

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
		<u>184,436</u>
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
		<u>4,715</u>
		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)
		<u>(2,201,874)</u>
Increase in operating liabilities		
Borrowings		1,150,000
Other liabilities (excluding current taxation)		43,967
		<u>1,193,967</u>
		(818,756)
Financial charges paid		(448)
Income tax paid		(33,598)
Net cash used in operating activities		<u>(852,802)</u>
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		<u>(1,879,809)</u>
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		<u>3,000,332</u>
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	<u><u>267,721</u></u>

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	<u>3,000,000</u>	<u>28,149</u>	<u>112,594</u>	<u>3,140,743</u>

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

Chief Executive

Director

Director

Chairman

Notes to the Financial Statements

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

4.8 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		
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
		<u>1,580</u>
5.1	This includes the minimum cash reserve required to be maintained with the SBP in accordance with the requirement of BSD Circular No. 04 dated May 22, 2004.	
6. BALANCES WITH OTHER BANKS		
In Pakistan On current account		162
On deposit account	6.1	265,979
		<u>266,141</u>
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		
Placements	7.2	355,000
Certificate of Investments (COIs) / Term deposit receipts (TDRs)	7.3	1,109,299
		<u>1,464,299</u>

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.

	Note	2007		
		Held by the Company	Given as collateral	Total
	Rupees in '000.....		
8. INVESTMENTS				
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
		<u>1,861,745</u>	<u>-</u>	<u>1,861,745</u>
Investment at cost		1,963,551	-	1,963,551
Less: Provision for diminution in value of Investments		-	-	-
Investments (net of provisions)		<u>1,963,551</u>	<u>-</u>	<u>1,963,551</u>
Deficit on revaluation of held-for-trading securities	8.5	(2,491)	-	(2,491)
Deficit on revaluation of available-for-sale securities	17	(4,965)	-	(4,965)
Total investments at market value		<u>1,956,095</u>	<u>-</u>	<u>1,956,095</u>

	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				
			<u>230,156</u>	<u>225,414</u>				
Term Finance Certificates (TFCs) and Sukuk	Rate of interest	Profit payment	Maturity	Rating	Note	No. of certificates held	Cost	Market Value
.....Rupees in '000.....								
<u>Listed TFCs</u>								
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
<u>Unlisted TFCs and Sukuk</u>								
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
							<u>1,418,680</u>	<u>1,420,139</u>
Commercial papers								
Pak Electron Limited				Unrated			91,401	91,401
World Call Telecom Limited				Unrated			68,115	68,115
							<u>159,516</u>	<u>159,516</u>
Total							<u>1,861,745</u>	<u>1,856,780</u>

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
	<u>2,491</u>

	Note	2007 Rupees in '000
9. ADVANCES		
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.		

	Note	2007 Rupees in '000
10. OPERATING FIXED ASSETS		
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	

2007
Rupees in '000

11. OTHER ASSETS

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
	<u>26,629</u>	<u>6,100</u>	<u>20,529</u>

- 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)
	<u>1,163</u>

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
	<u>54,504</u>

	2007
	Rupees in '000
16. SHARE CAPITAL	
Authorized Capital	
<u>600,000,000</u> Ordinary shares of Rs. 10 each	<u>6,000,000</u>
Issued, subscribed and paid up	
<u>300,000,000</u> Ordinary shares of Rs. 10 each fully paid in cash	<u>3,000,000</u>
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)
	<u>(4,965)</u>
Deferred tax asset recognized	500
	<u>(4,465)</u>
18. CONTINGENCIES AND COMMITMENTS	
Commitments for underwriting	
Ordinary shares	30,750
Preference shares	25,000
	<u>55,750</u>
Commitments for transactions under continuous funding system	<u>4,324</u>
Commitments in respect of term finance certificates futures	<u>145,437</u>
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
	<u>177,507</u>

	Note	2007 Rupees in '000
20. MARK-UP/RETURN/INTEREST EXPENSED		
Short-term borrowings		630
		<u>630</u>
21. GAIN ON SALE OF SECURITIES		
Federal Government Securities - Pakistan Investment Bonds		30
Ordinary shares of listed companies		56,287
		<u>56,317</u>
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
		<u>53,810</u>
22.1 Auditors' remuneration		
Audit fee		150
Special certifications		50
Tax services		100
Out-of-pocket expenses		25
		<u>325</u>
23. Other charges represents preliminary expenses.		
24. TAXATION		
For the period		
Current		44,135
Deferred		1,663
		<u>45,798</u>

		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
		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.

		2007
25.	BASIC EARNINGS PER SHARE	
	Profit for the period	Rupees '000 <u>140,743</u>
	Weighted average number of ordinary shares	Numbers '000 <u>186,842</u>
	Basic earnings per share	Rupees <u>0.75</u>

26. DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are same.

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

		2007 Number
28.	STAFF STRENGTH	
	Permanent	24
	Temporary/on contractual basis	9
	Total Staff Strength	33
		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
	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
	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
	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
<u>Current Period</u>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 Rupees in '000	Other related parties
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:

- 1 To comply with the capital requirements set by the regulators of the banking markets where the bank/DFIs operates;
- 1 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
- 1 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.

- 1 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.
- 1 Tier II capital, which include general reserve for loan losses, revaluation reserves, exchange translation reserves, undisclosed reserves and subordinated debts.
- 1 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)
	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	3,135,622

(a)

Risk-Weighted Exposures	2007	
	Book Value	Risk Adjusted Value
Credit RiskRupees 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
	<u>4,263,159</u>	<u>4,019,938</u>
Off Balance Sheet items		
Purchase and Resale Agreements	-	-
Revolving underwriting Commitments	55,750	27,875
	<u>55,750</u>	<u>27,875</u>
Credit risk-weighted exposures		<u>4,047,813</u>
Market Risk		
General market risk		-
Specific market Risk		101,819
Market risk-weighted exposures		<u>101,819</u>
Total Risk-Weighted exposures	(b)	<u>4,149,632</u>
Capital Adequacy Ratio [(a) / (b) x 100]		<u>75.56</u>

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 complementing 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%	-	-
	<u>254,444</u>	<u>100%</u>	<u>205,511</u>	<u>100%</u>
36.1.1.2 Segment by sector				
Public/ Government	-	-	-	-
Private	254,444	100%	205,511	100%
	<u>254,444</u>	<u>100%</u>	<u>205,511</u>	<u>100%</u>
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
	<u>186,541</u>	<u>4,362,474</u>	<u>3,136,278</u>	<u>205,511</u>

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.

Effective Yield/ Interest rate	Total	2007									Non-interest bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Exposed to Yield/ Interest risk 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	-
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
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
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