision) of listed Shares 'available for sale'				281,591
Provision for diminution in value of investments				(67,845)
Deficit on revaluation of securities				(66,750)
Market value as at December 31, 2008				146,996
8.8				
Particulars of investment in units of mutual funds				
Pak Oman Advantage Fund	2,884,000	10	28,840	28,840
Carrying value (before revaluation and provision) of mutual funds units 'available for sale'				28,840
Provision for diminution in value of investments				(3,576)
Deficit on revaluation of securities				(3,576)
Market value as at December 31, 2008				21,688

## 8.9 Particulars of investments Term Finance Certificates (TFCs) and Sukuks

Name of the investee	Rate of interest	Profit payment	Maturity	Number of certificates held	Paid-up value per certificate redemption)	Total Paid up Value (before December 31, 2008	Balance as at December 31, 2008	Name of Chief Executive
					Rupees	Rupees	Rupees in '000.....	
<u>Listed TFCs</u>								
Faysal Bank Limited	6 Month KIBOR + 1.40%	Half yearly	12.11.14	552	5,000	1,000	2,416	Mr. Naveed A.Khan
Engro Chemicals Limited	6 Month KIBOR + 1.55%	Half yearly	30.11.15	9,000	5,000	4,000	39,838	Mr. Asad Umer
NIB Bank Limited	6 Month KIBOR + 1.15%	Half yearly	05.03.16	31,000	5,000	4,000	145,874	Mr. Khawaja Iqbal Hassan
Allied Bank Limited	6 Month KIBOR + 1.90%	Half yearly	06.12.14	13,000	5,000	2,500	58,588	Mr. Khalid A. Sherwani
Bank Alfalah Limited - 3rd Issue	6 Month KIBOR + 1.50%	Half yearly	25.11.13	2,000	5,000	1,200	9,011	Mr. Sirajuddin Aziz
Bank Al Habib Limited	6 Month KIBOR + 1.95%	Half yearly	07.02.15	2,000	5,000	1,350	9,206	Mr. Abbas D. Habib
Pace Pakistan Limited	6 Month KIBOR + 1.50%	Half yearly	15.02.13	115	5,000	1,500	575	Mr. Salman Taseer
Soneri Bank Limited	6 Month KIBOR + 1.50%	Half yearly	05.05.13	5,000	5,000	1,200	21,992	Mr. Sarfaraz A. Lakhani
United Bank Limited	8.450%	Half yearly	10.08.12	12,000	5,000	2,000	55,215	Mr. Atif R. Bukhari
United Bank Limited	6 Month KIBOR + 0.85%	Half yearly	14.02.18	30,000	5,000	6,000	149,039	Mr. Atif R. Bukhari
Saudi Pak Leasing Company Limited	6 Month KIBOR + 1.50%	Half yearly	13.03.13	9,099	5,000	750	45,679	Mr. Muhammad Shahid Zahir
Pak Arab Fertilizer Limited	6 Month KIBOR + 1.50%	Half yearly	28.02.13	6,892	5,000	5,000	34,453	Mr. Tanveer Ahmed
							571,886	
<u>Unlisted TFCs</u>								
Sui Southern Gas Company Limited	3 Month KIBOR + 0.20%	Quarterly	31.12.12	100,000	5,000	5,000	500,000	Mr. Umair Khan
Eden Housing Limited	6 Month KIBOR + 2.50%	Half yearly	31.12.12	80,000	5,000	3,000	400,000	Dr. Muhammad Amjad
AZGARD Nine Limited	6 Month KIBOR + 2.20%	Half yearly	04.12.14	5,000	5,000	2,500	24,990	Mr. Mueen Afzal
New Allied Electronics (Pvt.) Ltd.	3 Month KIBOR + 2.20%	Half yearly	03.12.12	30,000	5,000	750	150,000	Mr. Mian Pervez Akhtar
Pak Electron Limited - 3rd Issue	3 Month KIBOR + 2.20%	Quarterly	31.03.15	40,000	5,000	1,200	200,000	Mr. Haroon Ahmad Khan
Kohat Cement Company Limited	6 Month KIBOR + 1.80%	Half yearly	13.12.12	5,000	5,000	2,500	22,450	Mr. Aizaz Mansoor Sheikh
							1,297,440	
<u>Unlisted Sukuks</u>								
Karachi Shipyard and Engineering Works Limited	6 Month KIBOR + 0.40 %	Half yearly	02.11.15	2,000	5,000	1,500	9,977	Mr. V. Ad. Iftikhar Ahmed Rao
Maple Leaf Cement Factory Limited	6 Month KIBOR + 1.70 %	Half yearly	03.12.12	45,200	5,000	8,000	203,960	Mr. Tariq Saeed Saigol
							213,937	
Carrying value (before revaluation and provision) of investments Term Finance Certificates (TFCs) and Sukuks 'available for sale'							2,083,263	
Provision for diminution in value of investments							(37,500)	
Deficit on revaluation of securities							(4,444)	
Market value as at December 31, 2008							2,041,319	

		December 31, 2008	December 31, 2007
		Rupees in '000	
	Note		
9.	ADVANCES		
	Loans, cash credits, running finances, etc. In Pakistan	1,062,744	159,962
	Financing in respect of continuous funding system (CFS)	9.3	94,482
	Advances - gross	9.1	254,444
	Provision for non-performing advances	-	-
	Advances - net of provision	1,062,744	254,444
9.1	Particulars of advances (Gross)		
9.1.1	In local currency	1,062,744	254,444
		1,062,744	254,444
9.1.2	Short term (for upto one year)	612,744	155,062
	Long term (for over one year)	450,000	99,382
		1,062,744	254,444
9.2	PARTICULARS OF LOANS AND ADVANCES TO DIRECTORS, ASSOCIATED COMPANIES, ETC.		
	Debts due by directors, executives or officers of the Company or any of them either severally or jointly with any other persons		
	Balance at beginning of year	9,962	-
	Loans granted during the year	22,682	10,062
	Repayments	(2,901)	(100)
	Balance at end of year	29,743	9,962
9.3	These are secured against shares of listed companies, market value of which amounted to Nil (2007: Rs. 89.753 million) at the balance sheet date. These carry mark-up at the rate of Nil (2007: 15% to 19.75%) per annum.		
9.4	Details of loans written offs of Rs. 500,000 and above There were no write offs of loans and no financial reliefs were allowed to any person.		
		December 31, 2008	December 31, 2007
		Rupees in '000	
	Note		
10.	OPERATING FIXED ASSETS		
	Capital work-in-progress	10.1	590
	Property and equipment	10.2	35,926
	Intangible assets	10.3	2,074
		44,334	38,590
10.1	Capital work-in-progress		
	Advances to suppliers and contractors	-	590
		-	590





### 10.2.1 Detail of disposal of fixed assets

Details of assets whose original cost or the book value exceeds rupees one million or two hundred and fifty thousand, whichever is lower are given below:

Particulars of assets	Cost	Net Book Value	Sale Proceed	(Gain) / Loss	Mode of Disposal	Particulars of Purchaser
	.....Rupees in '000.....					
Honda City	900	696	750	(54)	Through Quotation	Farooq Motors
Computers	384	359	323	36	Insurance Claim against Fire	Saudi Pak Insurance Co
Office equipment	352	342	296	46	Insurance Claim against Fire	Saudi Pak Insurance Co
Leasehold improvement	3,130	2,882	2,682	200	Insurance Claim against Fire	Saudi Pak Insurance Co
Leasehold improvement	3,291	2,903	3,311	(408)	Insurance Claim	Saudi Pak Insurance Co
Leasehold improvement	2,378	2,170	2,172	(2)	Insurance Claim	Saudi Pak Insurance Co
Other assets (having book value of less than Rs.250,000 or cost of less than Rs.1,000,000)	2,329	2,066	1,973	93	Insurance Claim	Saudi Pak Insurance Co
	<u>12,764</u>	<u>11,418</u>	<u>11,507</u>	<u>(89)</u>		

### 10.3 Intangible assets

	2008							
	Cost			Amortization			Book value as at	Rate of
	As at January 01, 2008	Additions	As at December 31, 2008	As at January 01, 2008	Amortization for the year	As at December 31, 2008	December 31, 2008	Amortization %
	.....Rupees in '000.....							
Computer software	2,192	3,935	6,127	118	1,197	1,315	4,812	33.33% on cost
	<u>2,192</u>	<u>3,935</u>	<u>6,127</u>	<u>118</u>	<u>1,197</u>	<u>1,315</u>	<u>4,812</u>	
	2007							
	Cost			Amortization			Book value as	Rate of
	As at November 28, 2006	Additions	As at December 31, 2007	As at November 28, 2006	Amortization for the year	As at December 31, 2007	December 31, 2007	Amortization %
	.....Rupees in '000.....							
Computer software	-	2,192	2,192	-	118	118	2,074	33.33% on cost
	<u>-</u>	<u>2,192</u>	<u>2,192</u>	<u>-</u>	<u>118</u>	<u>118</u>	<u>2,074</u>	

		December 31, 2008	December 31, 2007
	Note	Rupees in '000	
11.	DEFERRED TAX ASSETS / (LIABILITIES) - NET		
	Deferred credits arising due to		
	Difference between accounting book value of fixed assets and tax base	(2,055)	(2,803)
	Deferred debits arising in respect of		
	Provision for compensated absences	579	740
	Difference between book value of leased assets and obligation under finance lease	631	400
	Deficit on revaluation of assets - investments	6,205	500
	Provision for permanent diminution on TFCs	13,125	-
	Provision on other assets	8,751	-
		<u>27,236</u>	<u>(1,163)</u>
12.	OTHER ASSETS		
	Income/ Mark-up accrued in local currency	127,691	17,168
	Advances, deposits and other prepayments	12.1	65,867
	Receivable against redemption of units of mutual funds	-	353,726
	Other receivables from clients	-	99
	Receivable from provident fund	-	14
		<u>193,558</u>	<u>381,325</u>
	Less: Provision held against other assets advances, deposits and other prepayments	12.2	25,000
	Other assets (net of provisions)	<u>168,558</u>	<u>381,325</u>
12.1	This includes Rs. 50 million (2007: Rs. Nil) against Pre-IPO placement of Term Finance Certificates.		
		December 31, 2008	December 31, 2007
	Note	Rupees in '000	
12.2	Provision against other assets		
	Opening balance	-	-
	Charge for the year	25,000	-
	Reversals	-	-
	Amount Written off	-	-
	Closing balance	<u>25,000</u>	<u>-</u>
13.	BORROWINGS		
	In Pakistan	186,154	1,150,000
	Particulars of borrowings with respect to Currencies		
	In local currency	<u>186,154</u>	<u>1,150,000</u>

	Note	December 31, 2008	December 31, 2007
Rupees in '000			
13.1	Details of borrowings secured / unsecured		
	Secured		
	Repurchase agreement borrowings	186,154	-
		<u>186,154</u>	<u>-</u>
	Unsecured		
	Call borrowings	-	1,150,000
		<u>186,154</u>	<u>1,150,000</u>

13.2 This carry mark-up rate of 14.9% (2007: nil) per annum. This is repayable within one month.

13.3 These carry mark-up rates ranging between Nil (2007: 9.50% to 10.30% per annum). These are repayable within one month.

#### 14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	December 31, 2008			December 31, 2007		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
.....Rupees in '000.....						
Not later than one year	5,966	2,574	3,392	4,916	2,052	2,864
Later than one year and not later than five years	21,205	3,887	17,318	21,713	4,048	17,665
	<u>27,171</u>	<u>6,461</u>	<u>20,710</u>	<u>26,629</u>	<u>6,100</u>	<u>20,529</u>

14.1 The Company has entered into lease agreements with various financial institutions for lease of vehicles. Lease rentals are payable in monthly and quarterly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from 11.42% to 18.66% (2007: 11.56% to 12.54%) per annum. At the end of lease term, the Company has the option to acquire the assets subject to adjustment of security deposits.

	December 31, 2008	December 31, 2007
Rupees in '000		
15. OTHER LIABILITIES		
Mark-up / Return / Interest payable in local currency	76	943
Accrued expenses	10,634	6,677
Advance against equity	8,832	25,436
Current taxation (provisions less payments)	12,024	10,537
Payable against purchase of shares	4,237	8,369
Payable to contractors	2,319	1,360
Unearned commission	1,643	1,182
Others	1,104	-
	<u>40,869</u>	<u>54,504</u>

16. SHARE CAPITAL		December 31,	December 31,
		2008	2007
		Rupees in '000	
2008	2007		
No. of shares			
16.1	Authorized Capital		
	<u>600,000,000</u>	<u>600,000,000</u>	Ordinary shares of Rs. 10 each
		6,000,000	6,000,000
16.2	Issued, subscribed and paid up		
	<u>500,000,000</u>	<u>300,000,000</u>	Ordinary shares fully paid in cash
		5,000,000	3,000,000
16.3	The Ministry of Finance and Secretary Economic Affairs Division holds 249,996,667 and 3,333 shares (2007: 149,998,000 and 2,000 shares) respectively on behalf of the Government of Pakistan and remaining 250,000,000 (2007: 150,000,000 shares) are held by the Brunei Investment Agency.		
		December 31,	December 31,
		2008	2007
		Rupees in '000	
17.	DEFICIT ON REVALUATION OF ASSETS - NET OF TAX		
17.1	Deficit on revaluation of Available-for-sale securities		
	Market Treasury Bills	(1,790)	(14)
	Pakistan Investment Bonds	(11,494)	-
	Listed Term Finance Certificates	(4,444)	1,459
	Units of mutual funds	(3,576)	(4,742)
	Ordinary shares of listed companies	(66,750)	(1,668)
		(88,054)	(4,965)
	Deferred tax asset recognized	6,205	500
		(81,849)	(4,465)
18.	CONTINGENCIES AND COMMITMENTS		
18.1	Transaction-related Contingent liability		
	Standby letter of credit	447,707	-
18.2	Commitments for underwriting		
	Ordinary shares	-	30,750
	Preference shares	-	25,000
		-	55,750
18.3	Commitments for transactions under continuous funding system	-	4,324
18.4	Commitments in respect of term finance certificates futures	-	145,437
18.5	Commitments for the acquisition of Software	1,187	-
18.6	Commitments to extend credit	150,000	-
19.	Derivative Instruments		

The Company did not enter into any interest rate swaps, forward rate agreements and foreign exchange options during the year. However, the Company regularly transacts in capital market futures, but, there is no derivative contract as of December 31, 2008.

	For the year ended December 31, 2008	For the period ended from November 28, 2006 to December 31, 2007
	Rupees in '000	
20. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
i) Customers	115,060	3,687
ii) Financial institutions	2,113	-
On investments in:		
i) Available-for-sale securities	280,974	8,735
On deposits with financial institutions	249,500	161,041
On securities purchased under resale agreements	24,607	4,044
	<u>672,254</u>	<u>177,507</u>
21. MARK-UP / RETURN / INTEREST EXPENSED		
Short-term borrowings	86,889	630
Securities sold under repurchase agreements	44,912	-
	<u>131,801</u>	<u>630</u>
22. GAIN / (LOSS) ON SALE OF SECURITIES		
Federal Government Securities		
- Pakistan Investment Bonds	-	30
Ordinary shares of listed companies	(111)	56,287
Term Finance Certificates	195	-
Units of open end mutual funds	37,061	-
	<u>37,145</u>	<u>56,317</u>
23. OTHER INCOME		
Net profit on sale of property and equipment	89	-
Others	180	17
	<u>269</u>	<u>17</u>

		For the year ended December 31, 2008	For the period ended from November 28, 2006 to December 31, 2007
	Note	Rupees in '000	
24.	ADMINISTRATIVE EXPENSES		
	Salaries and allowances	58,545	17,626
	Contribution to defined contribution plan	2,267	157
	Non-executive directors' fees, allowances and other expenses	1,807	3,257
	Rent, taxes, insurance, electricity, etc.	13,137	5,777
	Legal and professional charges	8,903	15,342
	Travelling and accommodation	3,194	3,475
	Communications	1,111	297
	Repairs and maintenance	1,814	906
	Finance charges on leased assets	2,455	448
	Brokerage commission	5,269	1,954
	Capital Value Tax (CVT)	215	378
	Stationery and printing	1,141	236
	Advertisement and publicity	1,000	495
	Auditors' remuneration	800	225
	Depreciation	7,251	1,658
	Amortization	1,197	118
	Fuel expense	3,681	798
	Medical expense	1,032	-
	Fee and subscription	2,338	-
	Bank charges	199	-
	Others	1,319	663
		<u>118,675</u>	<u>53,810</u>
24.1	Auditors' remuneration		
	Audit fee	200	150
	Half yearly review fee	100	-
	Special certifications	450	50
	Out-of-pocket expenses	50	25
		<u>800</u>	<u>225</u>
25.	TAXATION		
	For the year / period		
	Current	170,972	44,135
	Deferred	(22,694)	1,663
		<u>148,278</u>	<u>45,798</u>
	For the prior year / period		
	Current	2,921	-
		<u>151,199</u>	<u>45,798</u>
25.1	Relationship between tax expense and accounting profit		
	Accounting profit for the year / period	373,465	186,541
	Tax rate	35%	35%
	Tax on accounting profit	130,713	65,289
	Tax effect of:		
	Income chargeable to tax at special rate	(1,751)	(526)
	Income exempt from tax	(12,932)	(18,839)
	Expenses that are inadmissible in determining taxable profit	24,998	730
	Others	7,250	(856)
		<u>148,278</u>	<u>45,798</u>

- 25.2 The income tax returns for the Tax year 2007 and Tax year 2008 have been filed and the same are deemed assessed under the provisions of section 120 of the Income Tax Ordinance, 2001, unless amended otherwise.

		For the year ended December 31, 2008	For the period ended from November 28, 2006 to December 31, 2007
26.	<b>BASIC EARNINGS PER SHARE</b>		
	Profit for the year / period	Rupees '000 222,266	140,743
	Weighted average number of ordinary shares	Numbers '000 429,235	186,842
	Basic earnings per share	Rupees 0.52	0.75
27.	<b>DILUTED EARNINGS PER SHARE</b>		
	Basic and diluted earnings per share are same.		
		December 31, 2008	December 31, 2007
		Rupees in '000	
28.	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and balance with treasury banks	4,267	1,580
	Balance with other banks	14,870	266,141
		19,137	267,721
29.	<b>STAFF STRENGTH</b>	Number	Number
	Permanent	30	24
	Outsourced	13	9
	Total Staff Strength	43	33
30.	<b>DEFINED CONTRIBUTION PLAN</b>		

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contributions at the rate 8.33% is made both by the Company (employer) and employees.

	For the year ended December 31, 2008	For the period ended from November 28, 2006 to December 31, 2007
	Rupees in '000	
Contribution to provident fund made during the year / period		
Contribution made by the Company	2,267	157
Contribution made by employees	2,267	157
	4,534	314



### 31. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	For the year ended December 31, 2008	For the period ended from November 28, 2006 to December 31, 2007	For the year ended December 31, 2008	For the period ended from November 28, 2006 to December 31, 2007	For the year ended December 31, 2008	For the period ended from November 28, 2006 to December 31, 2007
.....Rupees in '000.....						
Fees	-	-	-	-	-	5,161
Managerial remuneration	11,200	5,600	-	-	34,262	-
Charge for defined benefit plan	-	-	-	-	-	45
Contribution to defined contribution plan	552	92	-	-	1,575	-
Utilities	160	-	-	-	2,864	-
Medical	230	-	-	-	730	243
Travelling allowance	89	26	1,807	3,257	-	75
	<u>12,231</u>	<u>5,718</u>	<u>1,807</u>	<u>3,257</u>	<u>39,431</u>	<u>5,524</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>20</u>	<u>7</u>

The Chief Executive and Executives are provided with Company maintained car.

### 32. FAIR VALUE OF FINANCIAL INSTRUMENTS

	December 31, 2008		December 31, 2007	
	Book value	Fair value	Book value	Fair value
.....Rupees in '000.....				
<b>32.1 On-balance sheet financial instruments</b>				
<b>Assets</b>				
Cash and balances with treasury banks	4,267	4,267	1,580	1,580
Balances with other banks	14,870	14,870	266,141	266,141
Lendings to financial institutions	1,519,299	1,519,299	1,464,299	1,464,299
Investments	2,687,585	2,687,585	1,956,095	1,956,095
Advances	1,062,744	1,062,744	254,444	254,444
Other assets	152,689	152,689	379,081	379,081
	<u>5,441,454</u>	<u>5,441,454</u>	<u>4,321,640</u>	<u>4,321,640</u>
<b>Liabilities</b>				
Borrowings	186,154	186,154	1,150,000	1,150,000
Liabilities against assets subject to finance lease	20,710	20,710	20,529	20,529
Other liabilities	27,202	27,202	42,785	42,785
	<u>234,066</u>	<u>234,066</u>	<u>1,213,314</u>	<u>1,213,314</u>
December 31, 2008      December 31, 2007				
Rupees in '000				
<b>32.2 Off-balance sheet financial instruments</b>				
Standby letter of credit			447,707	-
Commitments for underwriting			-	55,750

	December 31, 2008	December 31, 2007
	Rupees in '000	
Commitments for transactions under continuous funding system	-	4,324
Commitments in respect of term finance certificates futures	-	145,437
Commitments for the acquisition of Software	1,187	-
Commitments to extend credit	150,000	-

All quoted investments have been stated at their market values. All un-quoted investments have been stated at lower of cost or break up value, being their estimated fair values.

Fair value of loans and advances cannot be determined with reasonable accuracy due to absence of current and active market. Loans and advances are repriced frequently on market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations.

Fair value of all other assets and liabilities including long-term deposits cannot be calculated with sufficient accuracy as active market does not exist for these instruments. In the opinion of the management, fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of deposits are frequently repriced.

### 33. Segment Details with respect to Business Activities

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

	Corporate Finance	Trading and Sales	Commercial Banking
	.....Rupees in '000.....		
<b>Current Year 2008</b>			
Total income	41,182	656,864	59,816
Total expenses	13,620	350,895	19,882
Net income	27,562	305,969	39,934
Segment Assets (Gross)	-	5,095,333	567,481
Segment Non Performing Loans	-	-	-
Segment Provision Required	-	-	-
Segment Liabilities	-	222,907	24,826
Segment Return on Assets (ROA) (%)	-	5.48%	6.27%
Segment Return on net Assets (ROA) (%)	-	7.43%	8.51%
Segment Cost of funds (%)	-	9.47%	9.47%
<b>Prior Period from November 28, 2006 to Decemeber 31, 2007</b>			
Total income	11,351	231,927	1,528
Total expenses	2,702	55,199	364
Net income	8,649	176,726	1,165
Segment Assets (Gross)	-	4,208,388	161,542
Segment Non Performing Loans	-	-	-
Segment Provision Required	-	-	-
Segment Liabilities	-	864,101	362,095
Segment Return on net Assets (ROA) (%)	-	8.40%	8.65%
Segment Cost of funds (%)	-	9.79%	9.79%

#### 34. TRUST ACTIVITIES

The Company has assumed the role of Trustee to certain issues of Term Finance Certificates ("TFCs") / Sukuk Certificates and is holding the trust properties in fiduciary capacity on behalf of the relevant beneficiaries. In this behalf, the Company is fulfilling all its obligations and duties in accordance with the provisions of the respective trust documents.

#### 35. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its employee defined contribution plan, and its key management personnel. Details of loan and advances to the executives are given in note 9.2 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to an approved defined contribution plans are disclosed in note 30 to these financial statements. Remuneration to the executive is disclosed in note 31 to the financial statements. Transactions between the Company and its related parties are carried out under normal course of business except employee staff loans that are as per terms of employment.

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

	2008		2007	
	Key management personnel	Other related parties	Key management personnel	Other related parties
	.....Rupees in '000.....			
Advances				
As at beginning of the year / period	7,024	-	-	-
Given during the period	20,453	-	7,095	-
Repaid during the period	(2,012)	-	(71)	-
As at end of the period / year	25,465	-	7,024	-
Placements made during the year / period	-	-	-	1,490,000
Placements matured during the year / period	-	-	-	1,490,000
Investments made during the year / period	-	-	-	28,840
Mark- up / return / Interest earned	-	-	-	42,932
Dividend Income received	-	-	-	620
Reimbursement of expenses	-	-	-	2,760

#### 36. CAPITAL - ASSESSMENT AND ADEQUACY

##### 36.1 Scope of Application and Capital Structure

The Basel II Framework is applicable to the Company and the regulatory capital comprises of Tier 1 capital only: Tier I Capital: Includes fully issued, subscribed and paid up capital, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for deficit on revaluation of available for sale investments. Tier II Capital: Includes general reserves for loan losses, revaluation reserves, exchange translation reserves, undisclosed reserves and subordinated debt.

Tier III Capital has also been prescribed by the SBP for managing market risk.

The required capital is achieved by the Company through:

- enhancement in the risk profile of asset mix at the existing volume level;
- ensuring better recovery management; and
- maintain acceptable profit margins.

### 36.2 CAPITAL ADEQUACY

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

	December 31, 2008	December 31, 2007
Rupees in '000		
Regulatory Capital Base		
Tier I Capital		
Shareholders equity	5,000,000	3,000,000
Reserves	72,602	28,149
Unappropriated profits	290,407	112,594
	5,363,009	3,140,743
Deductions:		
Book value of Goodwill and Intangibles	4,812	2,074
Deficit on account of revaluation of investments held in AFS category	81,849	4,465
	86,661	6,539
Total Tier I Capital	5,276,348	3,134,204
Eligible Tier II Capital	-	-
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	5,276,348	3,134,204

### 36.3 Risk Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
.....Rupees in '000.....				
Credit Risk				
Portfolios subject to standardized approach (Simple or Comprehensive)				
On balance sheet exposures				
Claims				
On GOP and SBP denominated in PKR	-	-	-	-
On Banks	23,496	19,049	261,067	238,107
On Corporates	180,630	103,283	2,007,003	1,291,042
Categorized as Retail portfolio	221	41	2,458	508
Fully secured by Residential property	834	260	9,263	3,250
Listed equity investments and regulatory capital instruments	43,177	14,856	479,742	185,702
Investments in fixed assets	3,557	2,921	39,522	36,516
All other assets	19,632	34,238	218,135	427,981
	271,547	174,648	3,017,190	2,183,106
Off balance sheet exposures				
Non-market related	8,101	-	90,008	22,366
Market related	-	-	-	-
	8,101	-	90,008	22,366
	279,648	174,648	3,107,198	2,205,472

	Capital Requirements		Risk Weighted Assets	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Equity Exposure Risk in the Banking Book	-	-	-	-
Market Risk				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	-	-	-	-
Equity position risk etc.	-	15,890	-	198,630
	-	15,890	-	198,630
Operational Risk				
<u>Capital Requirement for operational risks</u>	65,559	-	728,436	352,236
<b>TOTAL</b>	<b>345,207</b>	<b>190,539</b>	<b>3,835,634</b>	<b>2,756,338</b>
Capital Adequacy Ratio				
Total eligible regulatory capital held (Note: 36.2)		(a)	5,276,348	3,134,204
Total Risk Weighted Assets		(b)	3,835,634	2,756,338
Capital Adequacy Ratio (a) / (b)		138%	114%	

#### 36.4 Capital Management

##### Objectives of Managing Capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Company as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Company's Asset and Liability Committee (ALCO). ALCO is responsible for managing the Company's capital position vis-a-vis internal as well as regulatory requirements. ALCO also reviews the volume and mix of the Company's assets, liabilities and funding sources in light of liquidity, capital, risk and profitability considerations.

Company's capital management seeks:

- to comply with the capital requirements set by the regulators and the capital is comparable to the peers;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Company's assets to allow for an optimal deployment of the Company's resources;
- to protect the Company against unexpected events and maintain strong ratings;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Company to expand; and
- to achieve overall low cost of capital with appropriate mix of capital elements.

##### Externally Imposed Capital Requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFIs), SBP through its BSD Circular No. 19 of 2008 dated September 05, 2008 has asked the Banks/DFIs to raise their minimum paid up capital to Rs. 5 billion by the end of financial year 2008. Further, Minimum Paid up Capital has to be raised to Rs. 6 billion by the end of financial year 2009.

SBP through its BSD Circular No. 30, dated November 25, 2008, has directed all Banks/DFIs to achieve the minimum Capital Adequacy Ratio (CAR) of 9% on standalone as well as on consolidated basis latest by December 31, 2008. Banks are expected to raise their minimum Capital Adequacy Ratio (CAR) of 9% to 10% by December 31, 2009.

SBP through its BSD Circular No. 30, dated November 25, 2008, has directed all Banks/DFIs to achieve the minimum Capital Adequacy Ratio (CAR) of 9% on standalone as well as on consolidated basis latest by December 31, 2008. Banks are expected to raise their minimum Capital Adequacy Ratio (CAR) of 9% to 10% by December 31, 2009.

The paid up capital and CAR of the Company stands at Rs. 5 billion and 138% of its risk weighted exposure as at December 31, 2008.

The Company has complied with all externally imposed capital requirements throughout the year.

### 37. RISK MANAGEMENT

The Risk Management Framework (the Framework) provides principles for identifying, assessing, and monitoring risk within the Company. The Framework specifies the key elements of the risk management process in order to maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

#### Categories of Risk

The Company generates most of its revenues by accepting Credit, Liquidity and Market Risk. Effective management of these risks is the decisive factor in our profitability. In addition, the Company is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: Operational and Reputational Risk. The Framework is organized with reference to these five risk categories, as detailed below:

#### Credit Risk

This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a counter party.

#### Market Risk

The risk of loss generated by adverse changes in the price of assets or contracts currently held by the Company (this risk is also known as price risk).

#### Liquidity Risk

The risk that the Company is unable to meet its payment obligations or fund increases in assets when they fall due without incurring an unacceptable cost; the consequences of which may be the failure to meet obligations to repay investors and fulfill commitments to lend.

#### Operational Risk

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

#### Reputational Risk

The risk of failing to meet the standards of performance or behavior required or expected by stakeholders in commercial activities or the way in which business is conducted.

#### Risk Responsibilities

The Board of Directors (the Board) is accountable for overall supervision of the risk management process. The Board is responsible for approval of all risk policies and ensuring that these are properly implemented. Further, the Board appoints the senior management personnel who are capable of managing the risk activities conducted by the Company.

A separate unit has been set up for integrated risk management. The functions of this department is subject to the policies and manuals approved by the Board, Prudential Regulations and additional regulatory directives issued from time to time. The unit is independent of business generation and risk taking. A dynamic risk budget has been laid out that facilitates management of risk on a portfolio rather than on individual transaction basis. The risk management function is guided by the precincts of this strategy, keeping in view the risk taking capacity of the balance sheet as a whole.

Different Committees have been set up to review different kinds of risks; mainly being the Assets and Liabilities Committee (ALCO) and the Credit Committee (CC). A comprehensive risk management manual has been designed which covers all significant risks including credit, liquidity, market, and operational risks and provides guidance to management on risk controls, limits, risk measurement tools and a reporting framework.

### 37.1 Credit Risk

Credit risk, the potential default of one or more debtors, is the largest source of risk for the Company. The Company is exposed to credit risk through its lending and investment activities. The credit risk arising from exposure to corporates is governed by the Credit Policy and Credit Administration Frameworks. The counterparty credit risk arising from interbank lines are addressed in the Treasury policy framework.

The Bank manages 3 principal sources of credit risk:

- i) Sovereign credit risk on its public sector advances.
- ii) Non-sovereign credit risk on its private sector advances.
- iii) Counterparty credit risk on interbank limits.

#### Sovereign Credit Risk

When the Company lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GOP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GOP guarantee.

#### Non-Sovereign Credit Risk

When the Company lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower's credit worthiness is analyzed on a stand alone basis. The Company has formulated detailed internal credit rating models which assess prospective clients on both qualitative and quantitative factors. To supplement this, the Company has further outsourced a credit scoring software from a third party for the purpose.

#### Counter Party Credit Risk on Interbank Limits

In the normal course of its business, the Company's Treasury utilizes products such as Reverse Repo and call lending to meet the needs of the borrowers and manage its exposure to fluctuations in market interest rates and to temporarily invest its liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Company.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Company maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a financing relationship with the Company is BBB.

#### Credit Administration

Credit Administration Department is involved in minimizing losses that could arise due to security and documentation deficiencies.

#### Risk Analytics

To ensure a prudent distribution of asset portfolio, the Company manages its lending and investment activities within a framework of Borrower, Group and Sector exposure limits and risk profile benchmarks.

#### Stress Testing

The Company also conducts stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a semi-annual basis through assigning shocks to all assets of the Company and assessing its resulting affect on capital adequacy.

#### Regular Monitoring

Regular monitoring of the advances portfolio is carried out which focuses on early problem recognition and influences the front office to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the



existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should however, be noted that these actions are taken prior to incurring overdues on the facility.

#### Portfolio Diversification

While expanding the advances portfolio, efficient portfolio diversification has been a key consideration despite the relatively small size of operations.

### 37.1.1 SEGMENTAL INFORMATION

#### 37.1.1.1 Segments by class of business

	December 31, 2008			
	Advances (Gross)		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent
Cement	340,000	31%	-	-
Chemical and Pharmaceuticals	160,000	15%	-	-
Power (electricity), Gas, Water, Sanitary	200,000	19%	447,707	75%
Financial	145,000	14%	100,000	17%
Individuals	29,744	3%	-	-
Services	188,000	18%	-	-
Other	-	-	51,187	8%
	<u>1,062,744</u>	<u>100%</u>	<u>598,894</u>	<u>100%</u>

	December 31, 2007			
	Advances (Gross)		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent
Cement	150,000	59%	-	-
Textile	-	-	75,238	37%
Electronics and electrical appliances	-	-	25,000	12%
Chemical and Pharmaceuticals	-	-	34,963	17%
Financial	94,482	37%	70,310	34%
Individuals	9,962	4%	-	-
	<u>254,444</u>	<u>100%</u>	<u>205,511</u>	<u>100%</u>

		December 31, 2008			
		Advances (Gross)		Contingencies and commitments	
		Rupees in '000	Percent	Rupees in '000	Percent
37.1.1.2 Segment by sector	Public / Government	-	-	-	-
	Private	1,062,744	100%	598,894	100%
		<u>1,062,744</u>	<u>100%</u>	<u>598,894</u>	<u>100%</u>

		December 31, 2007			
		Advances (Gross)		Contingencies and commitments	
		Rupees in '000	Percent	Rupees in '000	Percent
	Public/ Government	-	-	-	-
	Private	254,444	100%	205,511	100%
		<u>254,444</u>	<u>100%</u>	<u>205,511</u>	<u>100%</u>

### 37.1.1.3 GEOGRAPHICAL SEGMENT ANALYSIS

		December 31, 2008			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
		.....Rupees in '000.....			
	Pakistan	373,465	5,528,893	5,281,160	598,894
		<u>373,465</u>	<u>5,528,893</u>	<u>5,281,160</u>	<u>598,894</u>
		December 31, 2007			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
		.....Rupees in '000.....			
	Pakistan	186,541	4,362,474	3,136,278	205,511
		<u>186,541</u>	<u>4,362,474</u>	<u>3,136,278</u>	<u>205,511</u>

### 37.1.2 Credit Risk Approach

The Company is following standardized approach for all its Credit Risk Exposures. Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, the Company utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard & Poors which are also recognized by the SBP.

The Standardised Approach to credit risk sets out fixed risk weights corresponding, where appropriate, to external credit assessment levels or for unrated claims.

### 37.1.2.1 Selection of ECAIs

The Company selects particular ECAI(s) for each type of claim. Amongst the ECAIs that have been recognised as eligible by SBP, the following are being used against each respective claim type.

Exposures to Public Sector Entities (PSEs): For PSE exposures, ratings of PACRA and JCR-VIS are used to arrive at risk weights.

Bank Exposures: For foreign banks (i.e., incorporated outside Pakistan), ratings of Moody's, S&P and Fitch is being used to arrive at risk weights. However, for local banks (i.e., incorporated in Pakistan) ratings of PACRA and JCR-VIS are used.

Corporate Exposures: Ratings assigned by PACRA and JCR-VIS are used for claims on Corporates (excluding equity exposures).

### 37.1.2.2 Use of ECAI Ratings

The Company prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

### 37.1.2.3 Mapping to SBP Rating Grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP.

### 37.1.2.4 Types of exposures and ECAI's used

December 31, 2008

Exposures	JCR-VIS	PACRA
Corporate		
Banks		
SME's		

### 37.1.2.5 Credit exposures subject to Standardized Approach

December 31, 2008

December 31, 2007

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	604,101	-	604,101	951,714	-	951,714
	2	1,089,177	-	1,089,177	702,513	-	702,513
	3, 4	551,577	-	551,577	203,617	-	203,617
	5, 6	114,606	-	114,606	-	-	-
Banks	1	1,761,703	-	1,761,703	1,352,986	-	1,352,986
	2, 3	9,350	-	9,350	9,299	-	9,299
	4, 5	479,742	-	479,742	185,702	-	185,702
Unrated		618,109	-	618,109	545,825	-	545,825
Total		5,228,365	-	5,228,365	3,951,655	-	3,951,655

### 37.2 EQUITY POSITION RISK IN THE BANKING/COMPANY BOOK

The Company makes investment for variety of purposes. Some of the investment positions of equity holding are made for revenue generation as part of strategic initiatives, while other equity holdings are held to earn capital gain to support the Company's business activities.

#### Classification of investments

Under SBP's directives, equity investment may be classified as "Held For Trading (HFT)", "Available for Sale (AFS)". Some of the equity investments are listed and traded in public through stock exchanges, while other investments are unlisted and therefore illiquid.

#### Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, valuation and accounting of equity investment is done as per the accounting policy of investment mentioned in note 4.5 of these financial statements. Further, composition of equity investments is available in in note 9 of these financial statements.

### 37.2.1 Market Risk

Market Risk Function has been partially set up with current responsibility of performing basic market risk measurement, monitoring and control functions. The Company is exposed to Interest Rate Risk and Equity Price Risk.

#### Market Risk Pertaining to the Trading Book

##### Trading Book

A trading book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must be held with the intent of trading and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively managed.

The Company's trading book includes equity securities classified as 'Held for Trading'. These positions are actively managed by the capital market desk. The Company's trading book constitutes capital market equities therefore, they are exposed to equity price risk.

#### Categories of Risk

##### Risk Pertaining to Banking Book Investment Portfolio

All investments excluding trading book are considered as part of banking book. Banking book includes:

- i) Available for sale securities

Treasury investments parked in the banking book include:

- i) Government securities
- ii) Capital market investments
- iii) Investments in TFCs and Sukuks

Due to the diversified nature of investments in banking book, it is subject to interest rate and equity price risk.

##### Interest Rate Risk – Banking Book

Government securities (PIBs & T-Bills) and other money market investments are subject to interest rate risk. Duration analysis is carried out to capture the risk associated with these securities. Stress testing is also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements.

##### Equity Position Risk – Banking Book

The Company's portfolio of equity securities categorized under 'Available for Sale' are parked in the banking book. These investments expose the Company to equity price risk.

##### Stress Testing

The Company also conducts Stress Testing of the investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Company. The exercise assumes various stress conditions, with respect to Market Risk (Rise or Fall in Interest Rates, leading to interest rate risk), Equity Price Risk resulting from Stock Market movements, and Liquidity Risk (ability to meet short-term obligations).

### Duration GAP Analysis

A Duration Gap Analysis is also conducted to ascertain the duration gap between the Company's assets and liabilities, to ascertain the effect of interest rate shifts on the market value of equity.

#### 37.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. The Company does not take any funded foreign exchange exposure, however, potential exposure is present through issuance of USD denominated SBLC. Currently, there is no hedging mechanism for the same given the unfunded nature as well as small exposure.

	December 31, 2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	.....Rupees in '000.....			
Pakistani Rupee	5,528,889	247,733	151,187	5,432,343
United States Dollar	4	-	447,707	447,711
	4	-	447,707	447,711
	<u>5,528,893</u>	<u>247,733</u>	<u>598,894</u>	<u>5,880,054</u>

	December 31, 2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	.....Rupees in '000.....			
Pakistani Rupee	4,362,474	1,226,196	205,511	3,341,789
United States Dollar	-	-	-	-
	-	-	-	-
	<u>4,362,474</u>	<u>1,226,196</u>	<u>205,511</u>	<u>3,341,789</u>

#### 37.2.3 Equity Position Risk

The Board with the recommendations of ALCO approves exposure limits applicable to investments in Trading Book. Equity securities are perpetual assets and are classified under either Held for Trading Portfolio or Available for Sale Portfolio.

The Equity Investment Committee is responsible for making investment decisions in the capital market.

##### Price Risk

Trading and investing in equity securities give rise to price risk. ALCO and the Investment Committee both ensure that through prudent trading strategy and use of equity futures, the equity price risk is mitigated, albeit to a certain extent. Interest rate risk can arise on account of rising interest rates causing a fall in the value of assets or falling interest rates causing an increase in the value of liabilities. While the Company is largely engaged in transactions on a floating rate basis in both borrowings and lending, rate reset frequency, ceilings and floors and choice of base rate can translate into interest rate risk.

Interest rate risk is monitored through regular reports on interest rate matching and duration estimates. Furthermore stress techniques are also used to estimate maximum losses in case of adverse movements in interest rates.



December 31, 2007

Effective Yield/ Interest rate	Total	Exposed to Yield/Interest risk										Non-interest bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	1,580	-	-	-	-	-	-	-	-	-	-	-	1,580
Balances with other banks	266,141	42,582	159,685	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,464,299	1,255,000	-	100,000	100,000	-	-	-	-	-	-	-	-
Investments	1,956,095	-	285,892	117,848	112,500	262,500	9,299	725,000	320,139	-	-	-	132,216
Advances	254,444	94,510	55	30,083	60,349	30,369	969	-	2,195	-	-	-	677
Other assets	379,081	-	-	-	-	-	-	-	-	-	-	-	379,081
	4,321,640	1,413,384	42,637	475,660	248,017	272,849	292,869	735,268	322,334	5,068	-	-	513,554
Liabilities													
Borrowings	1,150,000	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	20,529	536	771	1,557	4,050	4,418	9,197	-	-	-	-	-	-
Other liabilities	42,785	-	-	-	-	-	-	-	-	-	-	-	42,785
	1,213,314	1,150,000	536	771	1,557	4,050	4,418	9,197	-	-	-	-	42,785
On-balance sheet gap													
	3,108,326	263,384	42,101	474,889	246,460	268,799	288,451	726,071	322,334	5,068	-	-	470,769
Off-balance sheet financial instruments													
Commitments for underwriting	55,750	-	-	-	-	-	-	-	-	-	-	-	-
Commitments for transactions under continuous funding system	4,324	-	-	-	-	-	-	-	-	-	-	-	-
Commitments in respect of term finance certificates futures	145,437	-	-	-	-	-	-	-	-	-	-	-	-
	205,511	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap													
Total Yield/Interest Risk Sensitivity Gap	3,313,837	263,384	42,101	474,889	246,460	268,799	288,451	726,071	322,334	5,068	-	-	470,769
Cumulative Yield/Interest Risk Sensitivity Gap	263,384	305,485	780,374	1,026,834	1,295,633	1,584,084	2,310,155	2,632,489	2,637,557	3,108,326	-	-	3,108,326

Rupees in '000.



### 37.3

#### Liquidity Risk

Liquidity risk is the risk that the Company is unable to fund its current obligations and operations in the most cost efficient manner. ALCO is the forum to oversee liquidity management. The Company's main funding source is the inter-bank money market. Change in the government monetary policy and market expectations of interest rate are all important factors that can adversely affect the company's key funding source. Efficient and accurate planning plays a critical role in liquidity management. MIS provides information on expected cash inflows/out flows which allow the Company to take timely decisions based on the future requirements.

Gap analysis and stress testing is done on periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devise the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

#### 37.3.1 Maturities of Assets and Liabilities

	December 31, 2008								
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Total</b>	<b>4,267</b>	<b>4,267</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash and balances with treasury banks	14,870	5,948	-	-	-	-	-	-	-
Balances with other banks	1,519,299	1,085,000	8,922	-	-	-	-	-	-
Lendings to financial institutions	2,687,585	442,088	325,000	100,000	-	-	-	-	-
Investments	1,062,744	174,256	49,443	200,343	310,844	479,454	9,299	448,225	-
Advances	44,334	1,016	165,774	307,563	134,183	103,226	757,188	43,529	105,004
Operating fixed assets	27,236	-	2,033	6,099	12,171	9,271	10,695	27,236	-
Deferred tax assets	168,558	23,304	81,052	30,327	3,125	7,038	15,310	3,125	3,600
Other assets	5,528,893	1,293,791	859,608	615,682	460,323	598,989	863,257	556,354	32,296
<b>Liabilities</b>	<b>186,154</b>	<b>186,154</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Borrowings	20,710	175	611	1,771	3,978	4,642	8,697	-	-
Liabilities against assets subject to finance lease	40,869	25,666	879	13,005	-	-	-	-	-
Other liabilities	247,733	211,995	1,490	14,776	3,978	4,642	8,697	-	-
Deferred tax liabilities	5,281,160	1,081,796	858,118	600,906	456,345	594,347	854,560	556,354	32,296
<b>Net assets</b>	<b>5,000,000</b>	<b>72,602</b>	<b>290,407</b>	<b>(81,849)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Share capital									
Reserves									
Unappropriated profit									
Deficit on revaluation of assets									
	<u>5,281,160</u>								

..... Rupees in '000.....

Total	December 31, 2007									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
	.....Rupees in '000.....									
<b>Assets</b>										
Cash and balances with treasury banks	1,580	500	580	-	-	-	-	-	-	-
Balances with other banks	266,141	42,582	159,685	-	-	-	-	-	-	-
Lendings to financial institutions	1,464,299	-	-	100,000	100,000	-	-	-	-	-
Investments	1,956,095	132,216	285,892	117,848	112,500	262,500	9,299	320,139	-	-
Advances	254,444	94,530	30,144	30,292	60,597	30,553	969	7,263	-	-
Operating fixed assets	38,590	757	2,270	4,541	9,083	8,717	11,708	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	381,325	1,305	293	-	-	-	2,719	-	-	5,355
<b>Liabilities</b>	<b>4,362,474</b>	<b>1,918,530</b>	<b>478,864</b>	<b>252,681</b>	<b>282,180</b>	<b>301,770</b>	<b>749,695</b>	<b>327,402</b>	<b>5,355</b>	<b>5,355</b>
<b>Borrowings</b>	<b>1,150,000</b>	<b>1,150,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Liabilities against assets subject to finance lease	20,529	536	771	1,557	4,050	4,418	9,197	-	-	-
Other liabilities	54,504	16,561	2,818	591	-	-	-	-	-	-
Deferred tax liabilities	1,163	-	-	-	-	-	1,163	-	-	-
<b>Net assets</b>	<b>1,226,196</b>	<b>1,184,534</b>	<b>3,589</b>	<b>2,148</b>	<b>4,050</b>	<b>4,418</b>	<b>10,360</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>3,136,278</b>	<b>733,996</b>	<b>28,900</b>	<b>475,275</b>	<b>250,533</b>	<b>278,130</b>	<b>297,352</b>	<b>739,335</b>	<b>327,402</b>	<b>5,355</b>
<b>Share capital</b>	<b>3,000,000</b>									
Reserves	28,149									
Unappropriated profit	112,594									
Deficit on revaluation of assets	(4,465)									
	<b>3,136,278</b>									

37.4

**Operational Risk**  
The Company, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

The Company maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the Company's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice. The Company has developed a Business Continuity Plan applicable to all its functional areas. Currently the Company uses the Basic Indicator Approach for assessing its operational risk capital charge.

38. GENERAL

38.1 Credit rating

The Company has been assigned credit rating of 'AA+' (Double A Plus) in the medium to long term and A1+ (A One Plus) in the short-term by The Pakistan Credit Rating Agency Limited (PACRA), a SBP-approved rating agency. These ratings indicate a low expectation of credit risk emerging from our strong capacity to discharge financial obligations.

38.2 Figures have been rounded off to the nearest thousand rupees.

39. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on 08 March 2009 by the Board of Directors of the Company.



Ayesha Aziz  
Chief Executive



Junaidi bin Haji Masri  
Director



Tariq Mahmood Pasha  
Director



Hj Mohd. Amin Liew bin Abdullah  
Chairman



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