

Annual Report 2008



First Credit and Investment Bank Ltd.



Vision

Be a preferred investment bank enhancing value
for the stakeholders and contributing to the
National goals.

Mission Statement

Contributing through innovative financing and
investment in quality portfolio, advisory services
delivered in an environment of trust and
customer confidence supported by a team of
professionals.



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COMPANY INFORMATION

BOARD OF DIRECTORS:

Mr. Shahid Anwar Khan (Chairman)
Ch. Abdul Qadeer
Dr. Asif A. Brohi
Mr. Najib Tariq
Mr. Wajahat A. Baqai
Mr. Hamad Rasool
Mr. Mohammad Imran Malik (President & Chief Executive)

AUDIT COMMITTEE:

Mr. Najib Tariq
Mr. Wajahat A. Baqai
Mr. Hamad Rasool

COMPANY SECRETARY:

Mr. Muhammad Mohsin Ali

AUDITORS:

M. Yousuf Adil Saleem & Co.
Chartered Accountants

LEGAL ADVISOR:

Zahid Hamid - Advocate

BANKERS:

Allied Bank Limited
Askari Commercial Bank Limited
Atlas Bank Limited
First Women Bank Limited
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
United Bank Limited

SHARE REGISTRAR:

THK Associates (Pvt.) Limited
Ground Floor, State Life Building-3
Dr. Ziauddin Ahmed Road,
Karachi. 75530
P.O. Box No. 8533
Ph. # +92 (21) 111-000-322
Fax # +92 (21) 5655595

HEAD OFFICE / REGISTERED OFFICE:

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Karachi - 74200
Pakistan.
Ph. # : 5658750-1, 5670452, 5688490
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WEBSITE:

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 19th Annual General Meeting of the shareholders of First Credit and Investment Bank Limited will be held on Wednesday, October 29, 2008 at 7:00 p.m. at PIIA (Pakistan Institute of International Affairs) Auditorium, Aiwan-e-Saddar Road, Karachi to transact the following business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on April 23, 2008.
2. To receive, consider and adopt the audited financial statements of the Company together with the Auditors' and Directors reports thereon for the year ended June 30, 2008.
3. To appoint the statutory auditors for the year ending June 30, 2009 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Muhammad Mohsin Ali
Company Secretary

Dated : October 07, 2008

Notes:

1. The share transfer books of the Company will remain closed from October 22, 2008 to October 29, 2008 (both days inclusive).
2. A member entitled to attend and vote at the Meeting may appoint a proxy in writing to attend the meeting who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member. A proxy need not be a member of the Company.
3. In order to be effective, proxy form must be received at the office of our Registrar not later than forty eight (48) hours before the meeting, duly signed, stamped and witnessed by two persons with their names, address, CNIC numbers and signatures.
4. In case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
5. In case of the proxy by a corporate entity, Board of Directors resolution/ power of attorney and attested copy of CNIC or passport of the proxy shall be submitted alongwith the proxy form.
6. Accountholders and sub-acountholders holding book entries securities of the Company in the Central Depository Company of Pakistan Ltd, who wish to attend the meeting, are requested to bring their original CNIC with copies thereof duly attested for identification purpose.
7. The shareholders are requested to timely notify any change in their addresses to our Registrar office.



DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you 19th Annual Report of the First Credit and Investment Bank Ltd alongwith the audited financial statements and Auditors' Report for the year ended June 30, 2008.

Quotation of the Company's Shares on Karachi Stock Exchange

In keeping with the requirements of SECP, Investment Banks are required to have a minimum equity of Rs.500 million by end June 30, 2008. By June 30, 2009 their minimum equity should be Rs.700 million. By June 30, 2010 minimum equity is required to be Rs.1,000 million. Accordingly, the Company decided to raise the paid up capital to Rs.650 million by a fresh issue of Rs.250 million to the general public, by issue of 25 million ordinary shares (par value Rs.10 each). The process of Initial Public Offering was completed in August 2008 and now the Company's paid up capital stands at Rs.650 million.

Broadening its shares ownership, the listing of shares at the Stock Exchange shall strengthen confidence to the depositors and other stakeholders in the Company. This would also facilitate raising of funds at relatively lower cost.

Economic Scenario

The country faces many challenges particularly of poverty, unemployment, trade deficit, galloping prices, especially of commodities and energy, health services, quality education, deteriorating law & order situation, lower savings rate when compared to GDP, deficient power and communication infrastructure, despite claims of good economic progress in the past few years. The problems have compounded with the rise in international oil prices, exchange rate adversity and fall in foreign exchange reserves of the country.

Tackling these challenges would require huge funding coupled with concerted efforts of all the stakeholders including the government by way of prudent planning, phasing and implementation of projects in all spheres of life. This process is expected to offer lot of opportunities to the populace as well as to the investment banks.

To restore macroeconomic stability the government has introduced several measures through the Federal & Provincial Budget and the Trade Policy-2008-09. Now that a democratically elected Government is in power, faster addressing of the issues is expected. Considering the risk related to rising external current account, fiscal deficits and worsening inflation outlook, the State Bank of Pakistan has further tightened the monetary policy and raised its discount rate to 13 % effective July 30, 2008. Minimum rate on saving bank accounts has also been fixed at 5%.

Capital Market

The Stock Market has witnessed downward trend by the year ended June 30, 2008. KSE 100 Share Index that stood at 13,772 at the end of June 2007 plummeted to 12,289 by the end of June 2008. Total market capitalization over the period also decreased from Rs.4,019 billion to Rs.3,778 billion.

On August 28, 2008 the KSE Board decided to freeze the floor at 9,144 based on closing prices of scrips on August 27, 2008. The 'floor' was reviewed on September 25, 2008. KSE Board, however, ruled to keep it in place for the time being. Improvement of the situation on borders of the country coupled with measures to usher political stability are major factors that can promise stability to the capital market.

Prevailing economic situation coupled with disturbances in northern areas of the country is adversely affecting the sentiments of the investors. KSE 100 Share Index fell to 9,190 on September 24, 2008 with corresponding market capitalization at Rs.2,849 billion.

Financial Results

Financial results of the Company for 2007-08 are summarized below. Comparative data for 2006-07 has also been provided:

	Rs. in million	
	Year ended	
	June 30, 2008	June 30, 2007
Total Revenue	178.306	190.286
Profit before taxation	24.923	57.377
Profit after taxation	16.038	55.673
Shareholders' equity	550.182	547.509
Total assets	1,729.253	2,058.504
Earning per share – Basic & diluted (Rs.)	0.40	1.39

Total assets of the Company as of June 30, 2008 were 1,729.2 million as compared to Rs.2,058.5 million as of June 30, 2007, a decline of Rs.329.3 million. This decline was mainly due to lack of viable investment opportunities especially in the capital and money markets of the country. The spreads were low vis-a-vis corresponding risks in the available investment avenues. Taking cognizance of such factors your management



instead of falling prey to temptation of increasing balance sheet footings and short term profitability, reduced volume of its exposure in the stock market and slowed down new loan approvals. Funds were invested in short term placements with financial institutions of repute and in Term Finance Certificates to ensure continuity of regular income.

Your Board is happy to report that this strategy paid off and now the Company has flexibility as well as liquidity to invest in more secure and profitable avenues during the following year ending June 30, 2009. Further, it is satisfying to note the Company does not have any Non-Performing Loan on its books. The reduced total assets, as explained above, also resulted in decline in total revenue (from Rs.190.3 million to Rs.178.3 million), profit before tax (from Rs.57.4 million to Rs.24.9 million) and profit after tax (from Rs.55.7 million to Rs.16.0 million) for the two corresponding years.

Dividend

Dividend policy is a mix of offering competitive returns to the shareholders, improving credit rating of the Company and allowing availability of adequate funds to meet its future expansion plans. In view of the fall in profitability and increase in year-end paid-up capital, the Directors recommend to skip dividend for the current year.

Credit Rating

JCR-VIS Credit Rating Company vide its report dated October 01, 2007, has assigned the Company a credit rating of "BBB+" (Triple B Plus) - Long Term and "A2" (A Two) - Short Term. The Board is conscious to provide support to the Company for improving its credit rating.

Audit Committee and Internal Controls

Audit Committee of the Board comprises the following three non-executive directors which continuously watches its operations and financial health:

- 1 Mr. Najib Tariq
- 1 Mr. Wajahat A. Baqai
- 1 Mr. Hamad Rasool

The Audit Committee eyes the company's internal control system. It receives Internal Audit reports on regular basis and promptly takes actions called for. The system of internal control is considered sound in design. It is effectively implemented and monitored. The Committee remains on the look out of measures for continuous improvement in the operating systems of the Company.

Code of Corporate Governance

As stated earlier, the Company has been listed at the Karachi Stock Exchange with effect from August 21, 2008. Inclusion of Statement of Compliance with the Code of Corporate Governance in the Company's annual report for the year ending June 30, 2008 is not mandatory. However, the directors are pleased to report that:

- a. The financial statements, prepared by the management of the Company, fairly present its state of affairs, the result of operations, cash flows and changes in equity.
- b. Proper books of account of the Company are maintained.
- c. Appropriate accounting policies are consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, are followed in the preparation of financial statements and any departure therefrom is duly disclosed.
- e. The system of internal control is sound in design. It has been effectively implemented and monitored.
- f. The Board is satisfied that the company is doing well and there is no concern as regards 'going concern' under the code.
- g. There has been no material departure from the best practices of corporate governance.
- h. Key operating and financial data of last six years is included in Company's Reports to the stakeholders.
- i. There are no statutory payment on account of taxes, duties, levies and charges which are outstanding as on June 30, 2008 except for those disclosed in the financial statements.
- j. A statement as to the value of investments of provident, gratuity and pension funds, based on their respective audited accounts is given in the notes to the financial statements.
- k. No material changes and commitments affecting the financial position of the Company has occurred between the end of the financial year and the date of this report.
- l. Reasons for significant deviations from last year in operating results / profits and reasonable prospects of the future profitability have been discussed in this report.

Key Operating and Financial Data

The key operating and financial data of the company for the last six years is as under:



Year ended June, 30	2008	2007	Rupees in million			
			2006	2005	2004	2003
Total Revenue	178.3	190.3	171.1	94.0	69.4	66.2
Profit before taxation	24.9	57.4	49.5	38.9	47.9	51.9
Profit after taxation	16.0	55.7	47.3	30.6	42.2	32.6
Shareholders' equity	550.2	547.5	492.4	455.1	427.4	399.9
Total assets	1,729	2,058	1,764	1,346	1,354	587
Earning per share (Rs.)	0.40	1.39	4.0	3.0	4.5	3.5

Future Outlook & Strategy

The listing of shares on Karachi Stock Exchange in August 2008 has provided challenges and opportunities for future growth of the Company. The Company has now at its disposal the additional funds raised through the Initial Public Offering (IPO), existing liquidity as mentioned earlier and enough space for gearing.

Equipped with these resources, past satisfactory operating performance, strong financial position, reputed sponsors, the Company is now poised to grow in great strides in the investment banking arena. To meet the growth needs, the Company will require improvements in its infrastructure like more office space, more professionals and branch network. Company will diversify its operations geographically as well as in terms of its products and services. In this direction Company's Lahore branch is expected to be operational in near future.

Human Resources

The Company realizes that its human resources are its real strength. The Company has a qualified and experienced management team. The Company is an equal opportunity employer. In order to meet the challenges of its future growth and in view of higher mobility in the financial sector, the Company will strive to hire suitable professionals and retain them by offering better working conditions and improved emoluments over the period of their services. To sharpen their professional skills, the executives and other staff will be encouraged to participate in seminars, workshops and training sessions organized by various institutions.

Board Meetings

During the year 2007-08, four Board meetings were held, in which directors' attendance was as follows:

Name of Director	No. of meetings attended
Mr. Shahid Anwar Khan	4
Ch, Abdul Qadeer	3
Dr. Asif A. Brohi	3
Mr. Najib Tariq	4
Mr. Wajahat A. Baqai	4
Mr. Hamad Rasool	4
Mr. Mohammad Imran Malik	4

Auditors

The present auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, retire. Being eligible they offer for re-appointment during the year ending June 30, 2009.

Pattern of Shareholding

The Pattern of Shareholding including categories of Shareholders of the Company as on June 30, 2008 is annexed. National Bank of Pakistan (NBP) and the Water and Power Development Authority (WAPDA) continue as the two major shareholders.

However, after issue of fresh capital to the public, share of NBP and WAPDA stands diluted 30.77% each in the Company's paid-up. The balance 38.46% shareholding is with the general public.

Acknowledgement

The Board would like to express its sincere thanks and gratitude to the customers for their patronage. Special thanks are offered to the Government of Pakistan, the Securities and Exchange Commission of Pakistan, the State Bank of Pakistan and the Karachi Stock Exchange for their continued support and guidance. The Board also takes the opportunity to thank the shareholders for their continued trust and the employees for their dedication and commitment.

By Order of the Board

Chief Executive / President



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of First Credit and Investment Bank Limited (the Company) as at June 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b. in our opinion :
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied by the Company;
 - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- d. in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi.

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants

Date: 29th, September 2008

**BALANCE SHEET**

	Note	2008 Rupees	2007 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	9,512,448	12,478,012
Intangible asset	5	217,577	-
Long-term investments	6	629,687,314	434,866,800
Long-term loans	7	14,147,066	11,629,401
Long-term finances	8	74,262,281	144,200,884
Long-term placements	9	-	175,000,000
Long-term security deposits		1,000,000	1,005,200
		728,826,686	779,180,297
CURRENT ASSETS			
Short-term investments	10	48,506,017	52,281,638
Short-term finances	11	398,145,717	979,150,715
Short-term placements	12	400,000,000	35,000,000
Current portion of			
- long-term loans	7	1,923,777	1,465,219
- long-term finances	8	55,908,480	149,796,925
Markup/interest accrued	13	21,941,814	14,959,225
Advances, prepayments and other receivables	14	45,746,949	6,863,442
Advance taxation - net		14,284,786	14,619,721
Cash and bank balances	15	13,969,198	25,186,903
		1,000,426,738	1,279,323,788
TOTAL ASSETS		<u>1,729,253,424</u>	<u>2,058,504,085</u>

CHIEF EXECUTIVE OFFICER



AS AT JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
EQUITIES & LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 75,000,000 (2007: 50,000,000) Ordinary shares of Rs. 10 each		750,000,000	500,000,000
Issued, subscribed and paid-up capital	16	400,000,000	119,581,700
Reserves	17	157,981,371	434,319,352
		557,981,371	553,901,052
DEFICIT ON REVALUATION OF INVESTMENTS - NET	18	(7,799,739)	(6,391,553)
NON-CURRENT LIABILITIES			
Long-term loans	19	87,500,000	208,333,331
Deferred liability	20	-	684,593
Long-term certificate of deposit	21	1,800,000	-
		89,300,000	209,017,924
CURRENT LIABILITIES			
Short-term borrowings	22	135,965,150	295,000,000
Short-term running finance	23	249,810,781	99,995,000
Current portion of long-term loans	19	120,833,332	129,166,667
Short-term certificates of deposit	24	556,200,000	706,200,000
Accrued markup	25	18,539,016	16,465,433
Accrued expenses and other liabilities	26	8,423,513	55,149,562
		1,089,771,792	1,301,976,662
COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		1,729,253,424	2,058,504,085

The annexed notes from 1 to 37 form an integral part of these financial statements.

DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008**

	Note	2008 Rupees	2007 Rupees
INCOME			
Income from term finances and funds placements	28	112,548,286	77,757,400
Income from investments	29	62,084,936	104,061,909
Fees and commission	30	3,463,164	7,089,917
Other income		209,821	1,376,865
		178,306,207	190,286,091
EXPENDITURE			
Finance cost	31	102,461,004	102,521,933
Administrative and operating expenses	32	39,328,366	29,859,817
		141,789,370	132,381,750
		36,516,837	57,904,341
Unrealized loss on held-for-trading investments	10.2	(8,266,637)	(526,892)
Provision for permanent diminution in value of investments	6.4	(3,327,228)	-
		24,922,972	57,377,449
PROFIT BEFORE TAXATION			
Provision for taxation	33	(8,884,483)	(1,704,081)
PROFIT FOR THE YEAR			
		16,038,489	55,673,368
			(Restated)
EARNINGS PER SHARE - BASIC AND DILUTED			
	34	0.40	1.39

The annexed notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
A) CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		24,922,972	57,377,449
Less: Dividend income		(5,320,122)	(11,766,652)
Adjustments for:			
Depreciation		3,482,946	2,274,042
Amortization		6,153	-
Provision for the gratuity		659,577	1,089,417
Loss / (Gain) on disposal of property and equipment		10,499	(478,802)
Provision for permanent diminution in value of investments		3,327,228	-
Unrealized loss on held-for-trading investments		8,266,637	526,892
		<u>15,753,040</u>	<u>3,411,549</u>
Operating cash flows before working capital changes		35,355,890	49,022,346
(Increase) / decrease in current assets			
Short-term investments		(4,491,016)	440,639,151
Short-term finances		581,004,998	(852,121,715)
Short-term placements		(365,000,000)	295,000,000
Markup/interest accrued		(6,982,589)	1,648,095
Advances, prepayments and other receivables		(38,374,269)	2,292,794
		<u>166,157,124</u>	<u>(112,541,675)</u>
Increase / (decrease) in current liabilities			
Accrued and other liabilities		(46,726,049)	(192,565,520)
Accrued markup		2,073,583	8,167,167
Short-term borrowings		(159,034,850)	48,121,725
		<u>(203,687,316)</u>	<u>(136,276,628)</u>
Cash generated from operations		(2,174,302)	(199,795,957)
Security deposits received / (paid)		5,200	(785,150)
Gratuity contribution paid		(1,853,408)	(1,753,153)
Income tax paid		(8,549,548)	(6,340,324)
		<u>(10,397,756)</u>	<u>(8,878,627)</u>
Net cash used in operating activities		<u>(12,572,058)</u>	<u>(208,674,584)</u>
B) CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(584,831)	(8,880,567)
Acquisition of intangible asset		(223,730)	-
Proceeds from disposal of property and equipment		56,950	915,397
Long-term investments - net		(199,555,928)	78,871,933
Long-term placements		175,000,000	(175,000,000)
Dividend income received		5,320,122	11,766,652
Long-term finances		163,827,048	(56,103,073)
Long-term loans		(2,976,223)	(10,306,699)
Net cash from /(used in) investing activities		<u>140,863,408</u>	<u>(158,736,357)</u>
C) CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term loan		-	50,000,000
Repayments of long-term loan		(129,166,666)	(129,166,665)
Short-term running finance		149,815,781	(50,005,000)
Certificates of deposit		(148,200,000)	505,700,000
Dividend paid		(11,958,170)	-
Net cash (used in) / from financing activities		<u>(139,509,055)</u>	<u>376,528,335</u>
Net (decrease) / increase in cash and cash equivalents		(11,217,705)	9,117,394
Cash and cash equivalents at the beginning of the year		<u>25,186,903</u>	<u>16,069,509</u>
Cash and cash equivalents at the end of the year		<u>13,969,198</u>	<u>25,186,903</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2008

	Issued, subscribed and paid-up capital	Reserves		Unappropriated profit	Total
		Reserve for issue of bonus shares	Statutory reserve		
..... (Rupees)					
Balance as at July 1, 2006	103,984,100	250	100,150,000	294,093,334	498,227,684
Changes in equity for the year 2007					
Bonus shares issued for the year ended June 30, 2006 declared subsequent to year end @ 15%	15,597,600	-	-	(15,597,600)	-
Transfer from reserve for issue of bonus shares	-	(250)	-	250	-
Profit for the year	-	-	-	55,673,368	55,673,368
Transfer to statutory reserve	-	-	11,200,000	(11,200,000)	-
Balance as at June 30, 2007	119,581,700	-	111,350,000	322,969,352	553,901,052
Changes in equity for the year 2008					
Bonus shares issued for the year ended June 30, 2007 declared subsequent to year end @ 234.5%	280,418,300	-	-	(280,418,300)	(0)
Profit for the year	-	-	-	16,038,489	16,038,489
Cash dividend for the year ended June 30, 2007 declared subsequent to year end @ Re. 1 per Ordinary share	-	-	-	(11,958,170)	(11,958,170)
Transfer to statutory reserve	-	-	3,207,698	(3,207,698)	-
	400,000,000	-	114,557,698	43,423,673	557,981,371

The annexed notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

1. LEGAL STATUS AND OPERATION

First Credit and Investment Bank Limited (the Company) was incorporated in Pakistan on August 31, 1989 as a public limited company under the name of First Credit and Discount Corporation Limited. Subsequently, the name of the Company was changed to First Credit and Investment Bank Limited. The registered office of the Company is situated at 2nd floor, Sidco Avenue Centre, Strachtchen Road, R.A. Lines, Karachi, Pakistan. The Company is an associated undertaking of Water and Power Development Authority (WAPDA) and National Bank of Pakistan (NBP).

The Company is licensed to undertake business of investment finance services as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) issued by the Securities and Exchange Commission of Pakistan (SECP) [previously described under SRO 585 (1) /87 dated July 13, 1987 issued by the Ministry of Finance, Government of Pakistan].

The medium to long term credit rating of the Company rated by JCR-VIS Credit Rating Company Limited is 'BBB+' with a positive outlook. Short term rating of the bank is 'A-2'.

Subsequent to year end, on July 10, 2008, the Company has been listed on the Karachi Stock Exchange.

2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The SECP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' through Circular No. 19 dated August 13, 2003 to Non-Banking Finance Companies (NBFCs) providing investment finance services, discounting services and housing finance services. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

The SECP has also deferred the application of Regulation 23 of the NBFC Regulations in respect of the classification and determination of provisioning requirement for non-performing assets (including disbursements against loans and advances and lease finance) through its circular No. 17 dated December 18, 2007. However, the classifications and provisioning requirements against non-performing assets have been considered in accordance with the regulation 7 of the prudential regulations applicable on NBFCs operating in Pakistan. Accordingly, the requirements of the above regulation have not been considered in the preparation of these financial statements.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for the measurement of certain financial instruments at fair value and retirement benefits which are measured at present value.

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

2.3 Standards, interpretations and amendments to published approved accounting standards effective in 2007

Amendments to International Accounting Standard (IAS) 1 - 'Presentation of financial statements - Capital Disclosures', introduces certain new disclosures about the level of the company's capital and how the company manages its capital. Adoption of this amendment has only resulted in additional disclosures which have been set out in note 16.3 to these financial statements.

Other new standards, amendments and interpretations that are mandatory for accounting periods



beginning on or after July 1, 2007 and are not considered relevant or do not have any significant effect on the company's operations, are not detailed in these financial statements.

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

The following standards, amendments and interpretations of approved accounting standards, are effective for accounting periods beginning from the dates specified below are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements other than increased disclosures in certain cases:

IAS 1 - Presentation of Financial Statements - (Revised September 2007)	effective from the period beginning on or after January 1, 2009
IAS 23 - Borrowing Costs (Revised March 2007)	effective from the period beginning on or after January 1, 2009
IAS 27 (Revised) - Consolidation and Separate Financial Statements	effective from the period beginning on or after January 1, 2009
IFRS 3 (Revised) - Business Combinations	effective from the period beginning on or after July 1, 2009
IFRS 7 - Financial Instruments: Disclosures	effective from the period beginning on or after April 28, 2008
IFRS 8 - Operating Segments	effective from the period beginning on or after January 1, 2009
IFRIC 12 - Services Concession Arrangements	effective from the period beginning on or after January 1, 2008
IFRIC 13 - Customer Loyalty Programme	effective from the period beginning on or after July 1, 2008
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	effective from the period beginning on or after January 1, 2008
IFRIC 15 - Agreements for the Construction of Real Estate	effective from the period beginning on or after January 1, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	effective from the period beginning on or after October 1, 2008

2.5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to Company's financial statements or where judgements were exercised in application of policies are as follows:

- Provision for taxation
- Classification of investments

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to income using the straight line method whereby the cost of an asset is written-off over its estimated useful life at rates specified in note 4 to the financial statements. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal respectively.



The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying value exceeds estimated recoverable amount, assets are written down to their estimated recoverable amount.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

Gains and losses on disposal of property and equipment, if any, are taken to profit and loss account currently.

3.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. The cost of intangible asset is amortized over its estimated useful life, using straight line method at rate specified in note 5 to the financial statements.

3.3 Investments

The Company determines the appropriate classification of its investments at the time of purchase and classifies these investments as held-for-trading, held-to-maturity or available-for-sale. These are initially recognised at cost, being the fair value of the consideration given, including the acquisition cost.

Held-for-trading

Investments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists, are classified as held-for-trading. Held-for-trading investments are measured at subsequent reporting dates at fair value and unrealized gains and losses are included in the profit and loss account for the year.

Held-to-maturity

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held-to-maturity. These investments are measured at amortized cost. Amortized cost is calculated taking into account any discount or premium on acquisition by using the effective interest rate method.

Available-for-sale

Available-for-sale investments are either designated in this category or they do not fall under the held-for-trading or held-to-maturity categories. After initial recognition, available-for-sale investments are measured at subsequent reporting dates at fair value. Unrealised gains or losses arising from changes in the fair value of available-for-sale investments is taken to surplus / (deficit) on revaluation of investments account and is shown separately in the balance sheet below shareholder's equity.

Subsequent to initial recognition, investments in quoted securities are marked to market, in accordance with the guidelines contained in the State Bank of Pakistan's BSD Circular No. 20 dated August 04, 2004 using rates quoted on Stock Exchange.

Unquoted investments are carried at cost less accumulated impairment losses, if any, in accordance with the above mentioned circular.

Impairment of investments is recognised when there is a permanent diminution in their values. Provision for impairment in value of investment, if any, is taken to the profit and loss account.

3.4 Trade date accounting

All purchases and sale of investments are recognised at trade date. Trade date is a date on which the Company commits to purchase or sell an asset.

3.5 Derivatives

Derivative instruments held by the Company generally comprise of future and forward contracts in the capital and money markets. These are stated at fair value at the balance sheet date. The fair value of the derivative is equivalent to the unrealised gain or loss from marking to market the derivative using prevailing market rates at the balance sheet date. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The corresponding gains and losses are included in the profit and loss account.



3.6 Securities under repurchase and reverse repurchase agreements

Transactions of repurchase / reverse repurchase of investment securities are entered into at contracted rates for specified periods of time and are accounted for as follows:

Repurchase agreements

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

Reverse repurchase agreements

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognised in the balance sheet. Amounts paid under these agreements are recorded as fund placements. The difference between purchase and resale price is treated as return from fund placements with financial institutions and is accrued as income over the life of the reverse repo agreement.

3.7 Continuous Funding System (CFS) Transactions

Receivable against CFS transactions are recorded at the fair value of the consideration given. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the profit and loss account and is recognized over the term of the respective transaction.

3.8 Term finance / Credit facilities

Term finances originated by the Company are stated net of provision for losses on such assets. The specific provision for bad and doubtful loans, if any, is determined in accordance with the requirements of the Prudential Regulations for NBFCs. Loans are written off when there is no realistic prospect of recovery.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash and bank balances.

3.10 Taxation

Current

The provision for current taxation is based on taxable income at current tax rates after taking into account tax credits, rebates and exemptions available, if any or minimum taxation at the rate of one-half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The charge for current tax also includes adjustments where necessary relating to prior years which arise from assessments framed / finalised during the year.

Deferred

Deferred tax is recognised using the liability method in respect of all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts used for financial reporting purposes. Deferred tax asset is recognized for all deductible temporary differences and tax losses, if any, to the extent that it is probable that the temporary differences will reverse in the future and the taxable profits will be available against which the temporary differences and tax losses can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the deferred tax asset to be utilized.

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



3.11 Staff retirement benefits

Defined benefit plan

The Company operates an approved gratuity fund for all its eligible employees. Provisions are made to cover the obligations under the schemes on the basis of actuarial assumptions using "Projected Unit Credit" method.

Actuarial gains and losses are recognized in the balance sheet using 10% Corridor approach and are amortized over the expected average remaining lives of the employees. The significant actuarial assumptions are stated in note 20 to these financial statements.

Defined contribution plan:

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

3.12 Return on certificates of deposit

Return on certificates of deposit (CODs) issued by the Company is recognised on a time proportionate basis taking into account the relevant CODs issue date and final maturity date.

3.13 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.14 Accrued and other liabilities

Accrued and other liabilities are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

3.15 Dividend

Stock and cash dividend declared subsequent to balance sheet date are considered as non-adjusting event and are not recorded in financial statements of the current year.

3.16 Revenue recognition

- a) Income on term finances and funds placements is recognised on a time proportion basis taking into account the principal / net investment outstanding and applicable rates of profit thereon except in case of classified loans on which income is recognised on receipt basis.
Interest / mark-up on rescheduled / restructured advances and investments is recognised in accordance with the guidelines given in the Non Banking Finance Companies and Notified Entities Regulations 2007.
- b) Return on government securities and term finance certificates is recognised on an accrual basis.
- c) Dividend income on equity investments is recognised when the right to receive the same is established.
- d) Income from fees, commission and brokerage is recognised, when such services are provided.

3.17 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

3.18 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.



4. PROPERTY AND EQUIPMENT

PARTICULARS	COST			ACCUMULATED DEPRECIATION				W.D.V.		
	As at	Additions	Deletion	As at	As at	Depreciation	Depreciation	As at	As at	Rate
	July 1, 2007			June 30, 2008	July 1, 2007	for the year	on Disposal	June 30, 2008	June 30, 2008	
R U P E E S										
Furniture and fixtures	1,315,716	59,089	(194,870)	1,179,935	589,533	154,728	(194,870)	549,391	630,544	15
Office equipment	2,145,452	40,785	-	2,186,237	657,566	410,441	-	1,068,007	1,118,230	20
Computers	2,197,208	424,697	(335,595)	2,286,310	1,157,133	479,650	(268,146)	1,368,637	917,673	33
Air conditioners	759,089	23,200	-	782,289	427,118	73,679	-	500,797	281,492	15
Vehicles	11,128,512	37,060	-	11,165,572	2,890,746	2,231,404	-	5,122,150	6,043,422	20
Leasehold improvements	665,218	-	-	665,218	11,087	133,044	-	144,131	521,087	20
June 30, 2008	18,211,195	584,831	(530,465)	18,265,561	5,733,183	3,482,946	(463,016)	8,753,113	9,512,448	

PARTICULARS	COST			ACCUMULATED DEPRECIATION				W.D.V.		
	As at	Additions	Deletion	As at	As at	Depreciation	Depreciation	As at	As at	Rate
	July 1, 2006			June 30, 2007	July 1, 2006	for the year	on Disposal	June 30, 2007	June 30, 2007	
R U P E E S										
Furniture and fixtures	1,133,803	218,920	(37,007)	1,315,716	503,637	122,903	(37,007)	589,533	726,183	15
Office equipment	1,945,927	548,025	(348,500)	2,145,452	688,011	318,055	(348,500)	657,566	1,487,886	20
Computers	1,627,610	820,183	(250,585)	2,197,208	992,002	415,716	(250,585)	1,157,133	1,040,075	33
Air conditioners	588,700	170,389	-	759,089	379,805	47,313	-	427,118	331,971	15
Vehicles	5,986,400	6,457,832	(1,315,720)	11,128,512	2,410,902	1,358,968	(879,124)	2,890,746	8,237,766	20
Leasehold improvements	-	665,218	-	665,218	-	11,087	-	11,087	654,131	20
June 30, 2007	11,282,440	8,880,567	(1,951,812)	18,211,195	4,974,357	2,274,042	(1,515,216)	5,733,183	12,478,012	

5. INTANGIBLE ASSET

PARTICULARS	COST			ACCUMULATED DEPRECIATION				W.D.V.		
	As at	Additions	Deletion	As at	As at	Depreciation	Depreciation	As at	As at	Rate
	July 1, 2007			June 30, 2008	July 1, 2007	for the year	on Disposal	June 30, 2008	June 30, 2008	
R U P E E S										
Software license	-	223,730	-	223,730	-	6,153	-	6,153	217,577	33
June 30, 2008	-	223,730	-	223,730	-	6,153	-	6,153	217,577	

6. LONG-TERM INVESTMENTS

Held-to-maturity

- Term finance certificates / Sukuk - Unquoted	6.1	201,102,940	51,235,297
- Government securities - PIB's		168,758,045	173,775,764
		369,860,985	225,011,061

Available-for-sale

- Term finance certificates - Quoted	6.2	81,832,018	106,981,605
- Term finance certificates - Pre IPO	6.3	50,000,000	10,000,000
- Investment in shares - Quoted	6.4	17,227,783	47,654,997
- Investment in mutual funds	6.5	95,766,528	30,219,137
- Investment in preference shares - Quoted		15,000,000	15,000,000
		259,826,329	209,855,739
		629,687,314	434,866,800



6.1 Term finance certificates / Sukuk - Unquoted

Number of Certificates		Investee Company	2008		2007	
			Cost	Market value	Cost	Market value
2008	2007		Rupees	Rupees	Rupees	Rupees
3	3	Chaudhry Sugar Mills Limited	352,940	352,940	1,235,297	1,235,297
3,000	-	Gharibwal Cement Limited	15,000,000	15,000,000	-	-
2,400	-	Engro Chemical Pakistan Limited	12,000,000	12,000,000	-	-
10,000	10,000	Pak Electron Limited	50,000,000	50,000,000	50,000,000	50,000,000
100	-	Trakker (Private) Limited	8,750,000	8,750,000	-	-
8,000	-	New Allied Electronics Industries Limited	40,000,000	40,000,000	-	-
5,000	-	Amtex Limited	25,000,000	25,000,000	-	-
10,000	-	Eden Housing Limited	50,000,000	50,000,000	-	-
			<u>201,102,940</u>	<u>201,102,940</u>	<u>51,235,297</u>	<u>51,235,297</u>

6.2 Term finance certificates - Quoted

Number of Certificates		Investee Company	2008		2007	
			Cost	Market value	Cost	Market value
2008	2007		Rupees	Rupees	Rupees	Rupees
7,245	7,245	Searle Pakistan Limited	27,157,883	27,157,883	36,210,510	36,210,510
4,000	4,000	Azgard Nine Limited	19,980,000	22,036,000	19,988,000	19,988,000
-	1,000	Trust Leasing Corporation Limited -1	-	-	2,807,500	3,018,060
2,903	2,903	Trust Leasing Corporation Limited -2	7,257,500	7,257,500	10,160,500	10,160,500
-	570	Ittehad Chemicals Limited	-	-	949,259	949,259
10,261	10,261	Naimat Basil Oil & Gas	20,276,557	20,276,557	31,335,042	31,335,042
150	150	Pakistan Services Limited	107,078	107,078	321,234	321,234
1,000	1,000	Jahangir Siddiqui & Company Limited	4,997,000	4,997,000	4,999,000	4,999,000
			<u>79,776,018</u>	<u>81,832,018</u>	<u>106,771,045</u>	<u>106,981,605</u>
Add: Surplus on revaluation			2,056,000	-	210,560	-
			<u>81,832,018</u>	<u>81,832,018</u>	<u>106,981,605</u>	<u>106,981,605</u>

6.3 Term finance certificates - Pre IPO

Number of Certificates		Investee Company	2008		2007	
			Cost	Market value	Cost	Market value
2008	2007		Rupees	Rupees	Rupees	Rupees
-	2,000	Gharibwal Cement Limited	-	-	10,000,000	10,000,000
10,000	-	Dewan Cement Limited	50,000,000	50,000,000	-	-
			<u>50,000,000</u>	<u>50,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>



6.4 Investment in shares - Quoted

Number of Shares		Investee Company	2008		2007	
			Cost	Market value	Cost	Market value
			Rupees	Rupees	Rupees	Rupees
120,000	120,000	Bosicor Pakistan Limited	2,668,172	1,608,000	2,668,172	2,130,000
10,500	10,500	Dewan Farooq Motors Ltd. (note 6.4.1)	375,200	72,555	375,200	166,950
-	65,000	Dewan Salman Fibers Limited	-	-	795,616	685,750
6,282	43,409	Fauji Fertilizer Company Ltd.	380,635	831,234	5,507,665	5,263,341
104,250	104,250	First Constellation Modaraba (note 6.4.1)	806,577	453,487	806,577	390,938
-	45,000	First National Equities Limited	-	-	2,403,587	1,692,000
85,000	85,000	The Hub Power Company Ltd.	3,682,120	2,431,000	3,682,120	3,119,500
60,000	60,000	Karachi Electric Supply Corp. (note 6.4.1)	693,576	328,200	693,576	405,000
100,000	50,000	Maple Leaf Cement Limited	2,561,511	1,091,000	1,283,756	1,220,000
6,550	6,550	Nishat Chunian Limited (note 6.4.1)	642,490	157,265	642,490	269,618
-	8,000	National Refinery Limited	-	-	2,842,168	2,728,000
28,000	72,600	Oil & Gas Development Company Ltd.	3,511,818	3,482,080	9,105,642	8,697,480
50,000	50,000	Pakistan Inter'l Airlines (note 6.4.1)	1,030,764	250,000	1,030,764	417,500
4,500	17,500	Pakistan Oil Fields Limited	1,497,115	1,641,780	5,822,113	5,547,500
141,900	141,900	PICIC Growth Fund	5,466,009	3,372,963	5,466,009	4,796,220
-	30,000	PICIC Investment Fund	-	-	482,874	457,500
43,500	38,500	Siddique Sons Tin Plate	2,508,117	840,419	2,331,333	1,245,475
-	47	Sui Northern Gas Pipelines Limited	-	-	2,986	3,325
-	2,500	Sui Southern Gas Company Limited	-	-	80,210	64,500
-	132,000	Standard Chartered Bank Limited	-	-	7,010,791	6,989,400
105,000	105,000	Telecard Limited (note 6.4.1)	1,707,928	667,800	1,707,928	1,365,000
			27,532,032	17,227,783	54,741,577	47,654,997
		Provision for permanent diminution in value of investments (note 6.4.1)	(3,327,228)	-	-	-
			24,204,804	17,227,783	54,741,577	47,654,997
		Less: Deficit on revaluation	(6,977,021)	-	(7,086,580)	-
			17,227,783	17,227,783	47,654,997	47,654,997

6.4.1 The cost of investment of these shares has been provided to the extent of their market values as at the balance sheet date.

6.5 Investment in mutual funds

Number of Units		Investee Company	2008		2007	
			Cost	Market value	Cost	Market value
			Rupees	Rupees	Rupees	Rupees
359,666	-	Nafa Stock Fund	5,000,000	4,123,315	-	-
2,005,371	-	Nafa Cash Fund	20,910,576	21,611,683	-	-
90,306	52,072	AMZ Plus Income Fund	10,000,000	10,012,489	5,000,000	5,835,338
44,271	-	AMZ Plus Stock Fund	5,000,000	4,042,412	-	-
80,000	-	Namco Income Fund	8,000,000	8,000,000	-	-
90,419	90,045	Dawood Money Market Fund	10,000,000	10,017,523	10,000,000	10,017,496
91,840	-	Dawood Islamic Fund	10,000,000	10,139,869	-	-
395,949	-	Nafa Multi Asset Fund	5,000,000	4,565,259	-	-
1,000,000	-	Nafa Islamic Multi Fund	10,000,000	9,536,000	-	-
1,473,467	1,473,467	Namco Balanced Fund	14,734,670	13,717,978	14,734,670	14,366,303
			98,645,246	95,766,528	29,734,670	30,219,137
		(Deficit) / surplus on revaluation	(2,878,718)	-	484,467	-
			95,766,528	95,766,528	30,219,137	30,219,137



	Note	2008 Rupees	2007 Rupees
7. LONG-TERM LOANS - considered good			
House loans to staff - Secured			
- Chief executive		6,100,006	6,421,225
- Employees		7,875,556	4,737,721
	7.1	13,975,562	11,158,946
Other loans - unsecured, interest free, considered good			
- Chief executive		426,660	746,664
- Other employees		1,668,621	1,189,010
		2,095,281	1,935,674
Current portion			
- House loans		(743,018)	(550,987)
- Other loans		(1,180,759)	(914,232)
		(1,923,777)	(1,465,219)
		14,147,066	11,629,401

7.1 These represent loans provided to the chief executive and employees for purchase of property in accordance with the terms of employment. These loans carry mark-up rate at 4% (2007: 4%) per annum and are repayable on monthly basis over a period of 15 years. These loans are secured against mortgage of properties.

	Note	2008 Rupees	2007 Rupees
8. LONG-TERM FINANCES - secured, considered good			
Term finances	8.1	130,170,761	293,997,809
Current portion		(55,908,480)	(149,796,925)
		74,262,281	144,200,884

8.1 These represent finances with maturities ranging from six months to 4 years at mark-up rates ranging from 11.36% to 18.65% (2007: 11% to 16%) per annum and are repayable in monthly, quarterly and half yearly installments. These loans are secured against pari passu charge over present and future assets of borrowers, personal guarantees of directors, and mortgage over land and buildings.

	Note	2008 Rupees	2007 Rupees
9. LONG TERM PLACEMENTS			
Lending against certificates of deposits		-	175,000,000
10. SHORT-TERM INVESTMENTS			
Held-to-maturity			
-Commercial paper	10.1	26,851,592	-
Held-for-trading			
- WAPDA Bonds		-	40,000,000
- Investment in shares - Quoted	10.2	21,654,425	12,281,638
		21,654,425	52,281,638
		48,506,017	52,281,638

10.1 It carries rate of return of 16.05% per annum and will mature on March 25, 2009.



10.2 Investments in shares - Quoted

Number of Certificates		Investee Company	2008		2007	
			Cost	Market value	Cost	Market value
2008	2007		Rupees	Rupees	Rupees	Rupees
1,000	-	Adamjee Insurance Limited	400,780	270,720	-	-
5,000	-	Agriautos Industries	611,547	413,750	-	-
1,200	10,000	Allied Bank Limited	156,131	102,324	1,405,906	1,389,500
6,000	-	Arif Habib Bank Limited	179,282	115,080	-	-
1,000	-	Arif Habib Securities Limited	189,638	161,480	-	-
6,750	-	Askari Bank Limited	506,251	271,283	-	-
17,200	-	Attock Cement Pakistan Limited	1,958,495	1,326,636	-	-
-	10,250	Attock Refinery Limited	-	-	1,280,949	1,194,638
10,000	10,000	Bank of Khyber	173,435	142,000	173,435	165,000
17,250	-	Bank of Punjab	1,361,558	536,993	-	-
-	8,000	Bosicor Pakistan Limited	-	-	129,970	142,000
-	10,000	Callmate Telips	-	-	488,348	495,000
15,000	15,000	Innovative Investment Bank Limited	60,012	62,250	60,012	62,250
18,500	17,500	Dewan Farooq Motors Limited	591,819	127,835	574,766	278,250
5,000	-	Dost Steel Limited	180,286	109,200	-	-
4,000	-	Engro Chemicals Limited	1,348,520	1,123,240	-	-
70,000	30,000	Fauji Cement Company Limited	1,406,530	708,400	598,619	591,000
1,500	-	Fauji Fertilizer Bin Qasim Limited	65,001	53,955	-	-
-	5,000	Fauji Fertilizer Company Limited	-	-	608,122	606,250
4,000	-	Faysal Bank Limited	263,333	140,160	-	-
-	5,000	First National Equities Limited	-	-	224,795	188,000
1,000	-	Habib Bank Limited	278,156	208,630	-	-
57,500	-	Hub Power Company Limited	1,835,310	1,644,500	-	-
-	5,500	I.C.I. Pakistan Limited	-	-	985,699	919,050
5,000	-	Indus Motors	1,732,876	1,000,250	-	-
1,000	-	Javed Omar Vohra & Company	120,899	53,380	-	-
19,000	-	Kot Addu Power Company	956,901	893,000	-	-
9,000	-	Lucky Cement	1,206,719	881,370	-	-
10,000	-	Maple Leaf Cement Limited	211,742	109,100	-	-
1,000	-	Mari Gas Company Limited	357,722	269,530	-	-
6,000	-	MCB Bank Limited	2,567,964	1,958,280	-	-
6,500	-	National Bank Limited (10.2.1)	1,506,970	958,750	-	-
1,000	-	National Refinery Limited	399,230	297,470	-	-
2,200	-	Netsol Technologies	245,999	214,015	-	-
4,000	-	Oil & Gas Development Company	532,756	497,440	-	-
2,000	-	Pace (Pakistan) Limited	76,715	56,680	-	-
1,000	-	Pak Suzuki Motors Limited	365,272	119,790	-	-
1,000	-	Pakistan Oil Fields Limited	417,433	364,840	-	-
4,000	10,000	Pakistan Petroleum Limited	1,084,616	983,960	2,651,530	2,624,500
6,000	-	Pakistan State Oil Company Limited	3,073,015	2,503,440	-	-
38,675	-	Pakistan Telecommunication Co. Ltd	605,466	1,494,402	-	-
1,000	-	Pervaiz Ahmed Securities	83,087	49,570	-	-
-	100,000	PICIC Energy Fund	-	-	750,549	750,000
-	3,000	Saudi Pak Commercial Bank	-	-	55,175	75,450
34,400	-	Standard Chartered Bank Limited	1,829,514	808,744	-	-
-	25,000	Sui Northern Gas Pipelines Limited	-	-	1,768,445	1,768,750
-	40,000	Sui Southern Gas Company Limited	-	-	1,052,210	1,032,000
4,750	-	United Bank Limited	711,529	404,178	-	-
15,000	-	Worldcall Telecom	268,553	217,800	-	-
			29,921,062	21,654,425	12,808,530	12,281,638
Less: Deficit on revaluation			(8,266,637)	-	(526,892)	-
			21,654,425	21,654,425	12,281,638	12,281,638

**10.2.1 This is an investment in shares of associated undertaking.**

11. This represents secured financing in respect of purchase of shares from Continuous Funding System (CFS) market. These carry markup at rates ranging from 15.62 % to 23.00% (2007: 11.49% to 19.78%) per annum.

	Note	2008 Rupees	2007 Rupees
12. SHORT-TERM PLACEMENTS			
Unsecured placements - considered good	12.1	<u>400,000,000</u>	<u>35,000,000</u>

12.1 These are clean placements with Non Banking Finance Companies carrying markup at rates ranging between 11.60% to 19.00% (2007: 10.1%) per annum and maturing on various dates latest by September 29, 2008.

	Note	2008 Rupees	2007 Rupees
13. MARKUP/INTEREST ACCRUED			
Accrued profit/markup/interest on:			
- WAPDA bonds	13.1	-	628,493
- Continuous funding system		2,013,919	1,877,788
- Term finance certificates		7,251,376	4,473,946
- Sukuk		4,312,787	-
- Government securities		1,943,171	1,977,090
- Term finances		2,841,488	5,191,368
- Placements		3,579,073	810,540
		<u>21,941,814</u>	<u>14,959,225</u>

13.1 This represent amount receivable from an associated undertaking.

14. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**Advances - Considered good**

- Advance against expenses for Initial Public Offering (IPO) 4,911,880 -

Prepayments 521,360 975,112

Other receivables

- Dividend receivable 120,000 253,732
- Receivable from brokers against sale of shares 38,648,701 -
- Receivable from gratuity fund 20 509,238 -
- Other receivables 1,035,770 5,634,598

45,746,949 6,863,442

15. CASH AND BANK BALANCES

Cash in hand 53,975 38,215
Balance with banks

- Deposit account 15.1 5,025,042 17,763,050
- Current account with SBP 7,140,181 5,635,638
- Reserve account with SBP 15.2 1,750,000 1,750,000

13,969,198 25,186,903

15.1 Effective markup rate in respect of deposit accounts ranges from 1% to 3.50% (2007: 1% to 2.5%) per annum.



15.2 This represents amounts deposited with the SBP as required under the relevant provision of the Prudential Regulations for Non Banking Finance Companies to meet the additional reserve of 1% of certain specified liabilities.

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

No. of Shares			2008	2007
2008	2007		Rupees	Rupees
3,500,000	3,500,000	Ordinary shares of Rs. 10 each issued as fully paid in cash	35,000,000	35,000,000
36,500,000	8,458,170	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	365,000,000	84,581,700
<u>40,000,000</u>	<u>11,958,170</u>		<u>400,000,000</u>	<u>119,581,700</u>
			2008	2007
			No. of Shares	

16.1 Reconciliation of number of Ordinary shares of Rs. 10 each

At the beginning of the year	11,958,170	10,398,410
Bonus shares issued during the year	28,041,830	1,559,760
At the end of the year	<u>40,000,000</u>	<u>11,958,170</u>

16.2 Shares issued subsequent to year end

Subsequent to year end, the Company offered 25 million Ordinary shares of Rs. 10 each at par value to general public. Out of these, 1.95 million Ordinary shares were subscribed by the general public in the Initial Public Offer (IPO) and the remainder 23.05 million shares were subscribed by the underwriters. The issued, subscribed and paidup capital after the IPO is Rs. 650 million.

16.3 Capital risk management

The objective of managing capital is to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services appropriately with the level of risk. It is the policy of the Company to maintain a strong capital base so as to maintain investor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Capital Structure of the Company consists of equity comprising issued share capital and unappropriated profit.

Goals of managing capital

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

- To be an appropriately capitalised, as defined by regulatory authorities and comparable to the peers;
- Maintain strong ratings and to protect against unexpected events; and
- Availability of adequate capital at a reasonable cost so as to expand; and achieve low overall cost of capital with appropriate mix of capital elements.

The Securities and Exchange Commission of Pakistan through it's SRO 11320(i)2007 dated November 21, 2007 has issued Non-Banking Finance Companies and Notified Entities Regulations, 2007 in which the equity requirements for an NBFC licensed by the SECP to undertake different forms of business have been prescribed. The present equity of the Company adequately covers the minimum levels specified by the NBFC Regulations.



	Note	2008 Rupees	2007 Rupees
17. RESERVES			
Capital			
- statutory reserve	17.1	114,557,698	111,350,000
Revenue			
- unappropriated profit		43,423,673	322,969,352
		<u>157,981,371</u>	<u>434,319,352</u>
17.1 Statutory reserve			
Opening balance		111,350,000	100,150,000
Transferred during the year		3,207,698	11,200,000
		<u>114,557,698</u>	<u>111,350,000</u>
18. DEFICIT ON REVALUATION OF INVESTMENTS - NET			
Available-for-sale - Quoted Securities			
Term finance certificates	6.2	2,056,000	210,560
Shares	6.4	(6,977,021)	(7,086,580)
Mutual funds	6.5	(2,878,718)	484,467
		<u>(7,799,739)</u>	<u>(6,391,553)</u>
19. LONG-TERM LOANS			
From Banking Companies - Secured			
National Bank of Pakistan (NBP)-an associated undertaking	19.1	125,000,000	187,500,000
Allied Bank Limited (ABL)	19.2	83,333,332	149,999,998
		<u>208,333,332</u>	<u>337,499,998</u>
Current portion of long-term loans		(120,833,332)	(129,166,667)
		<u>87,500,000</u>	<u>208,333,331</u>
19.1	On May 11, 2005, the Company obtained a five year term loan facility of Rs. 250 million from NBP with a grace period of one year. The loan is repayable in 16 equal quarterly installments commencing from August 11, 2006 and carries markup @ 3 months KIBOR plus 0.5% per annum. The loan is secured by first pari passu hypothecation charge against all present and future assets of the Company amounting to Rs. 333 million.		
19.2	This includes two long-term facilities obtained from ABL. The first facility amounting to Rs. 200 million was obtained on November 30, 2005 for a period of three years and is repayable in 12 equal quarterly installments. The facility carries markup @ 3 months KIBOR plus 1.50% per annum and is secured by first pari passu hypothecation charge against all present and future assets of the Company amounting to Rs. 266 million. The second facility amounting to Rs. 200 million was obtained on June 27, 2007 for a period of three years and is repayable in 8 equal quarterly installments after a grace period of one year. The facility carries markup @ 3 months KIBOR plus 1.50% per annum and is secured by first pari passu hypothecation charge against all present and future assets of the Company amounting to Rs. 277 million.		



	Note	2008 Rupees	2007 Rupees
20. DEFERRED (ASSET) / LIABILITY			
Staff gratuity (receivable) / payable	14	(509,238)	684,593
20.1 The valuation has been carried out based on the Projected Unit Credit Method, using the following significant assumptions:			
		2008	2007
20.2 Actuarial Assumptions			
Discount rate (per annum)		10%	10%
Expected rate of increase in salaries (per annum)		10%	10%
Expected return on plan assets (per annum)		10%	10%
Expected average remaining working lives of employees		14 years	14 years
	Note	2008 Rupees	2007 Rupees
20.3 Reconciliation of payable to defined benefit plan			
Present value of defined benefit obligation		4,283,257	3,334,089
Fair value of plan assets		(5,038,910)	(2,895,911)
Unrecognized actuarial gain		246,415	246,415
		(509,238)	684,593
20.4 Changes in the present value of the defined benefit obligation			
Operating defined benefit obligation		3,334,089	2,817,156
Current service cost		615,759	493,628
Interest cost		333,409	281,716
Actuarial gain		-	(258,411)
		4,283,257	3,334,089
20.5 Change in the fair value of plan assets			
Fair value of plan asset as at July 01:		2,895,911	1,044,785
Expected return		289,591	109,969
Contribution		1,853,408	1,753,153
Actuarial loss		-	(11,996)
		5,038,910	2,895,911
20.6 Movement in net liability			
Opening liability		684,593	1,348,329
Charge for the year	20.7	659,577	1,089,417
Contributions		(1,853,408)	(1,753,153)
Closing liability		(509,238)	684,593
20.7 Charge for the year			
Current service cost		615,759	493,628
Interest cost		333,409	281,716
Expected return on plan assets		(289,591)	(109,969)
Recognized transitional liability		-	424,042
		659,577	1,089,417

**21. LONG-TERM CERTIFICATE OF DEPOSITS**

These have been issued to various parties for terms ranging from two years to three years and expected return on these certificates ranges from 10.5% to 11.25% (2007: 10.5% to 11.25%) per annum payable half yearly.

	Note	2008 Rupees	2007 Rupees
22. SHORT-TERM BORROWINGS - from banking companies and other financial institutions other than related parties			
Secured under repurchase agreement	22.1	135,965,150	195,000,000
Unsecured - clean borrowings		-	100,000,000
		<u>135,965,150</u>	<u>295,000,000</u>
22.1	This represents funds borrowed from the local inter bank market against government securities and term finance certificates, carrying markup rate of 13.9% (2007: 9.15% to 10.05%) per annum maturing on September 30, 2008.		

	Note	2008 Rupees	2007 Rupees
23. SHORT-TERM RUNNING FINANCE			
Secured			
National Bank of Pakistan (NBP)-an associated undertaking	23.1	49,932,742	-
Allied Bank Limited - RF I	23.2	99,960,394	99,995,000
Allied Bank Limited - RF II	23.3	99,917,645	-
		<u>249,810,781</u>	<u>99,995,000</u>

- 23.1** This represents short-term running finance obtained from NBP with a limit of Rs. 50,000,000 (2007: Rs. 50,000,000) carrying mark-up at a rate based on 3 months KIBOR plus 0.5% (2007: 3 months KIBOR plus 0.5%) per annum. The running finance is secured by first pari passu hypothecation charge against all present and future assets of the Company amounting to Rs. 62.5 million.
- 23.2** This represents short-term running finance obtained from ABL with a limit of Rs. 100,000,000 (2007: Rs. 100,000,000) carrying markup at a rate based on 3 months KIBOR plus 1.25% (2007: 3 months KIBOR plus 1.5%) per annum. The running finance is secured by first pari passu hypothecation charge against all present and future assets of the Company amounting to Rs. 134 million.
- 23.3** This represents short-term running finance obtained from ABL with a limit of Rs. 100,000,000 (2007: Rs. 100,000,000) carrying markup at a rate based on 3 months KIBOR plus 1.25% (2007: 3 months KIBOR plus 2.25%) per annum. The running finance is secured by first pari passu hypothecation charge against all present and future assets of the Company amounting to Rs. 134 million.

24. SHORT-TERM CERTIFICATES OF DEPOSIT- unsecured

These have been issued for terms ranging from one month to one year and expected return on these certificates ranges from 8.50% to 9.75% (2007: 9.25% to 10.25%) per annum payable monthly, quarterly, semi-annually or on maturity.



	Note	2008 Rupees	2007 Rupees
25. ACCRUED MARKUP			
Secured			
- Loans and borrowings	25.1	4,688,505	3,636,743
- Repo borrowings		51,779	3,129,785
Unsecured			
- Certificates of deposit		13,790,732	9,476,850
- Clean borrowings		-	222,055
- Others		8,000	-
		<u>18,539,016</u>	<u>16,465,433</u>
25.1 This amount includes Rs. 2,193,921 (2007: Rs. 2,658,390) due to National Bank of Pakistan, an associated undertaking.			
	Note	2008 Rupees	2007 Rupees
26. ACCRUED EXPENSES AND OTHER LIABILITIES			
Accrued expenses		5,337,300	3,604,443
Other liabilities		3,081,830	947,454
Payable to brokers against purchase of shares		4,383	50,597,665
		<u>8,423,513</u>	<u>55,149,562</u>
27. COMMITMENTS			
a) Commitment to provide Term Finance Facility		35,000,000	50,000,000
b) Standby Letter of Credit on behalf of clients		100,000,000	155,000,000
	Note	2008 Rupees	2007 Rupees
28. INCOME FROM TERM FINANCES AND FUNDS PLACEMENTS			
Income from long-term finances		28,801,068	37,033,539
Return on funds placements with financial institutions	28.1	30,776,723	9,933,521
Income from short-term finances		52,970,495	30,790,340
		<u>112,548,286</u>	<u>77,757,400</u>
28.1 Return on funds placements with financial institutions			
- Return on bank deposits		550,819	266,877
- Return on certificates of investment		23,754,392	800,857
- Return on fund placements		6,436,137	8,865,787
- Return on commercial paper		35,375	-
		<u>30,776,723</u>	<u>9,933,521</u>
29. INCOME FROM INVESTMENTS			
Return on government securities		11,256,185	14,391,278
Return on WAPDA bonds		3,171,507	3,912,919
Return on term finance certificates / Sukuk		27,497,177	20,334,560
Dividend income on available-for-sale investments		5,320,122	11,766,652
Capital gain on sale of securities		14,839,945	53,656,500
		<u>62,084,936</u>	<u>104,061,909</u>



	Note	2008 Rupees	2007 Rupees
30. FEES AND COMMISSION			
Underwriting commission		433,750	185,000
Guarantee commission		171,875	687,500
Consultancy and corporate advisory fees		2,857,539	6,217,417
		<u>3,463,164</u>	<u>7,089,917</u>
31. FINANCE COST			
Markup / Interest on:			
- Long-term loans		29,896,564	38,668,265
- Short-term secured borrowings		12,480,858	21,237,179
- Short-term running finance		4,193,968	4,195,565
- Certificates of deposit		50,863,362	25,544,055
- Clean borrowings		4,825,788	11,474,233
- Other charges		200,464	1,402,636
		<u>102,461,004</u>	<u>102,521,933</u>
32. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and allowances	32.1 & 32.2	18,066,671	15,020,365
Meeting charges		445,379	379,934
Travelling and conveyance		1,142,505	1,087,832
Printing and stationery		441,782	301,274
Rent, rates and taxes		2,521,500	2,172,646
Lease rentals		-	95,760
Legal and professional		1,861,998	771,398
Repair and maintenance		1,034,331	802,205
Auditors' remuneration		365,500	150,000
Brokerage and commission		2,616,332	347,458
Motor vehicle running expenses		1,641,419	1,650,590
Telephone, telex and fax		661,886	514,762
Electricity, gas and water charges		846,388	730,877
Advertisement and business promotion		1,021,102	569,945
Newspaper and periodicals		39,051	39,281
Postage and courier services		34,284	32,452
Fees and subscription		808,783	985,536
Security guards		164,298	153,057
Insurance		485,104	573,827
Medical		1,024,064	638,915
Office supplies		250,389	228,211
IT support		366,501	339,450
Depreciation	4	3,482,946	2,274,042
Amortisation	5	6,153	-
		<u>39,328,366</u>	<u>29,859,817</u>
32.1 It includes charge for gratuity and provident fund as follows:			
- Gratuity	20.7	659,577	1,089,417
- Provident fund		573,691	460,045
		<u>1,233,268</u>	<u>1,549,462</u>
32.2 The aggregate amounts incurred during the year for remuneration, leave encashment and bonus to Chief Executive of the Company were as follow:			



	Note	2008 Rupees	2007 Rupees
Managerial remuneration	32.2.2	2,752,014	2,487,478
Retirement benefit		678,640	580,186
		<u>3,430,654</u>	<u>3,067,664</u>

32.2.1 The Chief Executive is provided with the use of Company maintained cars in accordance with the terms of his employment.

32.2.2 This includes bonus paid to Chief Executive of Rs. 539,136 (2007: 490,124) during the year.

	Note	2008 Rupees	2007 Rupees
33. TAXATION			
Current		8,000,000	1,471,541
Prior		884,483	-
Deferred		-	232,540
		<u>8,884,483</u>	<u>1,704,081</u>

33.1 Relationship between tax expense and accounting profit

Profit before tax		<u>24,922,972</u>	<u>57,377,449</u>
Tax at applicable rate of 35% (2007: 35%)		8,723,040	20,082,107
Tax effect of:			
- Dividend income chargeable to tax at reduced rates		(971,181)	(3,058,849)
- Income exempt from tax		162,023	(16,446,911)
- Difference due to turnover tax rate and normal tax rate		-	770,811
- Prior year charge		884,483	-
- Others		86,118	356,923
Tax charge for the year		<u>8,884,483</u>	<u>1,704,081</u>

33.2 The income tax assessment of the Company has been finalized upto the tax year 2007.

34. EARNINGS PER SHARE - BASIC AND DILUTED

Profit for the year		<u>16,038,489</u>	<u>55,673,368</u>
Weighted average number of shares outstanding during the year	34.1	<u>40,000,000</u>	<u>40,000,000</u>
Earnings per share - basic and diluted		<u>0.40</u>	<u>1.39</u>

34.1 The comparative figure of weighted average number of shares outstanding has been restated to include the effect of bonus shares issued by the Company during the year.

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Interest / markup rate risk is the risk of decline in earnings due to adverse movement of the interest rate curve. Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments.

The Company has financial instruments with both fixed and floating interest rates as specifically disclosed in the respective notes. The Company while dealing in the financial instruments negotiates attractive fixed interest rates, which reduce the interest rate price risk.



Analysis of interest rate / mark-up rate risk is as under:

	June 30, 2008			
	Effective Yield / Interest rate %	Interest bearing		Non-Interest bearing
		Maturity upto one year	Maturity after one year	
	Rupees.....			

Financial assets

Investments	6.27 to 16.05	26,851,592	501,693,003	149,648,736	678,193,331
Loans and finances	4 to 23	455,977,974	88,409,347	-	544,387,321
Long term Security deposits		-	-	1,000,000	1,000,000
Short-term placements	11.6 to 19	400,000,000	-	-	400,000,000
Markup/interest accrued		-	-	21,941,814	21,941,814
Advances, prepayments and other receivables		-	-	40,313,709	40,313,709
Cash and bank balances	1 to 3.5	5,025,042	-	8,944,156	13,969,198
		<u>887,854,608</u>	<u>590,102,350</u>	<u>221,848,415</u>	<u>1,699,805,373</u>

	June 30, 2008			
	Effective Yield / Interest rate %	Interest bearing		Non-Interest bearing
		Maturity upto one year	Maturity after one year	
	Rupees.....			

Financial liabilities

Long-term loans	10.25 to 12.82	120,833,332	87,500,000	-	208,333,332
Long-term certificates of deposit	10.5 to 11.25	-	1,800,000	-	1,800,000
Short-term borrowings	13.9	135,965,150	-	-	135,965,150
Short-term running finance	10.09 to 11.39	249,810,781	-	-	249,810,781
Short-term certificates of deposit	8.5 to 9.75	556,200,000	-	-	556,200,000
Accrued markup		-	-	18,539,016	18,539,016
Accrued and other liabilities		-	-	8,423,513	8,423,513
		<u>1,062,809,263</u>	<u>89,300,000</u>	<u>26,962,529</u>	<u>1,179,071,792</u>

	June 30, 2007			
	Effective Yield / Interest rate %	Interest bearing		Non-Interest bearing
		Maturity upto one year	Maturity after one year	
	Rupees.....			

Financial assets

Investments	8 to 13.25	40,000,000	341,992,666	105,155,772	487,148,438
Loans and finances	4 to 16	1,130,412,859	155,830,285	-	1,286,243,144
Long-term Placements	10.9 to 11.65	-	175,000,000	-	175,000,000
Security deposits		-	-	1,005,200	1,005,200
Short-term placements	10.1	35,000,000	-	-	35,000,000
Markup/interest accrued		-	-	14,959,225	14,959,225
Advances, prepayments and other receivables		-	-	5,888,330	5,888,330
Cash and bank balances	1 to 2.5	17,763,050	-	7,423,853	25,186,903
		<u>1,223,175,909</u>	<u>672,822,951</u>	<u>134,432,380</u>	<u>2,030,431,240</u>



	June 30, 2007				
	Effective Yield / Interest rate %	Interest bearing		Non-Interest bearing	Total
		Maturity upto one year	Maturity after one year		
.....Rupees.....					
Financial liabilities					
Long-term loans	9.93 to 11.79	129,166,667	208,333,331	-	337,499,998
Short-term borrowings	9.15 to 10.05	295,000,000	-	-	295,000,000
Short-term running finance	10.12 to 11.12	99,995,000	-	-	99,995,000
Short-term certificates of deposit	9.25 to 10.25	706,200,000	-	-	706,200,000
Accrued markup		-	-	16,465,433	16,465,433
Accrued and other liabilities		-	-	55,149,562	55,149,562
		<u>1,230,361,667</u>	<u>208,333,331</u>	<u>71,614,995</u>	<u>1,510,309,993</u>

35.1 Credit risk and concentration of credit risk

Credit risk is the risk, that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counter parties in various industries and by continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Company is exposed to credit risk on loan, term finance, fund placements with financial institutions, certain investments and receivable for sale of marketable securities. The Company seeks to minimize its credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable. Credit risk in respect of derivative financial instruments is limited to those with positive fair values. Out of the total financial assets of Rs.1,699.805 (2007: Rs. 2,030.431) million, the financial assets which are subject to credit risk amounted to Rs. 1,699.751 (2007: Rs. 2,030.393) million.

35.2 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company has diversified its funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities, to guard against the risk.

35.3 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Since the Company does not have significant long-term fixed interest rate financial instruments, the fair value of all financial instruments is considered to approximate their book values.

36. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, key management personnel and post employment benefit scheme. The Company in the normal course of business carries out transactions with various



related parties. Amounts due from and to associated undertakings, executives and remuneration of directors and executives are disclosed in the relevant notes. Transactions with related parties are as follows:

	2008 Rupees	2007 Rupees
Associated Undertakings		
Mark-up on long-term loans	16,285,266	22,997,838
Mark-up on short-term running finance	1,619,352	2,470,913
Return on WAPDA Bonds	3,171,507	3,912,919
Dividends paid	11,958,170	-
Staff Retirement Plans		
Contribution to staff retirement plans	2,437,740	2,213,198
Key management personnel		
Return on loan to Chief Executive	237,055	252,342

37. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on September 29, 2008 by the Board of Directors of the Company.

CHIEF EXECUTIVE OFFICER

DIRECTOR

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2008**

No. of Shareholder	Share holding			Total Shares		Held
Nil	From	1	TO	100	Shares	Nil
Nil	From	101	TO	500	Shares	Nil
Nil	From	501	TO	1,000	Shares	Nil
Nil	From	1,001	TO	5,000	Shares	Nil
Nil	From	5,001	TO	10,000	Shares	Nil
Nil	From	10,001	TO	20,000	Shares	Nil
Nil	From	20,001	TO	50,000	Shares	Nil
Nil	From	50,001	TO	100,000	Shares	Nil
2	From	100,001	and above		Shares	40,000,000
<u>2</u>						<u>40,000,000</u>

Categories of Share Holders	Numbers	Shares Held	Percentage %
Individuals (Pakistan)	Nil	Nil	Nil
Individual(Foreign)	Nil	Nil	Nil
Investment Companies	Nil	Nil	Nil
Joint Stock Companies	Nil	Nil	Nil
Financial Institutions	Nil	Nil	Nil
Associated Companies / Undertakings	2	40,000,000	100
Private Companies and Institutions	Nil	Nil	Nil
	<u>2</u>	<u>40,000,000</u>	<u>100</u>



FORM OF PROXY

The Company Secretary
First Credit and Investment Bank Ltd.
2nd Floor, Sidco Avenue Centre,
Stratchen Road,
Karachi - 74200
Pakistan.

I/We _____
(name)
of _____ being member(s)
(address)
of First Credit and Investment Bank Ltd. and holder of _____ Ordinary
(number of shares)
Shares as per Share Registered Folio No. _____ and/or CDC Participant I.D No. _____
and Sub Account No. _____ hereby appoint _____ of
(name)
_____ or failing him/her _____
(address) (name)
of _____ as my proxy to vote
(address)

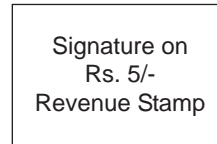
for me and on my behalf at the Annual General meeting of the company to be held on Wednesday, October 29, 2008 at 7.00 p.m. at PIIA (Pakistan Institute of International Affairs) Auditorium, Aiwane-e- Saddar Road Karachi.

Signed this _____ day of _____ 2008.

1. Witness:

Signature _____
Name _____
Adress _____
CNIC or _____
Passport # _____

Signature



(signature should agree with the specimen registered with the Company)

2. Witness:

Signature _____
Name _____
Adress _____
CNIC or _____
Passport # _____

IMPORTANT:

- 1 In order to be effective, the proxy forms must be received at the office of our Registrar THK Associates (Pvt.) Limited, Ground Floor, State Life Building -3, Dr. Ziauddin Ahmed Road, Karachi not later than 48 hours before the meeting duly signed and stamped and witnessed by two persons with their signatures, names, addresses and CNIC numbers given on the form.
- 1 In the case of individuals attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- 1 In the case of proxy by a corporate entity, Board of Directors Resolution /power of attorney and attested copy CNIC or passport of the proxy shall be submitted alongwith proxy form.
- 1 Proxy shall authenticate his /her identity by showing his /her original national identity card or original passport and bring folio number at the time of attending the meeting

AFFIX
CORRECT
POSTAGE

First Credit and Investment Bank Ltd.

Registrar:

THK Associates (Pvt.) Limited

Ground Floor, State Life Building-3

Dr. Ziauddin Ahmed Road,

Karachi. 75530

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Fold : Here

Fold : Here

Fold : Here

