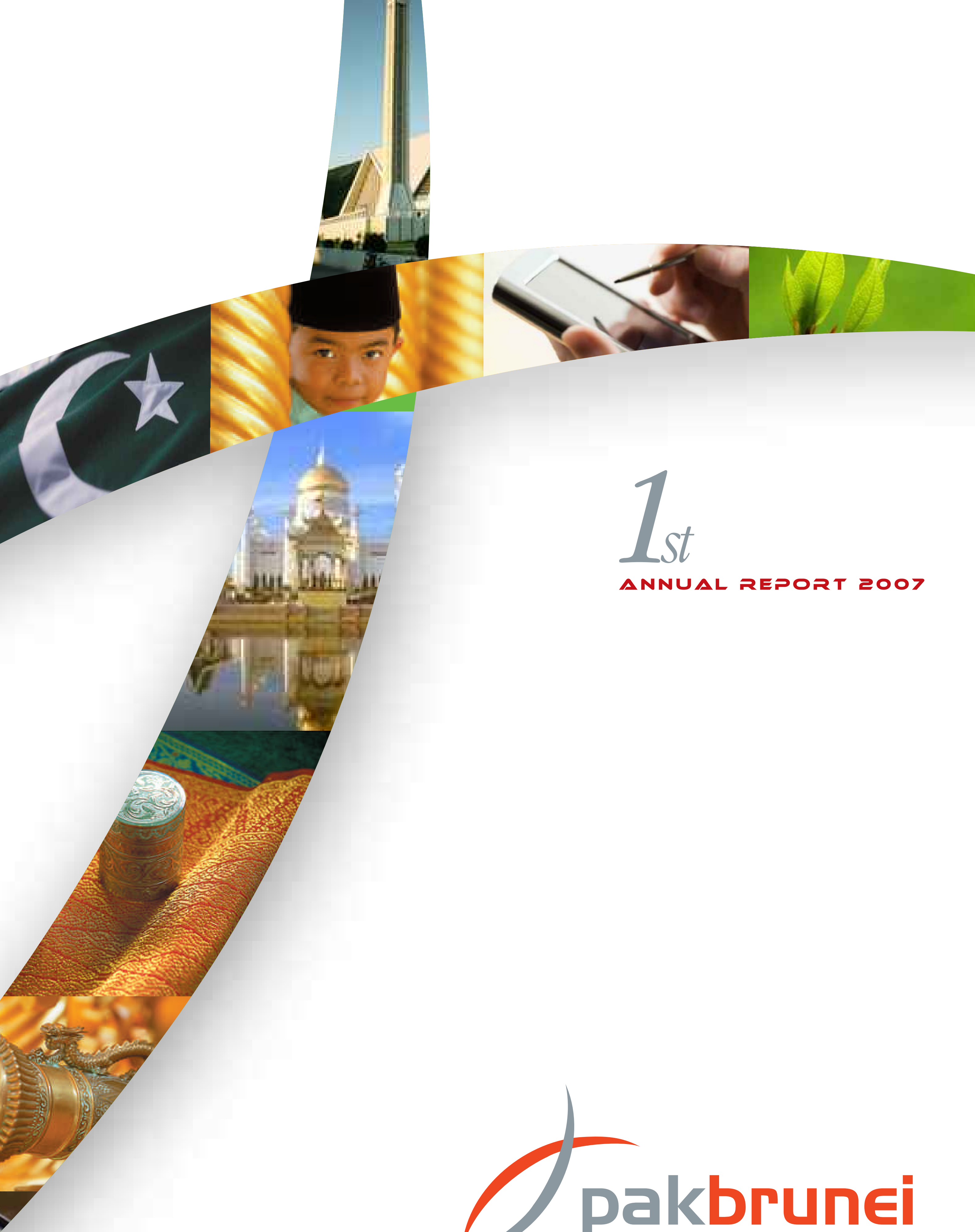


1st
ANNUAL REPORT 2007

pakbrunei
INVESTMENT COMPANY

A Word About The Company

Pak Brunei Investment Company is a new partnership between two sovereign shareholders which brings together the expertise of a young and dynamic team fully equipped to make use of the opportunities within Pakistan and beyond. Promoting cross-border investment between the Islamic Republic of Pakistan and other countries in the region, particularly Brunei Darussalam, will remain a key focus area. The Company will endeavor to identify, structure, and close transactions that meet internal return thresholds and also play a role in the development of high growth sectors of Pakistan.

1st

ANNUAL REPORT 2007

pakbrunei

INVESTMENT COMPANY

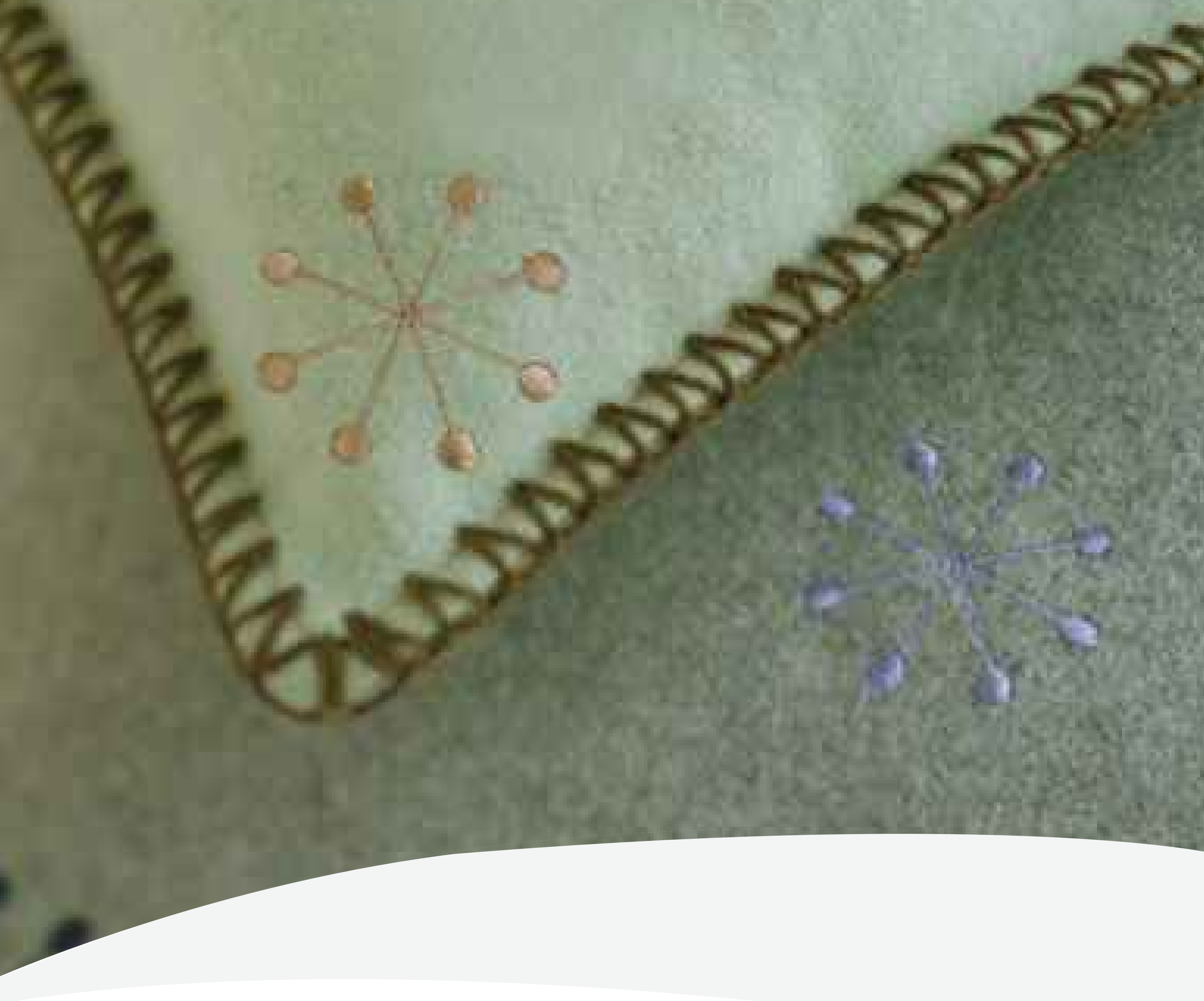
Pak Brunei Investment Company Limited

1st Floor, Razi Tower, Plot No. BC-13 Block-9, Clifton, Karachi
Telephone: 0092-21-5309093-99 Fax: 0092-21-5309092
Email: info@pakbrunei.com.pk

Contents

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

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

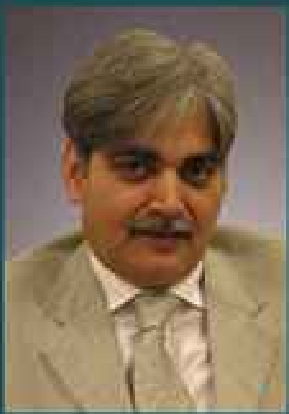
CUSTOMER FOCUS

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

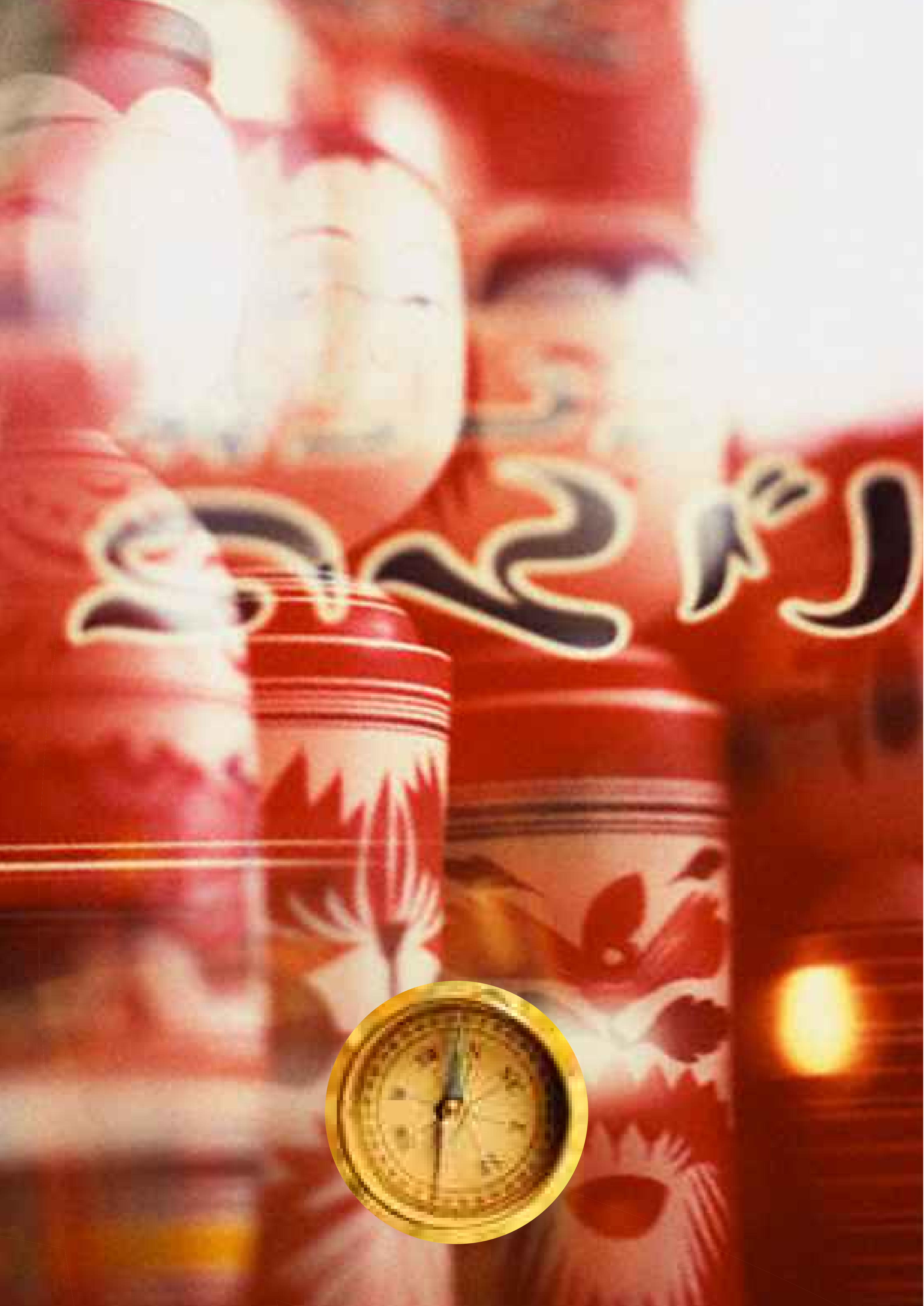
Company Structure

SPONSORS	Government of Pakistan and Brunei Investment Agency
PAK BRUNEI INVESTMENT COMPANY	Formed as a DFI regulated by State Bank of Pakistan with paid up capital of PKR 3.0 billion (currently PKR 4.0 billion)
MANAGEMENT	Small, energetic team with high ethical and professional standards
REGULATORS	State Bank of Pakistan regulatory framework; Companies Ordinance 1984 (SECP)
CLIENT BASE	Exposure to be taken in diversified sectors/ strong client relationships to be forged to generate broad based business
LENDERS/ DEPOSITORS/ INVESTORS	Low reliance on one source, efficient and cost effective sources to be pursued

Board of Directors

Dr. Hj Mohammad Amin Liew bin Abdullah Managing Director Brunei Investment Agency	Chairman
Mr. Tariq Mahmood Pasha Joint Secretary Ministry of Finance Government of Pakistan	Director
Mr. Junaidi bin Haji Masri Deputy General Manager Venture Capital & Strategic Investment Brunei Investment Agency	Director
Ms. Ayesha Aziz Managing Director Pak Brunei Investment Company Ltd.	Managing Director



Management Profiles

Ayesha Aziz

Managing Director

Ms. Aziz brings with her over 16 years of experience in Project Finance, Arrangement of Private Equity, Structuring and Placement of debt and equity, Syndicated loans, 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 subsidiaries/ strategic initiatives including an asset management company, a microfinance bank and an off shore branch office before moving to Pak Brunei.

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

Abdul Jaleel Shaikh

Group Head Operations

Mr. Shaikh brings with him more than thirty years of diversified experience in the fields of Project Management, Corporate Finance, Credit Administration, Human Resources, General Administration and Civil Engineering. Mr. Shaikh worked for about 10 years in Saudi Arabia largely in the field of engineering, on several projects of strategic importance. His career with Saudi Pak Industrial & Agricultural Investment Company (Pvt) Limited (SAPICO) at Islamabad spanned over 20 years. Mr. Shaikh represented SAPICO on all business and strategic decision making committees as well as on boards of various companies.

Pakbrunei

Corporate Team

Equity Group

Advisory and Strategic Investment Group

Treasury Group

Operations Group

Finance Group

Abdul Hafeez
CFO & Company Secretary

Mr. Abdul Hafeez is an associate member of the Institute of Chartered Accountants of Pakistan. He holds 11 years of work experience in financial management including management of corporate affairs, taxation and audit.

Tariq Ahsan
Head, Treasury Division

Mr. Ahsan is heading the Treasury Group at Pak Brunei Investment Company. He is a known name in the treasury fraternity in Pakistan and has to his credit 19 years of working experience in both commercial banks and financial institutions.

Prior to joining Pak Brunei Investment Company,
Mr. Ahsan has served as the Head of Treasury at PICIC Commercial Bank for 9 years.

Mr. Ahsan has a Masters Degree in Business Administration and besides PICIC Commercial Bank his work experience encompasses organizations like Mashreq Bank, National Development Finance Corporation and National Development Leasing Corporation.

Syed Misbah Maqbool
Head of Equities

Mr. Maqbool joined Pak Brunei Investment Company from National Bank of Pakistan where he was Vice President & Equity Investment Head – Investment Banking Division.

Mr. Maqbool holds an MBA in Finance from the Institute of Business Administration, and is currently a candidate for the CFA – Level III Examination in 2008.

Erum Ghaznavi
Unit Head - Advisory & Strategic Investment Group

Ms. Erum Ghaznavi has more than 8 years of local as well as international work experience in Real Estate Structuring, REITs, Project Financing & Debt Structuring and Research.
Ms. Ghaznavi worked with Deutsche & Citibank N.A. during her stay in London.

Erum has a graduate degree from Lahore University of Management Sciences (LUMS).

Syed Ali Adnan
Unit Head - Advisory & Strategic Investment Group

Mr. Ali Adnan brings with him more than 15 years of work experience in Corporate Finance & Advisory, Finance, Operations, Trustee/custodial services, Legal & Compliance, Tax and Audit.

Mr. Adnan is a Chartered Accountant (ACA) and Cost & Management Accountant (ACMA). Mr. Adnan worked with Bluechip companies in the past.

Fawwad Kazmi
Unit Head - Advisory & Strategic Investment Group

Fawwad Kazmi, has over 6 years of experience in Investment Banking and Advisory. Before joining Pak Brunei, he was Unit Head Advisory in Jahangir Siddiqui Global Capital Limited and successfully closed a landmark equity arrangement of USD 30 million via book building for Engro Asahi Polymer & Chemicals Limited. Fawwad is an MBA from Institute of Business Administration (IBA) and has been involved in various Privatization, Listing, Mergers & Acquisition and Project Finance transactions during his career.

Faiza Kapadia
Head of Legal and Compliance

Ms.Faiza Kapadia is a lawyer by profession and has over 9 years experience in the legal field.

Ms. Kapadia commenced her career at Liaquat Merchant Associates, a Corporate Law Firm In 2001 she moved as In-house Legal Counsel for Engro Chemical Pakistan Limited and its subsidiaries, Engro Asahi Polymer and Chemicals Limited, Engro Vopak Terminal Limited and Engro Foods Limited.

Ms.Kapadia has also served as Internal Legal Consultant for Citibank N.A.'s Corporate business .

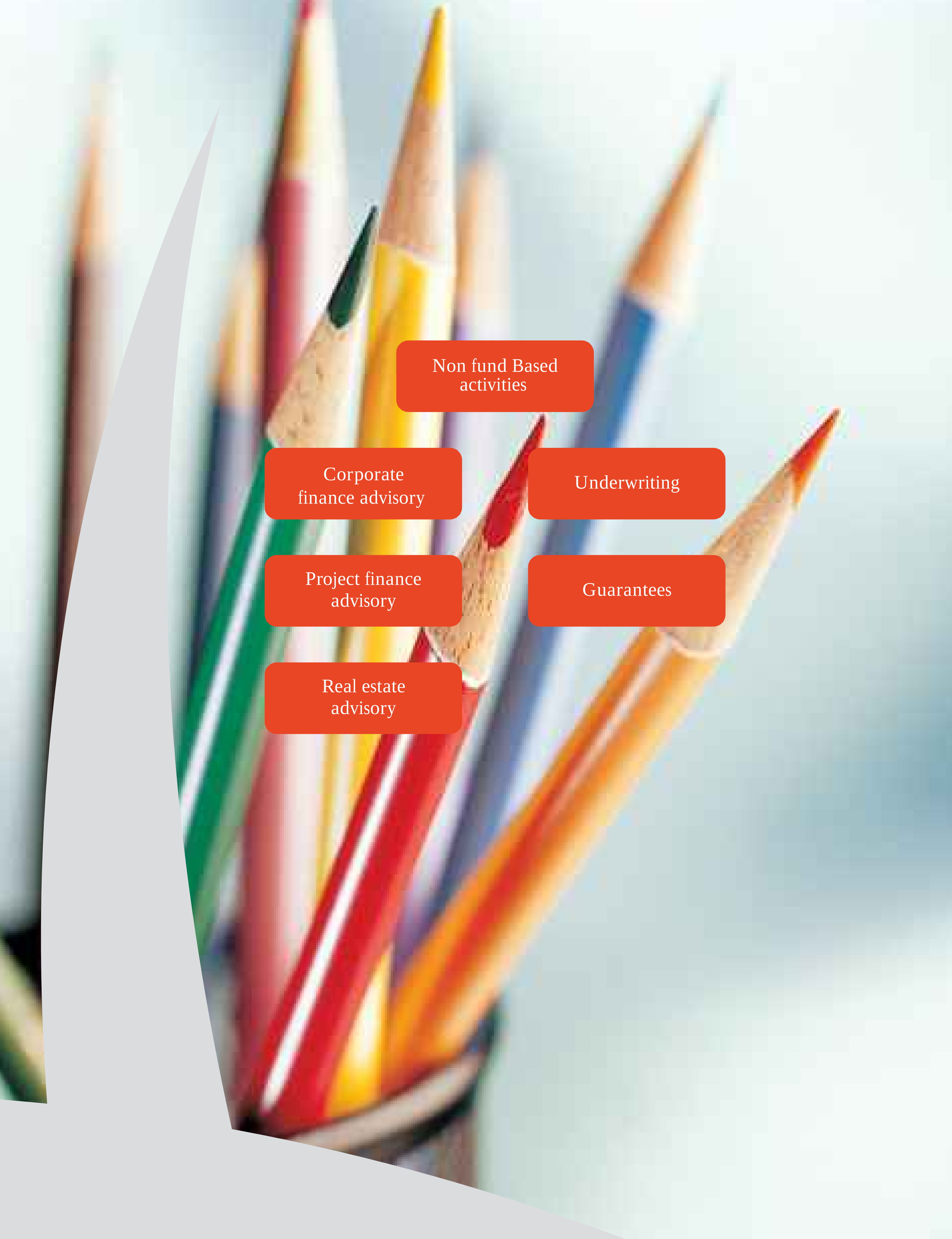
Sadaf Aliuddin
Unit Head Risk Management

Ms. Aliuddin has over 08 years of work experience. She was actively involved in risk assessment and credit rating of top corporate and financial institutions in Pakistan during her association with JCR-VIS Credit Rating Company Limited where she was serving as the Unit Head and Voting Member of the Rating Committee.

Ms. Aliuddin is an MBA from Institute of Business Administration (IBA). She is also a CFA and FRM Charter holder.

Range of Activities

- Fund based Activities
  - Short term debt
  - Short and medium term trading portfolios
  - Medium and long term debt
  - Strategic investment portfolio
  - Structured finance



Non fund Based activities
Corporate finance advisory
Underwriting
Project finance advisory
Guarantees
Real estate advisory

Milestones

Joint Venture signed	March 17, 2006
Incorporation of the Company	November 28, 2006
First Board Meeting	December 18, 2006
Temporary MD & Board Set up	December 18, 2006
Auditor's Appointment	December 18, 2006
Ministry of Finance notification of Pak Brunei as DFI	December 21, 2006
Certificate of commencement of Business from SECP	March 07, 2007
Renting of Office Premises	April 15, 2007
Appointment of Managing Director	May 14, 2007

Business Plan Approved	July 04, 2007
Appointment of Chief Financial Officer	July 04, 2007
Permission to commence business from SBP	August 20, 2007
Formal Start of Business Activities	September 1, 2007
Statutory Meeting of Shareholders	September 05, 2007
Appointment of Core Team	September 05, 2007
Approval of Policy Manuals - Treasury - Equities - Human Resource	September 05, 2007
Shifting to new office	October 01, 2007

Chairman's Review

I am pleased to share with you, our stakeholders, the financial results of Pak Brunei Investment Company and highlight our efforts at institutional building during these first few months since commencement of business.

We have exceeded our initial expectations of profit after tax at PKR 140.743 million, posting an annualized gross return on average equity of 12.21%. We were successful in building a small, cohesive and professionally capable team that immediately started the process of establishing the Company's credentials in the local market. Within months of commencement, Pak Brunei led and jointly arranged several debt placements through marketable instruments, both conventional and Islamic, and participated in a number of syndicated finance deals, establishing itself as a strong contender for investment banking business in the local industry. Meanwhile prudent and astute investments in money and capital markets also resulted in solid earnings for the Company.

Economic Environment

The year 2007 has been a difficult one for financial markets across the world, with global banks posting credit losses in the sub-prime mortgage markets during the second half of 2007 accompanied by a widespread liquidity crunch. Difficulties may well spill over into the beginning of 2008 with the risk of an economic recession looming ahead. The continuous and sharp slide of the US dollar has caused ripples across the world's business landscape and rising oil prices have widened the trade deficit of many non-oil producing economies.

Pakistan's trade deficit had widened to about 9% by the close of FY2007 while economic growth remained a robust 7% during the same period.

GDP growth expectations have been revised down to 6% for FY2008. Overall inflation was lower during 2007 as the State Bank's tight monetary stance continued during the year, with returns on fresh government issues inching up.

Stock markets in the country remained volatile from quarter to quarter and following the events of the last week of December dipped by 4% on New Year's eve. However, on a year on year basis, the market posted an increase of more than 40% and gave the watchful investor innumerable opportunities to enhance yield on investments.

On the regulatory front, the State Bank of Pakistan maintained its firm stance on raising the standards for classification and provisioning of loans. From January 2008, banks and DFIs will report capital adequacy ratios using the standardized approach for credit and market risks and the basic indicator /standardized approach for operational risks, as laid out by the Basle Committee, running parallel to Basle I reporting. This should increase the efficiency of the local financial industry and optimize the level of capitalization in individual financial institutions.

International rating agencies have expressed concerns regarding deterioration of the country's sovereign risk profile which may be expected to have negative implications for the flow of foreign investment in Pakistan. However, at Pak Brunei, we remain optimistic and hopeful of a year of solid growth in the financial sector in general and at Pak Brunei in particular.

Operational Performance

The first few months since commencement of our operations (SBP Commencement Certificate received on August 20th 2007), proved to be a promising beginning to what we hope will be a bright future for Pak Brunei. A brief profile of the Company's activities by business groups is given below:

Advisory and Strategic Investments Group

In the long-term, Advisory and Strategic Investment Group should define the core activities of the Company. Resources in this Group comprise professionals with expertise in product structuring, legal and financial due diligence, market research, and distribution networks. This Group will primarily focus on principal investment activity of the Company, while also promoting and supplementing the operations of the Company by offering the entire range of investment banking services. While Pak Brunei expects to remain active in syndicated as well as bilateral debt transactions, deals structured by the Advisory and Strategic Investment Group that also involve equity exposures (arranged from the market and also taken on the Company's own book) are likely to form a noteworthy part of the business generated in this area.

During the period under review, the Group focused on advisory and arrangement mandates using innovative and efficient structures, particularly Shariah compliant structures. Pak Brunei closed as Joint Lead Advisors and Arrangers, long term debt of approx. PKR 9.0 billion, and successfully revived the market for Commercial Paper (unsecured short term debt instrument) by executing total deals of almost PKR 2.0 billion. Pak Brunei has also been mandated as Lead Advisor to

arrange equity through private placement as well as public offering for companies in the Technology, Real Estate, Auto and Financial sectors.

Prominent amongst transactions undertaken and closed during 2007 are:

Achieved financial close as Joint Lead Advisors and Arrangers

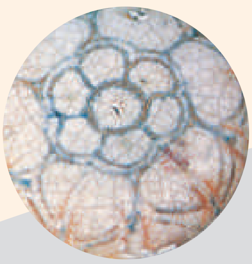
- PKR 5,000 million Sukuk for Sui Southern Gas,
- PKR 3,000 million Eden Housing Limited
- PKR 750 million Sukuk for New Allied Electronics

Successfully closed as Lead Advisors and Arrangers on

- PKR 1,000 million Commercial Paper (CP) for Pace Pakistan Limited,
- PKR 285 million Commercial Paper (CP) for WorldCall and
- PKR 500 million Commercial Paper (CP) for Pak Elektron

Mandated Financial Advisors for South Asia Steel Pakistan, raising equity for Tuwariqi Steel, Pre-IPO and IPO of Pace Barka Properties

Apart from capital raising, mergers & acquisitions, corporate finance and strategic advisory services, this area of the Company has been established to identify undervalued investment opportunities which may be in sectors that are traditionally neglected and where the value is hidden by any number of inefficiencies. The Company's role would include working with various partners, co-investors and financiers, to realize this value.



Treasury & Funds Management

During the period under review, the primary emphasis of Treasury was on establishment of money market lines with various financial counterparts, simultaneously increasing the scope of its operations in the money market by generating income through gap trading and spread based transactions.

The Treasury Group focused on building and maintaining a diversified portfolio, with a greater emphasis on building up a long term debt portfolio mainly comprising floating rate instruments, in order to optimize the risk-return equation. Moreover, Treasury remained active in the secondary debt market, exploiting the opportunities to generate capital gains as and when available.

Going forward, Treasury strategically aims entry into the bond market in order to build a Government Securities Portfolio, at a time when according to the Treasury's view, the interest rates in the market have peaked and the market exhibits signs of a reversal of interest rates. Furthermore, it plans to offer derivative instruments interest rate swaps to its customers.

Alongside building and solidifying Pak Brunei Investment Company's balance sheet, investing in lucrative business opportunities and actively participating in the interbank market, the Treasury Group also aims to develop and maintain a strong distribution network to support the Company's investment banking activities.

Capital Markets Unit

Pak Brunei followed a value stock based strategy, investing largely in liquid, blue-chip scrips that offer steady dividend streams in addition to potential capital gains. Cross-sector diversification and compliance with both applicable regulations and risk management policies of the Company remained the most significant drivers of the equity investment strategy. Despite volatility in markets, Pak Brunei has been successful in earning healthy returns over its portfolio, while exhibiting a much lower degree of volatility, relative to the market. Pak Brunei has been able to fill all key vacancies and is fully geared to provide its business departments with the back-end support needed to ensure smooth operations.

Future Outlook

Pak Brunei envisions a future role as a vanguard of financial innovation in the industry. As a new entrant, the Company has a long way to go, but it is supported by a fully engaged Board of directors, a strong management team, and the backing of its shareholders to help meet its objectives.

Tremendous opportunities are available in the area of private equity investment in Pakistan. While neighboring emerging economies have made considerable progress in this area, Pakistan's financial sector lags behind in tapping the country's vast entrepreneurial potential. We expect to make some headway in this direction during 2008.

The heretofore largely unconventional and growing sectors also offer attractive opportunities and Pak Brunei plans to take exposure in real estate, construction, agriculture, and energy sectors through properly structured and efficient investment vehicles.

Dr. Hj Mohammad Amin Liew bin Abdullah
Chairman

March 17, 2008

Directors' Report

The Directors of Pak Brunei Investment Company take great pride in presenting the first annual report and audited accounts of the Company along with the auditor's report thereon.

The financial sector continued to grow in 2007 with several new players entering the market. Moreover, Islamic finance received a tremendous boost creating opportunities in investment banking and fund management across the industry.

There has been a marked and consistent improvement in the level of professional skill-set within the investment industry as well as a continually improving regulatory framework. Nevertheless, the current year is expected to be a challenging one for the financial sector as banks and other financial institutions will be tested on whether investment made over the past in information systems, increased controls and more stringent risk management practices, was indeed enough.

Our focus during the first few months of operations in 2007 was on building a strong operational platform from which our business activities would be carried out. To deploy available funds, a fixed-income portfolio was built up through investment in tradable debt instruments, some of which were through transactions structured and originated by Pak Brunei. These deals generated fee income in addition to providing attractive investment returns, while also offering easy and attractive exit opportunities in secondary markets. In addition to a portfolio of marketable debt investments, the Company also began building up a loan book comprising largely short-term financing to financially strong counterparties. A number of new relationships have been established with customers and financial market counterparts and in a short period of time, Pak Brunei has earned itself a presence in the local investment banking arena. Our year-end results were heartening, not just in terms of financial performance but also the milestones achieved in terms of institution building. A young, qualified and energetic team has been put together within a strong culture of shared goals and objectives. The risk management function has been given a high priority and senior resources have been dedicated towards this end.

Financial Highlights

	31-Dec-07	
	PKR in million	US $ in million
Interest Income	177.507	2.891
Non-Interest Income Dividend and Capital Gain Fee Income	 55.931 11.351	 0.911 0.185
Gross Income	244.806	3.987
Profit before taxation	186.541	3.038
Total Assets	4,362.47	71.05
Shareholders Equity	3,140.74	51.152
Earning per share (EPS)	PKR 0.75	US $ 0.012
Gross return on average equity	12.21%	

The recommendation for appropriation is as follows:

	December 31, 2007	
	PKR in million	US $ in million
To Statutory Reserve	28.149	0.458

Credit Rating

As per regulation, Pak Brunei is required to obtain a credit rating within 6 months of close of its first financial year. It is intended that a credit rating will be obtained from an approved rating agency to fulfill regulatory obligations.

Corporate and Financial Reporting Framework

The Directors declare that:

- The financial statements prepared by the management of Pak Brunei Investment Company, 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
- 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

Statement of Internal Control

It is the responsibility of the Company's management to ensure adequate checks and balances throughout the organization and document policies and procedures to facilitate controls.

At Pak Brunei we appreciate the importance of a sound control environment as a facilitator of smooth functioning of business areas and have given the area its due importance in the organizational structure. The internal audit department will be an integral element of internal controls.

We will continually upgrade our systems and detail policies for all functional areas. A Compliance unit has also been established to ensure adherence to these policies while also ensuring compliance with various applicable laws and regulations in Pakistan.

Risk Management

We believe that it is as important to protect an institution from the possibility of losses as it is to generate profits. The performance of each team member is assessed as a function of risk and return contribution. In its very first few months of operations, Pak Brunei has instituted an independent Risk Management Unit which is responsible for the measurement and monitoring of risks as well as notifying Management of any improvements required in the organization's risk management framework.

The function maintains a watch over 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 essential activities of the Company. These are the Asset & Liability Management Committee, Credit Committee, IT steering Committee, Purchase Committee and a Co-ordination Committee to maintain an eye over operational issues and other miscellaneous matters.

Pak Brunei acknowledges that while it is in the business of taking risk, it will undertake exposures at the right price with a consciousness of the risks involved and to the extent where it has the capacity to undertake the said risk.

In order to safeguard against undue risks, Pak Brunei has documented policy manuals covering essential risk areas including Credit Policy & Credit Administration, Risk Management, Administration, Finance & Accounting, Compliance, Treasury and Funds Management, Equity Investments, and Management Information Systems. As the institution grows, there will be an ongoing effort to upgrade systems and controls already established.

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 General Ledger functions. We are also in the process of purchasing a credit monitoring software to support our financing activities. This will be integrated with the General Ledger for consolidated reporting.

Pak Brunei has also identified risk-assessment software, to facilitate its internal rating system, which will also help the Company comply with regulatory requirements.

Details of Meetings and Attendance

A total of 6 meetings of the Board of Directors were held during the period from November 28, 2006 to December 31, 2007 and were attended by the Directors as follows:

Name	No. of meetings attended
Dr. Hj Mohammad Amin Liew bin Abdullah	6
Mr. Junaidi bin Haji Masri	6
Ms. Ayesha Aziz	3
Dr. Waqar Masood Khan	1
Mr. Muhammad Iqbal Hussain (temporary director)	5
Mr. Zafar Iqbal (temporary director)	3

Change in Directors

There was a change in the Board of Directors whereby Mr. Muhammad Iqbal Hussain was replaced by Dr. Waqar Masood Khan and Mr. Zafar Iqbal was replaced by Ms. Ayesha Aziz as the Managing Director.

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 re-appointment.

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 2008.

Pattern of Shareholding

Shareholder	Shareholding (%)
Ministry of Finance-Government of Pakistan	49.99933%
Brunei Investment Agency	50.00000%
Secretary, Economic Affairs Division-Government of Pakistan	0.000667%

Acknowledgements

The Board is grateful to both 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 their excellent teamwork and dedicated efforts in ensuring a successful start of operations.

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.

For and on behalf of the Board of Directors

Ayesha Aziz
Managing Director

March 17, 2008

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 period ended December 31, 2007 the Company has established the internal audit department subsequent to period end and is in the process of arranging an orientation course for directors.

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 period ended December 31, 2007.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi: March 17, 2008

Statement of Compliance with the Code of Corporate Governance For the period ended December 31, 2007

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 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, 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 NBFI or being a member of a stock exchange, has been declared as a defaulter by that stock exchange

4. No casual vacancy occurred on the Board during the period ended December 31, 2007. However, the Ministry of Finance, Government of Pakistan, nominated/appointed two permanent directors on September 08, 2007 on place of two temporary directors who were nominated/appointed on November 07, 2006.

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 6 times during the period 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 period.

10. The Board has approved the appointment of the CFO and Company Secretary and as authorized by the Board his remuneration and terms and conditions of employment were determined by the CEO.

11. The Company has appointed the Head of Internal Audit and established the Internal Audit Department subsequent to period end. Further, the Company is in process of arranging an orientation course for directors as the Company commenced its business recently from August 20, 2007.

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. The Board has formed an audit committee consisting of three non-executive directors, including the Chairman.

17. The meeting of the audit committee was held prior to approval of interim results of the Company for the quarter ended September 30, 2007 as required by the Code. The terms of reference of the audit committee have been formed and advised to the audit committee for compliance.

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

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

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

Dr. Hj Mohammad Amin Liew bin Abdullah
Chairman

Ayesha Aziz
Managing Director

Karachi: March 17, 2008

Financial Statement

For the period ended December 31, 2007

Auditors' Report to the Members

We have audited the annexed balance sheet of **Pak Brunei Investment Company Limited** (the Company) as at December 31, 2007 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 period ended from November 28, 2006 to December 31, 2007 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 as mentioned in note 4 to the financial statements with which we concur;

   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, 2007 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 17, 2008

Balance Sheet

AS AT DECEMBER 31, 2007

	Note	2007 Rupees in '000
ASSETS		
Cash and balances with treasury banks	5	1,580
Balances with other banks	6	266,141
Lendings to financial institutions	7	1,464,299
Investments	8	1,956,095
Advances	9	254,444
Operating fixed assets	10	38,590
Deferred tax assets - net		-
Other assets	11	381,325
		4,362,474
LIABILITIES		
Bills payable		-
Borrowings	12	1,150,000
Deposits and other accounts		-
Sub-ordinated loans		-
Liabilities against assets subject to finance lease	13	20,529
Deferred tax liabilities	14	1,163
Other liabilities	15	54,504
		1,226,196
NET ASSETS		3,136,278
REPRESENTED BY		
Share capital	16	3,000,000
Reserves		28,149
Unappropriated profit		112,594
		3,140,743
Deficit on revaluation of securities - net of tax	17	(4,465)
		3,136,278
CONTINGENCIES AND COMMITMENTS	18	

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

Profit and Loss Account

FOR THE PERIOD ENDED FROM NOVEMBER 28, 2006 TO DECEMBER 31, 2007

	Note	2007 Rupees in '000
Mark-up/Return/Interest Earned	19	177,507
Mark-up/Return/Interest Expensed	20	630
Net Mark-up/ Interest Income		176,877
Provision against non-performing loans and advances		-
Provision for diminution in the value of investments		-
Bad debts written off directly		-
		-
Net Mark-up/ Interest Income after provisions		176,877
NON MARK-UP/INTEREST INCOME		
Fee, Commission and Brokerage Income		11,351
Dividend Income		2,105
Income from Dealing in Foreign Currencies		-
Gain on Sale of Securities	21	56,317
Unrealized loss on revaluation of investments classified as held-for-trading	8.5	(2,491)
Other Income		17
Total non-markup/interest Income		67,299
		244,176
NON MARK-UP/INTEREST EXPENSES		
Administrative expenses	22	53,810
Other provisions/reversals		-
Other charges	23	3,825
Total non-markup/interest expenses		57,635
		186,541
Extra ordinary/unusual items		-
PROFIT BEFORE TAXATION		186,541
Taxation – Current		44,135
- Prior years		-
- Deferred		1,663
	24	45,798
PROFIT AFTER TAXATION		140,743
Unappropriated profit brought forward		-
Profit available for appropriation		140,743
Basic earnings per share	25	0.75
Diluted earnings per share	26	0.75

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive	Director	Director	Chairman

Cash Flow Statement

FOR THE PERIOD ENDED FROM NOVEMBER 28, 2006 TO DECEMBER 31, 2007

	Note	2007 Rupees in '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		186,541
Less: Dividend Income		2,105
		184,436
Adjustments for non-cash charges		
Depreciation	10.2	1,658
Amortization	10.3	118
Unrealized loss on revaluation of investments classified as held-for-trading	8.5	2,491
Finance charges on leased assets		448
		4,715
		189,151
Increase in operating assets		
Lendings to financial institutions		(1,464,299)
Held-for-trading securities		(101,806)
Advances		(254,444)
Others assets		(381,325)
		(2,201,874)
Increase in operating liabilities		
Borrowings		1,150,000
Other liabilities (excluding current taxation)		43,967
		1,193,967
		(818,756)
Financial charges paid		(448)
Income tax paid		(33,598)
Net cash used in operating activities		(852,802)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities		(1,861,745)
Dividend income received		2,105
Investments in operating fixed assets		(20,169)
Net cash used in investing activities		(1,879,809)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease obligations		332
Proceeds from issue of share capital		3,000,000
Net cash flows from financing activities		3,000,332
Increase in cash and cash equivalents		267,721
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	27	267,721

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive | Director | Director | Chairman

Statement of Changes in Equity

FOR THE PERIOD ENDED FROM NOVEMBER 28, 2006 TO DECEMBER 31, 2007

	Share capital	Capital reserve Statutory	Unappropriated profit	Total
	……………… Rupees in '000		…………………	
Balance as at November 28, 2006	-	-	-	-
Profit 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	3,000,000	28,149	112,594	3,140,743

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Director Director Chairman

Notes to the Financial Satements

FOR THE PERIOD ENDED FROM NOVEMBER 28, 2006 TO DECEMBER 31, 2007

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 interlia 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 5A, 5th Floor, Executive Tower, Dolmen City, Marine Drive, Block-4, 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 (IASB) as are notified under the Companies Ordinance, 1984, directives issued by the State Bank of Pakistan, the Banking Companies Ordinance, 1962 and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the requirements of the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the requirements of the directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan take precedence.

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.

The preparation of financial statements in conformity with approved accounting standards and statutory requirements require the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed below:

Accounting estimates and judgments

a 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 there against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and requirements of prudential regulations are considered.

b 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Standard, interpretation and amendment to published approved accounting standards that are not yet effective

The following revised standards and interpretations with respect to approved Accounting Standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretations.

Standard or Interpretation		Effective date (accounting periods beginning on or after)
IAS 1	Presentation of Financial Statements	January 01, 2009
IAS 23	Borrowings Costs	January 01, 2009
IAS 27	Consolidated and Separate Financial Statements	January 01, 2009
IFRS 3	Business Combinations	January 01, 2009
IFRIC 11	Group and Treasury Share Transactions	March 01, 2007
IFRIC 12	Service Concession Arrangements	January 01, 2008
IFRIC 13	Customer Loyalty Programs	July 01, 2008
IFRIC 14	The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions	January 01, 2008
IAS 41	Agriculture	May 22, 2007

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by the IASB but have not yet been adopted by the Institute of Chartered Accountants of Pakistan or notified by the Securities and Exchange Commission of Pakistan (SECP) and hence presently do not form part of the local financial reporting framework:

IFRS 4	Insurance Contracts
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments

4.2 Cash and cash equivalents

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

4.3 Revenue recognition

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

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

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

4.4 Advances

Loans and advances

Loans and advances are stated net of specific and general provision. Specific and general provision is determined on the basis of Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

4.5 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transactions costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. 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 with in 90 days. 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.

Available-for-sale

These are investments other than those 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 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.

4.6 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.

4.7 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date of which the derivate 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.

4.8 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.

4.9 Financial instruments

All the financial assets and financial liabilities are recognized 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.

4.10 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.

Deferred

Deferred income tax is provided, using the 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 liabilities are not recognised in respect of taxable temporary differences where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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 recognized directly in equity are recognized in equity and not in the profit and loss account.

4.11 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 in when the assets are brought into 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 item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the 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.

Profit and loss on sale or deletion of fixed assets is recognized 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 liability.

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

Intangibles

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

Intangible assets are amortized using the straight line method over their estimated useful lives.

Amortization 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 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.

4.12 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.

4.13 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.

4.14 Staff retirement benefit

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.

4.15 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.

4.16 Dividend and appropriation to reserves

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

4.17 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.

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.

	Note	2007 Rupees in '000

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2007 Rupees in '000
With State Bank of Pakistan in		
Local currency current account	5.1	1,357
With National Bank of Pakistan in		
Local currency current account		223
		1,580

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

	Note	2007 Rupees in '000
In Pakistan		
On current account		162
On deposit account	6.1	265,979
		266,141

6.1 These carry mark-up at rates ranging from 8.5% to 9.75% per annum.

	Note	2007 Rupees in '000

7. LENDING TO FINANCIAL INSTITUTIONS

	Note	2007 Rupees in '000
Placements	7.2	355,000
Certificate of Investments (COIs) / Term deposit receipts (TDRs)	7.3	1,109,299
		1,464,299

7.1 All lendings of the company are in local currency.

7.2 The profit rate on placements ranges between from 11.10% to 13.00% per annum. All Placements are due for maturity within 1 week.

7.3 The profit rate on these COIs and TDRs ranges between from 9.50% to 11.20% per annum. All COIs and TDRs are due for maturity within 1 to 16 months and 5 years respectively.

8. INVESTMENTS

	Note	2007		
		Held by the Company	Given as collateral	Total
		…..…….Rupees in '000………..		
8.1 Investments By Types:				
Held-for-trading securities	8.3			
Ordinary shares of listed companies		101,806	-	101,806
Available-for-sale securities	8.4			
Market Treasury Bills		18,825	-	18,825
Ordinary shares of listed companies		34,568	-	34,568
Term Finance Certificates and Sukuk		1,418,680	-	1,418,680
Units of mutual funds		230,156	-	230,156
Commercial papers		159,516	-	159,516
		1,861,745	-	1,861,745
Investment at cost		1,963,551	-	1,963,551
Less: Provision for diminution in value of Investments		-	-	-
Investments (net of provisions)		1,963,551	-	1,963,551
Deficit on revaluation of held-for-trading securities	8.5	(2,491)	-	(2,491)
Deficit on revaluation of available-for-sale securities	17	(4,965)	-	(4,965)
Total investments at market value		1,956,095	-	1,956,095

		Note	2007
			Rupees in '000
8.2	Investments By Segments:		
	Federal Government Securities:		
	Market Treasury Bills		18,825
	Fully Paid up Ordinary Shares:		
	Listed Companies		136,374
	Term Finance Certificates and Sukuk		
	Listed		218,680
	Unlisted		1,200,000
	Units of mutual funds		230,156
	Commercial papers		159,516
	Total investment at cost		1,963,551
	Less: Provision for diminution in value of investments		-
	Investments (Net of Provisions)		1,963,551
	Deficit on revaluation of Held-for-trading securities	8.5	(2,491)
	Deficit on revaluation of Available-for-sale securities	17	(4,965)
	Total investments at market value		1,956,095

8.3 Held-for-trading securities

		2007	
	No. of shares	Cost	Market Value
		...Rupees in '000…	
Ordinary shares of listed companies			
Pakistan State Oil Company Limited	130,700	55,308	53,143
Pakistan Oil Field Limited	25,000	8,360	8,360
Allied Bank Limited	50,000	6,942	6,507
Pace Pakistan Limited	856,500	31,196	31,305
		101,806	99,315

8.4 Quality of Available-for-Sale Securities

		Rating	No. of shares /units	Cost	Market Value
				.....Rupees in '000….	
Market Treasury Bills	Unrated - Government Securities			18,825	18,811
Ordinary shares of listed companies					
Dewan Cement Limited		A-	2,000,000	34,568	32,900
Units of mutual funds					
Askari Income Fund		Unrated	1,196,630	126,316	126,376
HBL Income Fund		Unrated	720,323	75,000	75,245
Pak Oman Advantage Fund		AA- (f)	2,884,000	28,840	23,793
				230,156	225,414

Term Finance Certificates (TFCs) and Sukuk	Rate of interest	Profit payment	Maturity	Rating	Note	No. of certificates held	Cost	Market Value
							........Rupees in '000…….	
Listed TFCs								
Faysal Bank Limited	11.36%	Half yearly	12.11.14	AA-		6,894	34,470	35,188
Engro Chemicals Limited	6 Months KIBOR + 1.55%	Half yearly	30.11.15	AA		6,842	34,210	34,951
NIB Bank Limited	6 Months KIBOR + 1.15%	Half yearly	27.12.15	A	8.4.1	30,000	150,000	150,000
Unlisted TFCs and Sukuk								
Sui Southern Gas Company Limited	3 Months KIBOR + 20 bps	Quarterly	31.12.12	AA		100,000	500,000	500,000
Eden Housing Limited	6 Months KIBOR + 250 bps	Half yearly	31.12.12	A		90,000	450,000	450,000
AZGARD Nine Limited	6 Months KIBOR + 220 bps	Half yearly	04.12.14	A+		20,000	100,000	100,000
New Allied Electronics (Private) Limited	3 Months KIBOR + 220 bps	Half yearly	03.12.12	Unrated	8.4.2	30,000	150,000	150,000
							1,418,680	1,420,139
Commercial papers								
Pak Electron Limited				Unrated			91,401	91,401
World Call Telecom Limited				Unrated			68,115	68,115
							159,516	159,516
Total							1,861,745	1,856,780

8.4.1 This represents subscription to Pre-Initial Public Offering of NIB's 8 year listed unsecured term finance certificates.

8.4.2 This represents subscription to privately placed 5 years secured Sukuk.

8.5 Unrealized loss on revaluation of investments classified as held-for-trading

Ordinary shares of listed companies	2,491
	2,491

	Note	2007 Rupees in '000

9. ADVANCES

	Note	2007 Rupees in '000
Loans, cash credits, running finances, etc. in Pakistan		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		254,444

9.1 Particulars of advances (Gross)

9.1.1	In local currency	254,444
	In foreign currencies	-
		254,444
9.1.2	Short Term (for upto one year)	155,062
	Long Term (for over one year)	99,382
		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 period	-
Loans granted during the period	10,062
Repayments	(100)
Balance at end of period	9,962

9.3 These are secured against shares of listed companies, market value of which amounted to Rs. 89.753 million at the balance sheet date. These carry mark-up at the rate of 15% to 19.75% per annum.

10. OPERATING FIXED ASSETS

	Note	2007 Rupees in '000
Capital work-in-progress	10.1	590
Property and equipment	10.2	35,926
Intangible assets	10.3	2,074
		38,590

10.1 Capital work-in-progress

Advances to suppliers and contractors	590
	590

10.2 Property and equipment

	COST			DEPRECIATION			Book value at closing	Rate of depreciation %
	Opening Balance	Additions	Closing Balance	Opening Balance	Charge	Closing Balance		
	......Rupees in '000......							
Furniture and fixture	-	3,130	3,130	-	158	158	2,972	20% on cost
Leasehold Improvements	-	8,068	8,068	-	407	407	7,661	20% on cost
Office Equipments	-	775	775	-	32	32	743	20% on cost
Computers	-	5,379	5,379	-	247	247	5,132	33.33% on cost
Vehicles	-	35	35	-	2	2	33	20% on cost
	-	17,387	17,387	-	846	846	16,541	
Assets held under finance lease:								
Vehicles	-	20,197	20,197	-	812	812	19,385	20% on cost
	-	37,584	37,584	-	1,658	1,658	35,926	-

10.3 Intangible assets

	COST			AMORTIZATION			Book value at closing	Rate of depreciation %
	Opening Balance	Additions	Closing Balance	Opening Balance	Amort-ization	Closing Balance		
	......Rupees in '000......							
Computer software	-	2,192	2,192	-	118	118	2,074	33.33% on cost
	-	2,192	2,192	-	118	118	2,074	

11. OTHER ASSETS

	2007 Rupees in '000
Income/ Mark-up accrued in local currency	17,168
Advances, deposits and other prepayments	10,318
Receivable against redemption of units of mutual funds	353,726
Other receivables from clients	99
Receivable from provident fund	14
	381,325

12. BORROWINGS

In Pakistan	1,150,000

12.1 Particulars of borrowings with respect to Currencies

In local currency	1,150,000

12.2 Details of borrowings - Unsecured

Call borrowings	1,150,000

12.3 These carry mark-up rates ranging between 9.50 % to 10.30 % per annum. These are repayable with in one month.

13. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2007		
	Minimum lease payments	Financial charges for future periods	Principal outstanding
	..………... Rupees in '000 …………		
Not later than one year	4,916	2,052	2,864
Later than one year and not later than five years	21,713	4,048	17,665
	26,629	6,100	20,529

13.1 The Company has entered into lease agreements with various financial institutions for lease of vehicles. Lease rentals are payable in quarterly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from 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.

	2007 Rupees in '000
14. DEFERRED TAX LIABILITIES - NET	
Deferred credits arising due to	
Difference between accounting book value of fixed assets and tax base	2,803
Deferred debits arising in respect of	
Provision for compensated absences and leave fare assistance	(740)
Difference between book value of leased assets and obligation under finance lease	(400)
Deficit on revaluation of assets - investments	(500)
	1,163

15. OTHER LIABILITIES

Mark-up/ Return/ Interest payable in local currency	943
Advance against equity	25,436
Current taxation (provisions less payments)	10,537
Payable against purchase of shares	8,369
Accrued expenses	6,677
Payable to contractors	1,360
Unearned commission	1,182
	54,504

			2007 Rupees in '000

16. SHARE CAPITAL

Authorized Capital

600,000,000	Ordinary shares of Rs. 10 each	6,000,000

Issued, subscribed and paid up

300,000,000	Ordinary shares of Rs. 10 each fully paid in cash	3,000,000

16.1 The SBP vide its BSD Circular No. 6 of 2005 specified the bank / DFIs to increase the paid up capital to Rs. 4,000 million by December 31, 2007. However, on the request of the Company, the SBP vide its letter no. BSD/SU-1/608/26/2008 dated January 05, 2008 allowed extension up till January 15, 2008 to meet aforesaid requirement and the Company has complied with the requirements subsequent to the period end.

16.2 The Ministry of Finance and Secretary Economic Affairs Division holds 149,998,000 and 2,000 shares respectively on behalf of the Government of Pakistan and remaining 150,000,000 shares are held by the Brunei Investment Agency.

17. (DEFICIT)/SURPLUS ON REVALUATION OF ASSETS - NET

Market Treasury Bills	(14)
Listed Term Finance Certificates	1,459
Units of mutual funds	(4,742)
Ordinary shares of listed companies	(1,668)
	(4,965)
Deferred tax asset recognized	500
	(4,465)

18. CONTINGENCIES AND COMMITMENTS

Commitments for underwriting

Ordinary shares	30,750
Preference shares	25,000
	55,750
Commitments for transactions under continuous funding system	4,324
Commitments in respect of term finance certificates futures	145,437

19. Mark-up/Return/Interest earned

On loans and advances to Customers	3,687
On investments in available-for-sale securities	8,735
On deposits with financial institutions	161,041
On securities purchased under resale agreements	4,044
	177,507

		Note	2007
			Rupees in '000
20.	MARK-UP/RETURN/INTEREST EXPENSED		
	Short-term borrowings		630
			630
21.	GAIN ON SALE OF SECURITIES		
	Federal Government Securities - Pakistan Investment Bonds		30
	Ordinary shares of listed companies		56,287
			56,317
22.	ADMINISTRATIVE EXPENSES		
	Salaries and allowances		17,626
	Contribution to defined contribution plan		157
	Non-executive directors' fees, allowances and other expenses		3,257
	Rent, taxes, insurance, electricity, etc.		5,777
	Legal and professional charges		15,242
	Travelling and accommodation		3,475
	Communications		297
	Repairs and maintenance		906
	Finance charges on leased assets		448
	Brokerage commission		1,954
	Capital Value Tax (CVT)		378
	Stationery and printing		236
	Advertisement and publicity		495
	Auditors' remuneration	22.1	325
	Depreciation	10.2	1,658
	Amortization	10.3	118
	Fuel		798
	Others		663
			53,810
22.1	Auditors' remuneration		
	Audit fee		150
	Special certifications		50
	Tax services		100
	Out-of-pocket expenses		25
			325

23. Other charges represents preliminary expenses.

24.	TAXATION		
	For the period		
	Current		44,135
	Deferred		1,663
			45,798

	2007 Rupees in '000

24.1 Relationship between tax expense and accounting profit

Accounting profit for the period	186,541
Tax rate	35%
Tax on accounting profit	65,289
Tax effect of:	
Income chargeable to tax at special rate	(526)
Income exempt from tax	(18,839)
Expenses that are inadmissible in determining taxable profit	730
Difference between accounting and tax depreciation	(2,519)
	44,135

24.2 The Company has been granted permission to adopt special Tax year i.e. Tax year 2008 with effect from January 1, 2007 vide letter no. Jud-I/CIT/COS IV/07-08/1966 dated January 04, 2008 issued by the Commissioner of Income Tax (CIT). The Company has further applied to the CIT to allow the Company to file return of income for transitional Tax year 2007 along with the return of special Tax year 2008 based on the single account covering period from November 28, 2006 to December 31, 2007, the Company expects that said permission will be granted by the CIT.

25. BASIC EARNINGS PER SHARE

		2007
Profit for the period	Rupees '000	140,743
Weighted average number of ordinary shares	Numbers '000	186,842
Basic earnings per share	Rupees	0.75

26. DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are same.

27. CASH AND CASH EQUIVALENTS

	2007 Rupees in '000
Cash and balance with treasury banks	1,580
Balance with other banks	266,141
	267,721

28. STAFF STRENGTH

	2007 Number
Permanent	24
Temporary/on contractual basis	9
Total Staff Strength	33

29. DEFINED CONTRIBUTION PLAN

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.

	2007 Rupees in '000
Contribution to the fund made during the period	
Contribution made by the Company	157
Contribution made by employees	157
	314

30. COMPENSATION OF DIRECTORS AND EXECUTIVES

	2007		
	Chief Executive	Directors	Executives
	............Rupees in '000...........		
Fees	-	3,257	-
Managerial remuneration	5,600	-	5,161
Charge for defined benefit plan	-	-	45
Contribution to defined contribution plan	92	-	-
Medical	-	-	243
Others	26	-	75
	5,718	3,257	5,524
Number of persons	1	3	7

The Chief executive and executives are provided with Company maintained car.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

	2007	
	Book value	Fair value
	.........Rupees in '000.........	
31.1 On-balance sheet financial instruments		
Assets		
Cash balances with treasury banks	1,580	1,580
Balances with other banks	266,141	266,141
Lendings to financial institutions	1,464,299	1,464,299
Investments	1,956,095	1,956,095
Advances	254,444	254,444
Other assets	379,081	379,081
	4,321,640	4,321,640
Liabilities		
Borrowings	1,150,000	1,150,000
Liabilities against assets subject to finance lease	20,529	20,529
Other liabilities	42,785	42,785
	1,213,314	1,213,314

	2007 Rupees in '000
31.2 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

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.

32. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Commercial Banking
Current Period	..........Rupees in '000		....
Total income	11,351	231,927	1,528
Total expenses	2,702	55,199	364
Net income (loss)	8,650	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%

33. TRUST ACTIVITIES

The Company is not engaged in any significant trust activities. However, it acts as security agent for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

34. RELATED PARTY TRANSACTIONS

The Company has related party relationship with its associated undertakings, employee benefit plans, and its key management personnel (including their associates). 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 29 to these financial statements. Remuneration to the executive is disclosed in note 30 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 period, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2007	
	Key management personnel	Other related parties
	……. Rupees in '000 ……..	
Advances		
As at November 28, 2006	-	-
Given during the period	7,095	-
Repaid during the period	(71)	-
As at December 31, 2007	7,024	-
Placements made during the period	-	1,490,000
Placements matured during the period	-	1,490,000
Investments made during the period	-	28,840
Mark-up/return/Interest earned	-	42,932
Dividend Income received	-	620
Reimbursement of expenses	-	2,760

35. CAPITAL MANAGEMENT

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the regulators of the banking markets where the bank/DFIs operates;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for others stakeholders; and
- To maintain a strong capital base to support the development of its business.

Through BSD Circular No. 6 dated October 28, 2005 the State Bank of Pakistan has raised the minimum paid-up capital requirement for locally incorporated banks/DFIs to Rs. 6 billion (net of losses) to be achieved in a phased manner by December 31, 2009. The minimum paid-up capital requirement to be achieved by December 31, 2007 was Rs. 4 billion. Further, the amount of capital required to be maintained by all banks/DFIs carrying on business in Pakistan should at least be equivalent to 8 percent of the risk weighted assets.

The SBP's regulatory capital as managed by the Company is analyzed into following tiers.

- Tier I capital, which comprise of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and unappropriated profits.
- Tier II capital, which include general reserve for loan losses, revaluation reserves, exchange translation reserves, undisclosed reserves and subordinated debts.
- Tier III capital, which include short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying tier II and tier III capital cannot exceed the tier I capital. Revaluations reserves are eligible upto 50 percent for treatment as tier II capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 percent of total risk weighted assets. Undisclosed reserves, despite being unpublished, are eligible if they appear in the internal account of the company. Subordinated debts cannot exceed 50 percent of tier I capital. Further tier III capital cannot exceed 250 percent of tier I capital.

Risk weighted assets are measured according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counter party, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect more contingent nature of potential losses.

The Company's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Company's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Company monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by banks/DFIs.

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

35.1 Capital Adequacy

The risk weighted assets to capital ratio, calculated in accordance with the State Bank's guidelines on capital adequacy was as follows:-

		2007 Rupees in '000
Regulatory Capital Base		
Tier I Capital		
Shareholders Capital		3,000,000
Reserves		28,149
Unappropriated profit		112,594
		3,140,743
Less: Adjustments		
Deficit on account of revaluation of AFS investments		(5,778)
Total Tier I Capital		3,134,965
Tier II Capital		
Subordinated Debt (upto 50% of total Tier I Capital)		-
General Provisions subject to 1.25% of Total Risk Weighted Assets		-
Revaluation Reserve (upto 50%)		657
Total Tier II Capital		657
Eligible Tier III Capital		-
Total Regulatory Capital	(a)	3,135,622

Risk-Weighted Exposures		2007	
		Book Value	Risk Adjusted Value
Credit Risk		……..….Rupees in ‘000………	
Balance Sheet Items:-			
Cash and other liquid Assets		267,721	53,273
Money at call		355,000	355,000
Investments		2,966,079	2,947,268
Loans and Advances		254,444	244,482
Fixed Assets		38,590	38,590
Other Assets		381,325	381,325
		4,263,159	4,019,938
Off Balance Sheet items			
Purchase and Resale Agreements		-	-
Revolving underwriting Commitments		55,750	27,875
		55,750	27,875
Credit risk-weighted exposures			4,047,813
Market Risk			
General market risk			-
Specific market Risk			101,819
Market risk-weighted exposures			101,819
Total Risk-Weighted exposures	(b)		4,149,632
Capital Adequacy Ratio [(a) / (b) x 100)]			75.56

36. RISK MANAGEMENT

A separate unit has been set up for integrated risk management. The functioning 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 an 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.

Committees have been set up to review transactions and provide guidance for business heads within the set out risk parameters, with the credit committee and the asset and liability management committee being the key committees.

A risk management manual covering key risks and including credit, market, liquidity and operational risks has been outlined and provides management and concerned personnel with guidance on risk controls, limits, risk measurement tools and a reporting framework.

As a new Company and as evidenced by annual results, the balance sheet of the Company has considerable unutilized risk taking capacity.

36.1 Credit Risk

Credit Risk is the risk that the counterparty to a transaction will not honor its financial obligation in full, and on time. Exposure to credit risk is largely manifested in the Company's advances portfolio and investments in TFCs, commercial papers and Sukuks, in addition to guarantees issued or any such off balance sheet exposures.

Credit risk is managed through per-party limits and analytically arrived at sector limits. Most crucially, credit risk is quantified through credit scoring systems developed in-house and complimenting an acquired credit assessment application. All roles and responsibilities have been clearly laid out by the board of directors being responsible for a final review of policies and the company's overall risk profile.

Credit risk undertaken is diversified in several sectors including real estate, distribution companies, fertilizer manufacturing, value added textile, consumer goods, power, cement and telecom. Majority of the Company's exposures are externally rated by either of the two rating agencies on the SBP's approved panel. The Company also uses a stress testing model to arrive at an estimate of possible losses to the Company in case of market wide pressures on credit quality of banking assets.

36.1.1 Segmental Information

		2007			
		Advances (Gross)		Contingencies and Commitments	
		Rupees in '000	Percent	Rupees in '000	Percent
36.1.1.1	Segments by class of business				
	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%	-	-
		254,444	100%	205,511	100%
36.1.1.2	Segment by sector				
	Public/ Government	-	-	-	-
	Private	254,444	100%	205,511	100%
		254,444	100%	205,511	100%

36.1.1.3 Geographical Segment Analysis

	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
	186,541	4,362,474	3,136,278	205,511

36.2 Market Risk

Market risk is the risk that the market price of an asset may fall and result in financial losses for the Company. Market risk emanates from changes in interest rates, prices of equities or commodities and foreign exchange risk. The Company is largely concerned with interest rate risks and equity price risk.

36.2.1 Equity position Risk

Equity price risk is managed through maximum exposure limits and a prudent investment philosophy guiding the institution towards investments that are inherently blue-chip. Volatility of the portfolio is being monitored on a regular basis using VAR estimates in addition to fundamental factors for scrip evaluation, including amongst others scrip VAR, P/E and price momentum.

36.2.2 Mismatch of Interest Rate Sensitive Assets and Liabilities

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.

		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	
	…Rupees in '000…											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	1,580	-	-	-	-	-	-	-	-	-	1,580
Balances with other banks	9.74%	266,141	63,874	42,582	159,685	-	-	-	-	-	-	-
Lendings to financial institutions	10.84%	1,464,299	1,255,000	-	-	100,000	100,000	-	9,299	-	-	-
Investments	11.23%	1,956,095	-	-	285,892	117,848	112,500	262,500	725,000	320,139	-	132,216
Advances	11.61%	254,444	94,510	55	30,083	30,169	60,349	30,369	969	2,195	5,068	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	10.09%	1,150,000	1,150,000	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	12.15%	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	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		205,511	-	-	-	-	-	-	-	-	-	-
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

36.3 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to generate cash when needed for meeting obligations. Liquidity management is a dynamic concept that is sensitive to both liquidity levels in the market as a whole, as well as changes internal to the institution.

The management recognizes its responsibility regarding liquidity risk management. The Company employs three basic principles for optimal liquidity management. These are i) Excess Liquidity Reserve Maintenance, ii) Asset Liability Management and Monitoring and iii) Contingency Planning. The responsibility of liquidity risk management has been delegated to Asset Liability Management Committee and the treasury department is responsible for day to day management. Acceptable, Warning and Stress zones have been defined and policies laid out advise on rectification of situations should adverse circumstances develop. The Company has also established policies to ensure diversified access to funding sources to minimize the Company's risk funds withdrawal.

36.3.1 Maturities of Assets and Liabilities

	Total	Current Year								
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	……………………...……………………Rupees in '000…………………………………………………									
Assets										
Cash and balances with treasury banks	1,580	500	500	580	-	-	-	-	-	-
Balances with other banks	266,141	63,874	42,582	159,685	-	-	-	-	-	-
Lendings to financial institutions	1,464,299	1,255,000	-	-	100,000	100,000	-	9,299	-	-
Investments	1,956,095	132,216	-	285,892	117,848	112,500	262,500	725,000	320,139	-
Advances	254,444	94,530	96	30,144	30,292	60,597	30,553	969	7,263	-
Other assets	381,325	371,653	1,305	293	-	-	-	2,719	-	5,355
Operating fixed assets	38,590	757	1,514	2,270	4,541	9,083	8,717	11,708	-	-
	4,362,474	1,918,530	45,997	478,864	252,681	282,180	301,770	749,695	327,402	5,355
Liabilities										
Borrowings	1,150,000	1,150,000	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	20,529	-	536	771	1,557	4,050	4,418	9,197	-	-
Other liabilities	54,504	34,534	16,561	2,818	591	-	-	-	-	-
Deferred tax liabilities	1,163	-	-	-	-	-	-	1,163	-	-
	1,226,196	1,184,534	17,097	3,589	2,148	4,050	4,418	10,360	-	-
Net assets	3,136,278	733,996	28,900	475,275	250,533	278,130	297,352	739,335	327,402	5,355

Share capital	3,000,000
Reserves	28,149
Unappropriated profit	112,594
Deficit on revaluation of assets	(4,465)
	3,136,278

36.4 Operational Risk

Operational loss is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The company has instituted sound internal controls through policies, plans and procedures as approved by the board of directors for controlling and mitigating potential operational risk. The objectives of internal controls include the safeguarding of assets from inappropriate use or from loss and fraud, ensuring that liabilities are identified and managed and that the quality of internal and external reporting is maintained. The company has documented an internal audit policy manual and compliance policy, in addition to a risk management policy highlighting monitoring tools to be used for operational risk management.

37. GENERAL

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

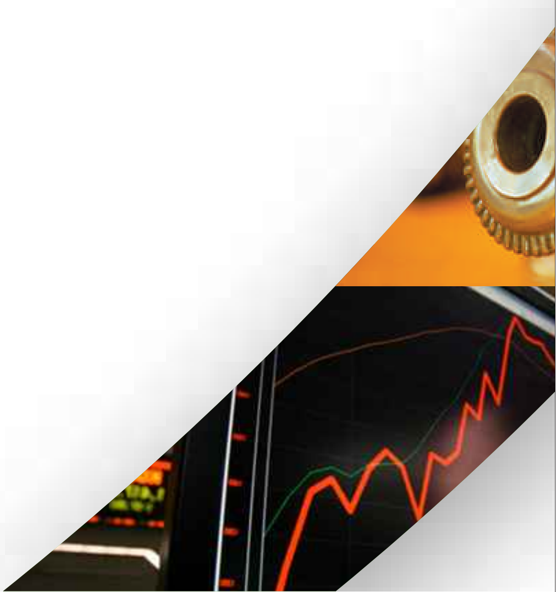
38. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 17, 2008 by the Board of Directors of the Company.

Chief Executive	Director	Director	Chairman

Pak Brunei Investment Company Limited

1st Floor, Razi Tower, Plot No. BC-13
Block-9, Clifton, Karachi
Telephone: 92-21-5309093-99 Fax: 92-21-5309092
Email: info@pakbrunei.com.pk



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