DIRECTORS' REPORT

On behalf of the Board of Directors of Pak-Kuwait, it is my privilege to present the 28th Annual Report alongwith the financial statements for the year ended December 31, 2006.

Financial Highlights

Summary of financials and appropriations is as follows:

	2006	2005
	Rs in millions	
Mark-up / interest income	1,650	1,031
Non mark-up income	2,504	2,125
Gross income	**4,154**	**3,156**
Mark-up / interest expense	1,103	623
Admin expenses	362	349
	1,465	972
Profit before provisions & taxation	**2,689**	**2,184**
Unrealized deficit / (surplus) on 'held for trading' securities	1,096	(113)
Provisions	323	185
Taxation	60	215
	1,479	**287**
Profit after taxation for the year	**1,210**	**1,897**
Transfer from revenue reserve	**-**	**3,232**
Un-appropriated profit brought forward	**113**	**-**
	1,323	**5,129**
Appropriations:		
Transfer to statutory reserve	**242**	379
Transfer to contingencies reserve	**51**	68
Transfer to marketable & government securities reserve	**666**	369
Transfer to reserve for issue of bonus shares	**-**	4,000
Cash dividend	**364**	200
Unappropriated profit	**-**	113

Dividend

The Board of Directors is pleased to recommend a cash dividend of Rs 364 million for the year ended December 31, 2006. With this declaration, the cumulative dividends payout amount to Rs. 9,596 million since the inception of the company.

Business Environment & Economic Conditions

The year under review presented the continued economic growth achieved by the country on the back of investor friendly policies constantly pursued by the Government of Pakistan over the last few years. This is clearly reflected in the confidence reposed by the foreign and local investors alike in the economy of the country as their investment have substantially increased in various sectors of the economy. It is worth mentioning that the two GDR issues of Pakistani companies i.e. MCB Bank and Oil and Gas Development Corporation (OGDC) were heavily oversubscribed in the international financial markets with successful listing on the London Stock Exchange which is a clear indication of foreign investor's keen interest in the Pakistan's capital markets.

The economic growth of the country moved at a fast and sustainable pace on the back of high GDP growth as the average rate of real GDP remained over 7% for the last couple of years. The GDP target for 2006-07 has been set at 7% which is not only likely to be achieved but it may also surpass the target. This compares favourably with the GDP rate of 6.6% achieved last year after revising downwards the target at 6.4% in the light of devastating massive earthquake that hit the country during October 2005. The target of 7.0 percent growth in GDP for FY 07 is based on 4.5 percent growth in agriculture, 13.0 percent in large-scale manufacturing and 8.0 percent in services sector.

The fiscal year ended June 2006 remained strong as the country not only achieved but also exceeded the budgeted target of tax collection by collecting Rs. 713 billion against the target of Rs. 690 billion, thereby crossing the magic number of Rs. 700 billion for the first time. Similarly the country was able to attract FDI of USD 3.5billion that exceeded the target of USD 3.0 billion. This emboldened the economic managers to set the target of tax collection at Rs. 840 billion being 18% higher over the FY06 actual. On the same lines, the FDI target has been set at USD 4.0 billion for FY 07. Looking at the actual numbers of first half of FY 07, the tax collection and FDI targets seem well within reach as the tax collection was up by 26.7% and FDI was up by a superb 105% over the same period in FY 06. On the trade front, the deficit continued to soar reaching a staggering USD 6.5bn during the first half of the current fiscal year, compared to USD 5.6bn during the same period of FY 06 depicting an increase of 15.28%. The increasing deficit can be partly attributed to the higher oil prices that had sky rocketed to the peak of USD 78 per barrel mark in August 2006 before tapering down to USD 62 per barrel by the year-end. The impact of lower oil prices will however be felt in the second half of FY 07, provided the trend is not reversed. The exports and imports stood at USD 8.4 billion and USD 14.9 billion respectively for the first half of FY06. However, higher remittance inflows showing handsome increase of almost 25% coupled with rising FDI and portfolio investment reflecting the quantum jump of over 105% during the first half of FY 07 over the same period of FY 06, have so far limited the deterioration in overall balance of payment. Consequently foreign exchange reserves have shown a slight decline, falling to USD 12.9bn at the end of December 2006 compared to US$13.1bn at the start of July 2006.

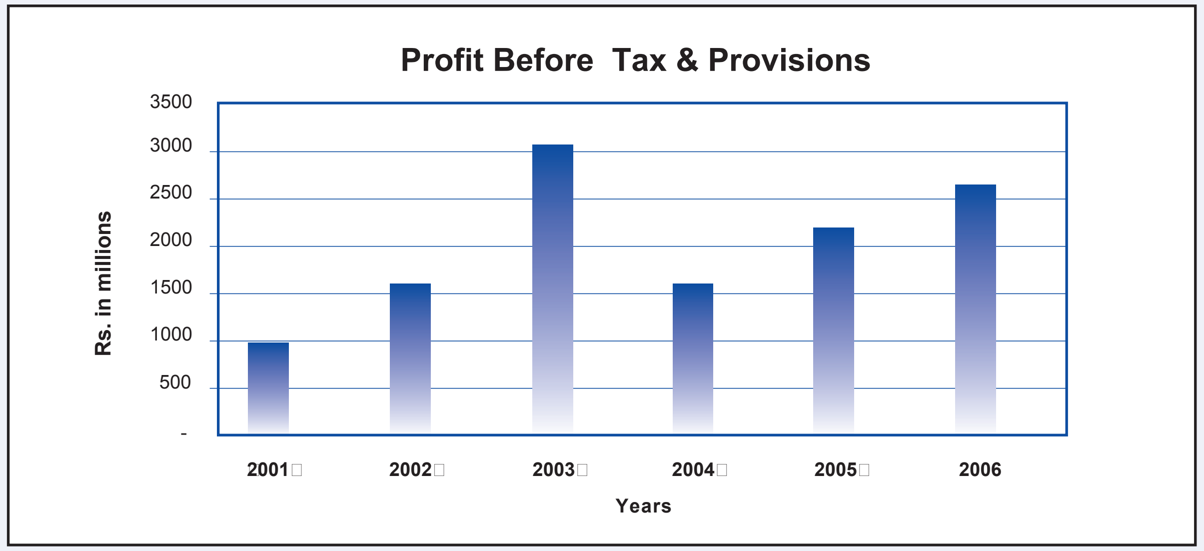
Large-scale manufacturing sector is expected to perform better than FY 06 as reflected in the first quarter of FY 07 when it recorded the growth rate of 9.7% year on year (YoY) as compared to 8.8% in the same period of FY 06. The agriculture sector is also expected to surpass the FY 06 actual growth as crops of Sugar and Wheat and production of Live Stock is expected to outperform the targets on the back of heavy rains and availability of water and other resources even with the slight shortfall in the cotton crop. With a solid economic expansion underway and continued pressure of inflation through the calendar year 2006, the SBP did not revert to the policy accommodation and continued to maintain tight monetary policy that did not allow the interest rates to recede and the cut-off yield in the six month T-bill marginally increased by a modest 52 basis points by the end of December 2006. As a result, the core inflation slowed down in recent months despite the run-up in energy costs. The inflation, however, remained the biggest concern of the country's economic managers throughout the year. The headline consumer price index (CPI) inflation accelerated to 8.9% for the first half of FY 07 from 9.0 percent in July on account of higher food prices. However, core inflation reasonably eased off to 5.5%. Moreover, reduction in oil prices on domestic front will further help easing the pressure on inflation.

It is interesting to note that though the interest rates remained same with minor increase throughout the calendar year, the sharp increase in the interest rates in earlier years started to reflect its impact on the demand for credit which increased at a slower pace than last year during July – December 2006, recording an increase of Rs. 218 billion versus Rs. 277 billion recorded in the corresponding period of previous year. This credit off-take from banks by the private sector, though at a slower pace in the backdrop of higher interest rates, still reflects the growth potential in the private sector. This is, however, reflected in higher imports of capital goods and raw material for the industrial sector. Looking ahead in FY 07 Pakistan's economy seems likely to achieve the higher growth targets set by the economic managers.

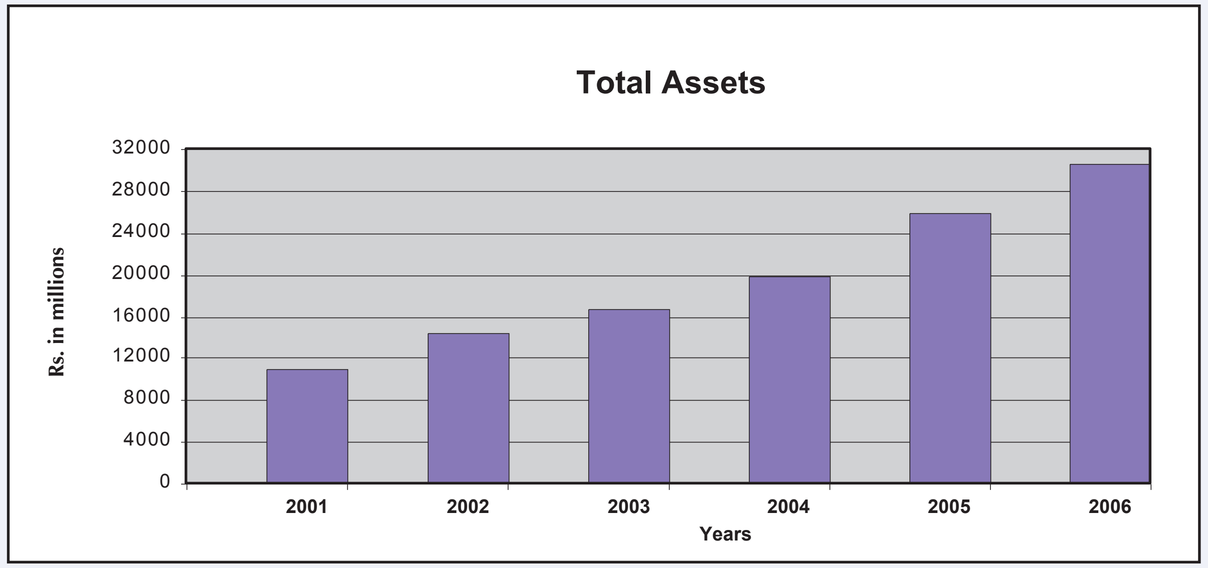
The country has maintained its march forward on the International Index of 'Economic freedom' where its position has been upgraded to 89th slot in 2007. The ranking is considerably higher than the 133rd position on which it stood in 2005, and 110th position it secured in 2006, on a scale of 1-157. The index measures 162 countries against a list of 50 variables divided into 10 broad factors of economic freedom. This is yet another sign of recognition of Pakistan's continued economic growth and its policies towards foreign investment.

Company Performance

By the Grace of Allah (SWT), we have successfully achieved handsome after tax profitability of Rs. 1,210 million for the shareholders of the company during the year 2006 despite unfavourable conditions prevalent in the stock markets of the country. The major contribution towards the profitability was largely provided by Capital Markets Department while the contribution from Treasury Department under the competitive market conditions was outstandingly significant by efficiently managing its operational capability to generate huge volume of business. The Corporate Finance Department did not achieve its target in terms of business volumes due to strong competition from large banks with inherently strong market penetration and availability of low cost funds.



The company's asset base soared to depict significant growth during 2006. The balance sheet stood at Rs. 30,323 million reflecting a growth of 18% over the year from Rs. 25,747 million as at December 31, 2005. This growth in the asset base was financed out of retained earnings as well as borrowings from financial institutions.



In continuation of the strategy evolved over the last few years to manage dynamically the liability mix to ensure Pak Kuwait's competitiveness in the current circumstances, the company mobilized additional Rs. 1,250 million via privately placed corporate bond (TFC) issue. The company also availed the facility under LTF – EOP Scheme introduced by the SBP from the current year to the tune of Rs. 463 million out of sanctioned limit of Rs. 1,000 million. This proactive approach to manage both sides of the balance sheet is essential to put the company in a position to achieve sustainable growth in years to come.

Credit & Corporate Governance Rating

I am pleased to report that in line with the firm commitment of both the senior management as well as the Board to adopt an open approach in terms of information disclosure as well as supporting independent/external reviews/surveillance we continued with the voluntarily adopted Code of Corporate Governance Rating (CGR). This is a clear reflection of our confidence in our systems and approach towards doing business and it would not be out of place to mention that currently we hold the distinction of being the only company rated AAA (long term) and A-1+ (short term) by both the external rating agencies i.e. PACRA (being maintained for the last four years) and JCR – VIS (being maintained for the last seven years), and for the highest CGR rating 9 (on a scale of 1-10).

Corporate Finance

The total Income earned for the period ended December 31, 2006 amounted to PKR 693 million, which was 15% higher than the income earned during the corresponding period of the previous year. This was due to higher weighted average yield attained during the period.

The total disbursement during the year amounted to PKR 1,517 million, which increased the total exposure to PKR 5,906 million as at December 31, 2006.

The exposure is well diversified and spread over various sectors of the economy. However, with the exception of textile sector having 32% share of total portfolio, exposure in a single sector does not exceed 25% share of the total portfolio. The textile sector reflects a combined exposure in sub-sectors of Textile Spinning, Textile Weaving and Textile Composite.

The focus of Corporate Finance will remain on a marketing strategy to build a balanced portfolio with manageable risk.

Capital Markets

The calendar year 2006 was the fifth consecutive year during which the stock market was able to generate a positive return. The equity market continued to depict high volatility during 2006 and on an overall basis, the market saw a lacklustre return of only 5% as compared to the previous four years' average return of 68%. In fact, this was the lowest gain that the KSE posted in the last 5 years of the bull-run.

The return offered by the market during the first half (Jan-Jun 2006) was higher than that of its 2nd half (Jul-Dec 2006). Against a return of 4.5% recorded in 1H2006, only 0.7% gain was there in 2H2006. Further, in 2006, three major corrections were witnessed, one in March of 1,100 points (10%) followed by 3,500 points correction (32%) in June. At the end of the year, a third major correction was observed under which market lost 1,600 points (15%) making 2006 one of the most volatile years in the history of KSE. During the year, the market was able to record an average daily turnover of 257 million shares and market capitalization stood at Rs. 2,771 billion or US $ 45.52 billion as on December 31, 2006.

Despite a massive adjustment, during this period the company was able to earn 7.3% as compared to the KSE-100 index appreciation of 5.1%, reflecting an out-performance of 2.2%. During the year, the total capital gains realized stood at Rs. 1,860 million. Similarly, dividend income earned during the year was Rs. 314.03 million while total unrealized losses stood at Rs.1,093.26 million.

Going forward, the main driver during 2007 would be foreign liquidity, thanks to rising portfolio investment in the last few years that has enhanced foreigners share in the market capitalization and turnover. After a disappointing 2006, the new year will bring more challenges for the Pakistan's equity markets. Phased implementation of revised risk management rules like client level netting regime, VAR based margins regime will increase the cost of doing business and at the same time will reduce the leverage ability of the market players. Further any extension in the implementation of tax on capital gains would also contribute towards improving investor sentiment. It would also be important to highlight, the growing appetite of foreign investors for acquisition of running business's in Pakistan which would not only contribute towards bringing in FDI in Pakistan but also would assist in the country's long-term economic and human capital growth.

Treasury

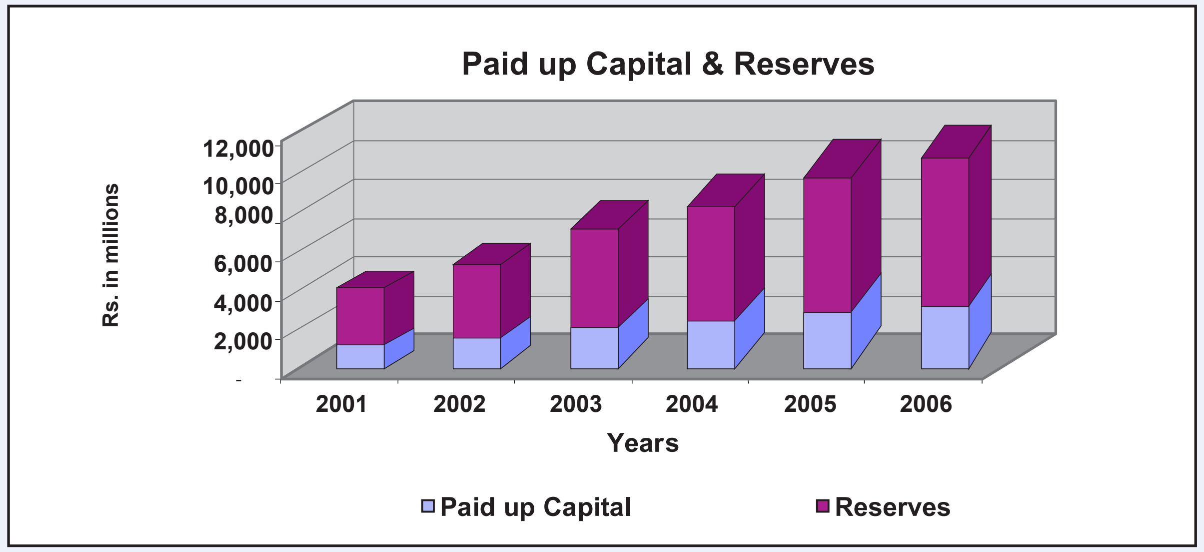
The SBP maintained its stance of a tight monetary policy, which was re-affirmed by the issuance of long-term bonds with amplified coupon rates and also by an increase in the 3-months and 6-months T-bill cut-off yields. The government is shifting its borrowing to cover fiscal deficits from short term to long term, affirmed by the fact that it conducted two PIB auctions in 1H 07. It also introduced 30 year PIB with 11% coupon it order to establish a new, long term yield curve. The monetary policy remained aiming at bringing the inflation within tolerable bounds. To further assure the policy, the SBP continuously intervened the market through OMOs so as to mop surplus liquidity, hence, keeping the interest rates at apex. Pak Kuwait Treasury, however, maintained the tradition of efficient performance and effective liquidity management function and administered the funding requirement of the company. Moreover, Treasury's effective management of surplus liquidity and aggressive activity in the inter bank money market enhanced the company's profitability, as such funds were efficiently placed in the best available avenues in the inter-bank money market. Treasury took advantage of enhanced inter-bank lines that were efficiently utilized to tap opportunities arising in the market owing to high demand for deposits by commercial banks at increased rates. Treasury's contribution towards performance of the company continued and it proficiently added towards the upshot profitability of the company. It geared up a phenomenal net profit during the year of over Rs.441 million. On the balance sheet side, the treasury maintained its book size at over Rs.16.0 billion at the close of the financial year.

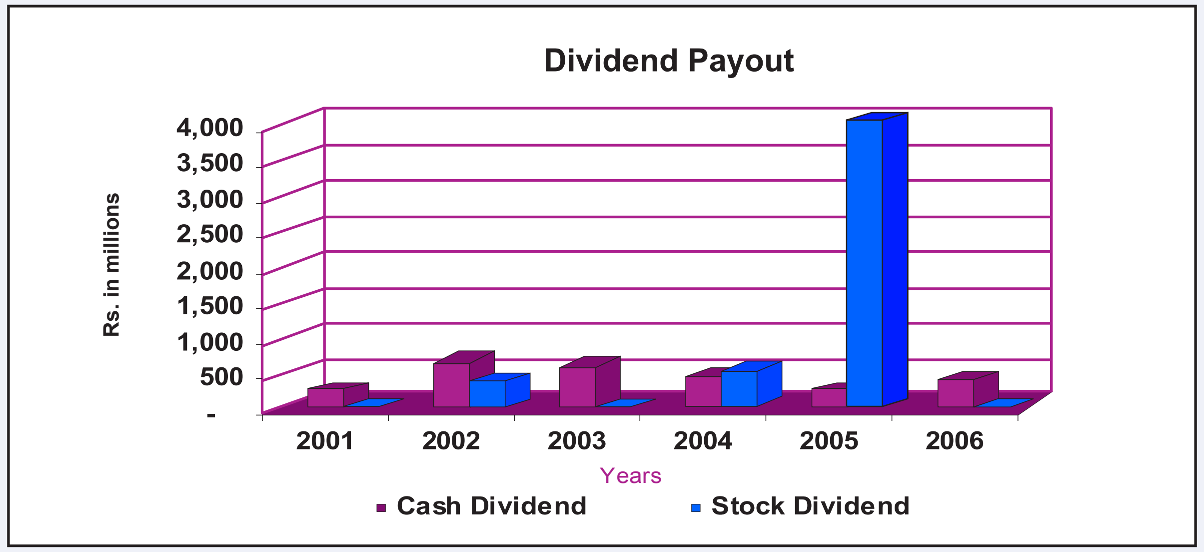
Investment Banking

The year 2006 was the first full year for the investment banking function. During the year the division was fully focused on the opportunities available in the market and tried to capitalize on them keeping in view the resources available to the function and the company.

The focus of the investment banking function during the year was in equity and funds arrangement, underwriting, debt instruments private placements, advisory and acquisitions. Considering the new set up; the function was able to secure various mandates. The function provided advisory services to foreign investor consortiums for the privatization of Pakistan Steel Mills and Pakistan Petroleum Limited. Similarly private equity placements mandates for bringing in foreign investors have been acquired and work is in process to successfully close the transactions.

Looking ahead, the division is very much excited at the opportunities available in the emerging Pakistan market and would very much like to close out successful transactions and act as a bridge between the regional and local market. The function has also generated income of Rs. 39 million during the year.





Future Outlook

With the ever increasing competition from banks and other financial institutions, new business strategies have been evolved to diversify company business in a manner that will not only result in maintaining Pak Kuwait's position as a leading development financial institution but will also create new and innovative business avenues and products to ensure continued higher profitability and growth.

Considering the market dynamics of the financial sector, the management of Pak Kuwait is fully cognizant of the role of Commercial Banking for the SME and Consumer business. The company has also been evaluating other alternate avenues to remain competitively profitable and viable. The initiatives taken by the company in establishing the Pak Kuwait Takaful Company has finally succeeded in terms of setting up a full fledged operation with participation from renowned foreign takaful and Islamic financial institutions.

After launch of Pak Kuwait Takaful Company, a general takaful, which is operational since December 2005, the company is in the process to launch a Family Takaful Company (Islamic Life Insurance). Similarly a fully owned stock brokerage company is also at the verge of commencing business. Other future plans include venturing into asset management business.

Risk Management Framework

Adherence to stringent Risk Management guidelines is the key behind Pak Kuwait's sterling achievements over the years. The management has a clear understanding and appreciation of Credit, Market, Liquidity and Operational risk and has synchronized the distinct risks in to the operating parameters, in order to manage them within acceptable limits. The approach used for risk management has taken into account the nature and size of the organization. The management is fully cognizant to induct any additional required resources and infrastructure, which can further improve the company's risk management capabilities.

Based on State Bank of Pakistan Guidelines on Risk Management, various steps have been taken by the company and these are briefly discussed below:

Credit Risk: A well defined credit policy and procedure is in place approved by the Board for managing credit risk. All credit proposals go through proper analysis and are screened by the Credit Committee and Senior Management Review Committee.

Market Risk: By the nature of the business, the company is prone to market risk, which is contributed mainly by the movements in Interest Rates and Equity Prices. Tools such as GAP Analysis and Sensitivity/Simulation techniques are used to manage interest rate risk. To manage equity price movement risk, a portfolio management approach is being used which is more effective than the traditional trading approach. To address market risk, two purpose driven committees have been established; Asset & Liability Committee (ALCO) and Portfolio Management Committee (PMC).

Operational Risk: In the year 2004 an Operational Risk Management Committee (ORMC) comprised of senior management of the company has been formed, the committee meets on a quarterly basis to discuss operational risk issues and take appropriate action on areas of concern.

Pak Kuwait has also introduced a 'Business Continuity Plan', which is tailored to meet the requirements of the company in case of a disaster situation. Two main constituents of BCP are (1) Digital Archiving (2) Disaster Recovery. The company is currently working on a plan to identify and set up a site for continuing the business in case of a disaster.

Compliance with Code of Corporate Governance

Pak-Kuwait has traditionally adhered to all rules and regulations and with the same spirit it has complied with the requirements of Code of Corporate Governance, as practicably applicable. In this connection, the compliance of relevant clauses of the code is stated below:

- These financial statements present fairly the state of affairs of the company, the result of its operations, cash flow and changes in equity.
- The company has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of financial statements except as explained in note # 4 to the enclosed financial statements, and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

- The system of internal control is sound in design and has been effectively implemented and monitored. The controls which are in place are being continuously reviewed by the Internal Audit department and the process of review and monitoring will continue with the object to improve further.
- All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as liability the same is disclosed as contingent liabilities in the notes to the accounts.
- There is no doubt about the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The Board of Directors and employees of the company have signed 'Statement of Ethics and Business Practices'.

Board Meetings

Four Meetings of the Board of Directors of Pak-Kuwait were held in the year 2006 as per following schedule:

First Meeting	April 07, 2006
Second Meeting	April 30, 2006
Third meeting	August 26, 2006
Fourth Meeting	November 02, 2006

Details of Attendance are as follows:

Name of Directors	Meetings Attended	Remarks
Naser Abdul Mohsen Al-Marri	4	
Istaqbal Mehdi	4	
Abdullah Abdulwahab Al-Ramadhan	2	Replaced by Mr. Mohammad Al Hamad
Mohammad Al Hamad	2	
Mohammad Saud Al-Abhoul	4	
Nawid Ahsan	4	
Asif Bajwa	4	

Summarized Operating and Financial Data for the last six years

(Rs. in million)

	2006	**2005**	**2004**	**2003**	**2002**	**2001**
Paid up Capital	6,000	2,000	1,500	1,500	1,150	1,150
Reserves	5,865	8,856	7,459	6,295	4,395	2,932
Total Assets	30,323	25,747	19,508	16,554	14,136	10,787
Profit before tax & provisions	2,689	2,184	1,601	3,019	1,504	984
Net Profit after tax & provisions	1,210	1,897	1,585	2,830	2,127	314
Cash Dividend	364	200	420	580	665	200
Stock Dividend	-	4,000	500	-	350	-

Statement of Investments of Provident and Gratuity Funds

Investments of Provident and Gratuity Funds as at December 31, 2006 according to their respective un-audited accounts were Rs 62.108 million and Rs 6.34 million, respectively. Investment of Provident Fund amounted to Rs 48.458 million as at December 31, 2005 according to its audited accounts.

Auditors

Audit Committee had recommended the name of KPMG Taseer Hadi & Co. Chartered Accountants, a member firm of KPMG International to be the auditors for the year ending December 31, 2007. Accordingly, the Board approved the recommendation of the Audit Committee and recommended the name for consideration and approval at the Annual General Meeting.

Acknowledgement

Pak-Kuwait continues to meet its social obligations by voluntarily developing a visual park across the FTC building. In addition, the company executives have participated as guest speakers at various external functions, which help generate goodwill and publicity for Pak-Kuwait.

No institution can be successful without its people who are to be complimented for performing well under difficult circumstances. Pak Kuwait, therefore, continues to support staff social activities and training programs, besides participation in seminars within the country and abroad. I wish to put on record the appreciation by the Board of Directors for the hard work put in by the staff members to achieve the excellent financial results of the company.

I extend my sincere appreciation to my colleagues on the Board for their consistent support and guidance during the year. On their behalf I would like to express thanks and appreciation to our outgoing Director Mr. Abdullah Abdulwahab Al Ramadhan for his valuable contribution and support to Pak Kuwait and wish him well for the future. On behalf of the Board of Directors I welcome the incumbent Director Mr. Mohammad Al Hamad and look forward to working with him.

Naser Abdul Mohsen Al-Marri
Chairman
Karachi: February 27, 2007

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2006

This statement is being presented to comply with the Code of Corporate Governance farmed by the Securities & Exchange Commission of Pakistan which was made applicable to the company through Regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan.

The company has applied the principles contained in the code in the following manner:

1. The company encourages reparation of non-executive directors. At present the Board has one executive director.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by the stock exchange.

4. During the year, one director was replaced. Mr. Mohammad Al-Hamad replaced Mr. Abdullah Abdulwahab Al-Ramadhan as nominee of Kuwait Investment Authority.

5. Statement of Ethics and Business Practices has been approved and signed by the Board of Directors and also signed by the employees of the company.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Managing Director have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman. The Board met four times during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The appointments of the Chief Financial Officer and the Company Secretary have been approved by the Board.

10. The directors' report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the company were duly endorsed by the Managing Directors and Chief Financial Officer before approval of the Board.

12. The directors, Managing Director and executives do not hold any interest in the shares of the company.

13. The company has complied with all corporate and financial reporting requirements of the Code.

14. The Board has formed an Audit Committee. All the three member of the audit committee are non executive directors.

15. During the year, 5 Audit Committee meetings were held, which included review of the half-yearly results and one meeting subsequent to year-end to review the annual financial results of the company as required by the Code.

16. The Board has set-up an effective internal audit function.

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

18. The statutory auditors or the persons associated with them have not been appointed to provide other services except permitted services and the auditors have confirmed that they have observed I.F.A.C. guidelines in this regard.

19. We confirm that all other material principles contained in the code have been complied.

Chief Executive
Karachi: February 27, 2007

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

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2006.

KPMG Taseer Hadi & Co.
Chartered Accountants
Karachi: February 27, 2007

STATEMENT ON INTERNAL CONTROL

REPORTING ON INTERNAL CONTROL SYSTEM

It is the responsibility of the company's management to establish and maintain an adequate and effective system of internal control that could help in company's endeavor to attain a professional and efficient working environment throughout the company. The Internal Control System comprises of control procedures and control environment.

Management ensures the efficient and effective Internal Control System by identifying control objectives reviewing pertinent policies / procedures and establishing relevant control procedures. All policies and procedures are reviewed and compared with existing practices and necessary amendments made where required on timely basis.

Alongside this appropriate test of transactions, observation of control environment, sharing of findings of Internal Control Systems and ensuring relevant appropriate follow-ups / corrective actions are also being done by the management on regular basis.

EVALUATION OF EXISTING INTERNAL CONTROL SYSTEMS

The company has made efforts to ensure during the year 2006 that an effective and efficient internal control system is implemented and no compromise is made in implementing the desired control procedures and maintaining suitable control environment in general. However, it is an ongoing process that includes identification, evaluation and management of significant risks faced by the company.

The observations and weaknesses found and identified by the auditors, both internal and external, have been taken care of and necessary steps have been taken by the management in the due time so as to ensure non-repetition of those exceptions and eliminations of such weaknesses to the maximum possible level. The management has also given timely and satisfactory response to the recommendations and suggestions made by its auditors.

We assess that the internal control system, customer services and operations have improved as compared to previous year in all areas / departments of the company. Further, due attention and focus is to enhance competence level and knowledge of the staff.

Sohail Bana	**Shahid Usman**	**Istaqbal Mehdi**	**Muhammad Saud Al-Abhoul**
Head, Internal Audit	Chief Financial Officer	Chief Executive	Chairman, Audit Committee

Karachi: February 27, 2007

FINANCIAL STATEMENTS

For the year ended
December 31, 2006

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated balance sheet of **Pakistan Kuwait Investment Company (Private) Limited** as at December 31, 2006 and the related unconsolidated profit and loss account, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and isclosures 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 an are further in accordance with accounting policies consistently applied, except for the change as specified in note 4 with which we concur;

   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 unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated cash flow statement and unconsolidated 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, 2006 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 (XVIII of 1980).

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Karachi: February 27, 2007

Balance Sheet

As at December 31, 2006

	Note	2006	2005 (Restated)
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	6	**41,680**	29,255
Balances with other banks	7	**7,177,124**	4,787,431
Lendings to financial institutions	8	**8,344,074**	2,004,110
Investments	9	**9,500,379**	11,844,294
Advances	10	**4,873,865**	6,527,823
Other assets	11	**260,549**	415,179
Operating fixed assets	12	**125,197**	139,386
Deferred tax asset		**-**	-
		30,322,868	25,747,478
LIABILITIES			
Bills payable		**-**	-
Borrowings from financial institutions	13	**12,600,057**	4,898,129
Deposits and other accounts	14	**3,741,500**	6,551,670
Subordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liability	15	**159,033**	71,079
Other liabilities	16	**529,226**	1,051,391
		17,029,816	12,572,269
NET ASSETS		**13,293,052**	13,175,209
REPRESENTED BY			
Share capital	17	**6,000,000**	2,000,000
Reserves	17	**4,784,369**	7,338,585
Unappropriated profit		**1,081,071**	1,517,206
		11,865,440	10,855,791
Surplus on revaluation of 'available for sale' securities - net of tax	18	**1,427,612**	2,319,418
		13,293,052	13,175,209
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive **Director**

Profit and Loss Account

For the year ended December 31, 2006

	Note	2006	2005
		(Rupees in '000)	
Mark-up / return / interest earned	20	1,650,164	1,031,404
Mark-up / return / interest expensed	21	1,103,042	623,043
Net mark-up / interest income		547,122	408,361
Provision / (reversal of provision) against non-performing loans and advances - net	10.3	217,432	(41,906)
Impairment loss on 'available for sale' securities		80,067	221,834
Provision for diminution in the value of un-quoted investments	9.3	25,272	4,845
		322, 771	184,773
Net mark-up / interest income after provisions		224,351	223,588
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		54,990	15,535
Dividend income		314,034	292,045
Gain on sale of securities	22	1,860,179	1,812,799
Income from dealing in foreign currencies		4,535	728
Unrealised (deficit) / surplus on revaluation of 'held-for-trading' securities		(1,096,480)	113,352
Other income	23	270,664	2,519
Total non mark-up / interest income		1,407,922	2,236,978
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	24	360,876	348,650
Other charges	25	1,365	17
Total non mark-up / interest expenses		362,241	348,667
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,270,032	2,111,899
Taxation			
-Current	26	173,191	84,154
-Prior years	26	(200,967)	(11,650)
-Deferred	26	88,159	142,887
		60,383	215,391
PROFIT AFTER TAXATION		1,209,649	1,896,508
Basic & diluted earnings per share			
(On share of Rs 25,000 each) *Rupees*	27	5,040	7,902

The appropriation of profit available is set out in the statement of changes in equity.

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive **Director**

Cash Flow Statement

For the year ended December 31, 2006

	Note	2006	2005
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,270,032	2,111,899
Less: Dividend income		(314,034)	(292,045)
		955,998	1,819,854
Adjustments for:			
Depreciation		22,595	22,308
Amortisation of premium on 'held to maturity' investments		13,086	16,232
Unrealised deficit / (surplus) on revaluation of 'held-for-trading' securities		1,096,480	(113,352)
Provision / (reversal of provision) against non-performing loans and advances		217,432	(41,906)
Provision for diminution in the value of un-quoted investments		25,272	4,845
Gain on sale of operating fixed assets		(483)	(689)
		1,374,382	(112,562)
		2,330,380	1,707,292
(Increase) / decrease in operating assets			
Lendings to financial institutions		(6,339,964)	863,544
'Held for trading' securities		2,361,979	(2,209,763)
Advances		1,436,526	(2,286,787)
Others assets		151,569	122,566
		(2,389,890)	(3,510,440)
Increase / (decrease) in operating liabilities			
Borrowings from financial institutions		7,701,928	192,467
Deposits		(2,810,170)	4,061,670
Other liabilities (excluding current taxation)		(401,494)	(83,805)
		4,490,264	4,170,332
		4,430,754	2,367,184
Income tax paid		(92,895)	(99,346)
Net cash flows from operating activities		4,337,859	2,267,838
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in 'available-for-sale' securities		(2,444,912)	1,270,976
Net investment in 'held to maturity' securities		399,999	(191)
Dividend received		317,095	323,053
Investments in operating fixed assets		(10,144)	(28,124)
Sale proceeds of operating fixed assets		2,221	2,289
Net cash flows from investing activities		(1,735,741)	1,568,003
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(200,000)	(420,000)
Net cash flows from financing activities		(200,000)	(420,000)
Increase in cash and cash equivalents		2,402,118	3,415,841
Cash and cash equivalents at beginning of the year	28	4,816,686	1,400,845
Cash and cash equivalents at end of the year	28	7,218,804	4,816,686

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive **Director**

Statement of Changes in Equity

For the year ended December 31, 2006

	Share capital	Reserves: Capital	Reserves: Statutory	Reserves: Revenue	Unappropriated profit	Total
	(Rupees in '000)					
Balance as at December 31, 2004 as previously stated	1,500,000	580,045	2,377,759	4,501,479	-	8,959,283
Effect of change in accounting policy with respect to:						
Proposed dividend	-	-	-	-	420,000	420,000
Transfer to reserve for issue of bonus shares	-	(500,000)	-	-	500,000	-
Transfer to contingencies reserve	-	-	-	(44,340)	44,340	-
Transfer to general reserve	-	-	-	(52,251)	52,251	-
Transfer to marketable and government securities reserve	-	-	-	(251,177)	251,177	-
Balance as at December 31, 2004 as restated	1,500,000	80,045	2,377,759	4,153,711	1,267,768	9,379,283
Profit for the year ended December 31, 2005	-	-	-	-	1,896,508	1,896,508
Dividend paid @ Rs. 7,000 per share	-	-	-	-	(420,000)	(420,000)
Transfer to reserve for issue of bonus shares	-	500,000	-	-	(500,000)	-
Transfer to contingencies reserve	-	-	-	44,340	(44,340)	-
Transfer to general reserve	-	-	-	52,251	(52,251)	-
Transfer to statutory reserve	-	-	379,302	-	(379,302)	-
Transfer to marketable and government securities reserve	-	-	-	251,177	(251,177)	-
Issue of bonus shares	500,000	(500,000)	-	-	-	-
Balance as at December 31, 2005 as restated	2,000,000	80,045	2,757,061	4,501,479	1,517,206	10,855,791
Profit for the year ended December 31, 2006	-	-	-	-	1,209,649	1,209,649
Transfer to statutory reserve	-	-	241,930	-	(241,930)	-
Dividend paid @ Rs. 2,500 per share	-	-	-	-	(200,000)	(200,000)
Transfer to contingencies reserve	-	-	-	67,581	(67,581)	-
Issue of bonus shares	4,000,000	-	-	(3,232,855)	(767,145)	-
Transfer to marketable and government securities reserve	-	-	-	369,128	(369,128)	-
Balance as at December 31, 2006	**6,000,000**	**80,045**	**2,998,991**	**1,705,333**	**1,081,071**	**11,865,440**

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive **Director**

Notes to and Forming Part of the Financial Statements

For the year ended December 31, 2006

1. STATUS AND NATURE OF BUSINESS

The company was incorporated in Pakistan as a Private Limited company on March 17, 1979. The registered office is situated at 4th Floor, Block 'C' Finance and Trade Center, Shahrah-e-Faisal, Karachi. The company is a 50:50 joint venture between the Governments of Pakistan and Kuwait. The objective of the company is to profitably promote industrial investments in Pakistan. The company has a 100% owned subsidiary, First Choice Securities Limited (FCSL), principally engaged in the business of equity brokerage, money markets and foreign exchange brokerage, equity research and corporate financial advisory services. FCSL has not yet started its operations.

2. STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of such directives take precedence.

The SBP through its BSD circular letter No. 11 dated September 11, 2002 has deferred the implementation of IAS 39 'Financial Instruments: Recognition and Measurement' and IAS 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Accordingly, the requirements of these International Accounting Standards (IASs) have not been considered in the preparation of these financial statements.

2.1 Forthcoming accounting changes

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after January 1, 2007 and are either not relevant to company's operations or are not expected to have significant impact on financial statements other than certain increased disclosures.

IAS 1 - Presentation of Financial Statements - amendments relating to Capital disclosures

IFRS 2 - Share-Based Payments

IFRS 3 - Business Combinations

IFRS 5 - Non-current assets held for sale and discontinued operations

IFRS 6 - Exploration for and evaluation of mineral resources

IFRIC 8 - Scope of IFRS 2 Share-based Payments

IFRIC 9 - Reassessment of Embedded Derivatives

IFRIC 10 - Interim Financial Reporting and Impairment

IFRIC 11 - Group and Treasury Share Transactions

IFRIC 12 - Services Concession Arrangements.

3. BASIS OF PRESENTATION

3.1 Basis of measurement

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

The financial statements are presented in Pakistan Rupees which is company's functional currency. The amounts are rounded to nearest thousand rupees.

3.2 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 amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgements about carrying values of assets and liabilities which 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. Judgement made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 38.

4. REASON AND EFFECT OF CHANGES IN ACCOUNTING POLICY

During the year, the accounting policy for recording of dividend declarations to holders of equity instruments was changed to comply with the requirements of IAS - 10 'Events after the Balance Sheet Date' as also directed in circular number 06/2006 dated June 19, 2006 issued by the Institute of Chartered Accountants of Pakistan. The circular requires all declarations of dividend to holders of equity instruments including declaration of bonus issue and other appropriations except which are required by law after the balance sheet date, should not be recognised as liabilities or changes in reserves at the balance sheet date. Previously, all declarations of dividend including declaration of bonus shares and other appropriations made subsequent to the balance sheet date were made part of the financial statements of that period.

The change in the accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the benchmark treatment specified in IAS-8; 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in accounting policy, the effect on the financial statements would be as follows:

	2006	2005 (Restated)
	(Rupees in '000)	
Decrease in unappropriated profit	**(1,081,071)**	(1,403,854)
Increase in proposed dividend	**364,000**	200,000
Increase in capital reserves	**-**	4,000,000
Increase / (decrease) in revenue reserves	**717,071**	(2,796,146)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and balances with treasury and other banks.

5.2 Revenue recognition

i. Dividend income is recognised when the company's right to receive payment is established.

ii. Income from loans, term finance certificates, debentures, bank deposits, government securities and reverse repo transactions is recognised under effective interest method, except where recovery is considered doubtful the income is recognised on receipt basis.

iii. The company follows the finance method in recognising income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.

iv. Gain on sale of securities is recognised at the time of sale of relevant securities.

v. Advisory income is recognised as the services are rendered.

5.3 Advances including net investment in finance leases

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

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

Leases, where substantially all risks and rewards incidental to ownership of an asset are transferred to the lessee, are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payments. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

5.4 Investments

The company classifies its investments including investments in associates as 'Available for Sale', 'Held for Trading' and 'Held to Maturity' based on the criteria set out in BSD Circular Nos. 10, 11 and 14 dated July 13, 2004, August 04, 2004 and September 24, 2004 respectively. Investments in government securities and quoted investments, including investment in associates, categorized as 'Held for Trading' and 'Available for Sale' are valued at rates quoted on PKRV (Reuter Page) and market rates of Karachi Stock Exchange as at the balance sheet date respectively. Any surplus or deficit arising as a result of revaluation of securities categorized as 'Held for Trading' is taken to profit and loss account and that of 'Available for Sale' is taken to the balance sheet, and shown below equity. Furthermore, investments classified as 'Held to Maturity' are stated at their amortised cost.

Unquoted investments including investments in associates are stated at lower of cost and breakup value.

Impairment loss is recognised whenever the carrying amount of an investment exceeds its recoverable amount. An impairment loss is recognised in income currently. Profit and loss on sale of investments during the year are included in income currently.

Premium or discount on acquisition of government securities is amortised over the period to maturity under effective interest method.

5.5 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

The company accounts for deferred taxation using the balance sheet liability method. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits will be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5.6 Operating fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation except leasehold land which is stated at cost.

Depreciation is charged to profit and loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred.

Profit or loss on the sale or retirement of fixed asset is included in income currently.

5.7 Staff retirement benefits

Defined Benefit Plan

The company operates a funded gratuity scheme for all its permanent and contract employees. Projected unit credit method has been used for actuarial valuation. Actuarial gains or losses in excess of 10% of the actuarial liability or plan assets are recognised over the average life of the employees.

Defined Contribution Plan

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

5.8 Employees' compensated absences

Liability in respect of employees' compensated absences is recognised on the basis of actuarial valuation and is accounted for in the period in which these are earned. The actuarial valuation is carried out using 'Projected unit credit method'.

The last actuarial valuation of the employees' compensated absences was conducted as of December 31, 2006.

5.9 Derivative financial instruments

Derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The gain or loss on remeasurement to fair value is recognised in profit and loss account.

5.10 Impairment

The carrying amount of the assets, other than deferred tax asset, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

5.11 Foreign currency

Foreign currency transactions are recorded at the rates prevailing on the date of transactions. Monetary assets and liabilities in foreign currency are reported in Pakistan Rupees at the rates of exchange prevailing on the balance sheet date. Exchange gains and losses are included in income currently.

5.12 Off-setting of financial assets and financial liabilities

'Financial assets' and 'financial liabilities' are only offset and the net amount is reported in the balance sheet if the company has a legal right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

5.13 Earnings per share

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by weighted average number of ordinary shares outstanding during the year.

5.14 Segment information

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

Business Segments

Following are the main segments of the company:

Corporate Finance	Includes loans, advances, leases, and other transactions with corporate customers.
Treasury	Undertakes company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the company.
Capital Market	Includes trading in listed securities with a view to trade and earn the benefit of market fluctuations and to hold securities for dividend income and capital gain.
Investment Banking	Undertakes advisory services including mergers and acquisitions, listed debt syndication, trustee activities and other investment banking activities.

Geographical Segments

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

6. CASH AND BALANCES WITH TREASURY BANKS

	Note	2006	2005
		(Rupees in '000)	
Cash in hand in local currency		**36**	14
With State Bank of Pakistan in local currency current account	*6.1*	**40,803**	23,132
With National Bank of Pakistan in local currency current account		**841**	6,109
		41,680	29,255

6.1 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.

7. BALANCES WITH OTHER BANKS

	Note	2006	2005
		(Rupees in '000)	
In Pakistan			
- on current account		**41,086**	18,876
- on deposit account	7.1	**7,069,229**	4,704,836
Outside Pakistan			
- on current account		**845**	897
- on deposit account		**65,964**	62,822
		7,177,124	4,787,431

7.1 This includes placements of Rs. 7,023 million (2005: Rs. 4,615 million). The return on these placements ranges between 11 (2005: 9.05) to 12.5 (2005: 12.5) percent per annum and the placements mature between 4 days to 88 days (2005: 3 days to 182 days).

8. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2006	2005
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	*8.1, 8.2 & 8.5*	**7,642,399**	909,456
Certificates of investment (COIs)	*8.3 & 8.4*	**701,675**	1,094,654
		8,344,074	2,004,110

8.1 All lendings of the company are in local currency.

8.2 Reverse repo carry interest at rates ranging between 8.65 (2005: 8.25) to 9.25 (2005: 8.65) percent per annum against government securities and 15 (2005: 20) percent per annum against other securities and have maturities upto March 22, 2007 (2005: March 08, 2006) and January 05, 2007 (2005: January 30, 2006) respectively.

8.3 This includes COIs in local currency amounting to Rs. 522.293 million (2005: Rs. 955 million). The profit rate on these COIs ranges between 11 (2005: 10.25) to 12 (2005: 11.85) percent per annum. All COIs are due for maturity within 2 to 3 months (2005: 1 to 6 months).

8.4 This also includes a COI in foreign currency amounting to US$ 2.454 million (2005: US$ 2.338 million). The expected profit rate on this COI is 5.35 (2005: 4.37) percent per annum and is due for maturity on January 04, 2007 (2005: January 23, 2006).

8.5 Securities held as collateral against lendings to financial institutions

	2006			2005		
	Held by the company	Further given as collateral	Total	Held by the company	Further given as collateral	Total
	(Rupees in '000)					
Market treasury bills	**199,984**	**6,768,362**	**6,968,346**	96,397	462,310	558,707
Pakistan investment bonds	**176,272**	**430,233**	**606,505**	-	297,516	297,516
Equity shares of listed companies	**67,548**	**-**	**67,548**	53,233	-	53,233
	443,804	**7,198,595**	**7,642,399**	149,630	759,826	909,456

The market value of securities held as collateral amounted to Rs. 7,668 million (2005: Rs.1,047 million).

9. INVESTMENTS

9.1 Investments by type

	Note	2006			2005		
		Held by the company	Given as collateral	Total	Held by the company	Given as collateral	Total
		(Rupees in '000)					
Held-for-trading securities							
Shares of listed companies		**899,941**	**-**	**899,941**	3,261,920	-	3,261,920
Available-for-sale securities							
Market treasury bills		**-**	**242,646**	**242,646**	184,279	278,348	462,627
Shares of listed companies		**4,119,164**	**-**	**4,119,164**	2,482,570	-	2,482,570
Shares of unlisted companies		**143,598**	**-**	**143,598**	153,102	-	153,102
Listed term finance certificates		**455,314**	**-**	**455,314**	528,871	-	528,871
Unlisted term finance certificates		**235,488**	**-**	**235,488**	265,625	-	265,625
Held-to-maturity securities							
Pakistan investment bonds	*9.1.1*	**201,518**	**-**	**201,518**	155,106	459,497	614,603
Associates		**1,879,175**	**-**	**1,879,175**	1,656,575	-	1,656,575
Subsidiary		**50,000**	**-**	**50,000**	50,000	-	50,000
Total investments - at cost		**7,984,198**	**242,646**	**8,226,844**	8,738,048	737,845	9,475,893
Less: Provision for diminution in the value of investments	*9.3*	**(92,393)**	**-**	**(92,393)**	(67,121)	-	(67,121)
Total investments - net of provisions		**7,891,805**	**242,646**	**8,134,451**	8,670,927	737,845	9,408,772
Surplus / (deficit) on revaluation of 'held for trading' securities		**(61,551)**	**-**	**(61,551)**	116,035	-	116,035
Surplus / (deficit) on revaluation of 'available for sale' securities		**1,427,861**	**(382)**	**1,427,479**	2,319,407	80	2,319,487
Total investments		**9,258,115**	**242,264**	**9,500,379**	11,106,369	737,925	11,844,294

9.1.1 Pakistan Investment Bonds (PIBs) are held with the SBP for dealing purposes and are also eligible for rediscounting with the SBP. These PIBs carry returns ranging from 6 (2005: 6) to 11 (2005: 11) percent per anum and mature by 2007. Market value of these PIBs as at December 31, 2006 amounted to Rs 198.716 million (2005: Rs 588.170 million).

9.2 INVESTMENTS BY SEGMENTS

	Note	2006	2005
		(Rupees in '000)	
Federal Government Securities			
- Market treasury bills		**242,646**	462,627
- Pakistan investment bonds		**201,518**	614,603
		444,164	1,077,230
Fully paid up Ordinary Shares			
- Listed companies		**4,817,207**	5,408,734
- Unlisted companies		**93,598**	103,102
		4,910,805	5,511,836
Term Finance Certificates (TFC's)			
- Listed TFC's		**455,314**	528,871
- Unlisted TFC's		**235,488**	265,625
		690,802	794,496
Investments in Associates			
- Listed companies		**1,550,622**	1,386,045
- Unlisted companies		**328,553**	270,530
		1,879,175	1,656,575
Investments in Associated Undertakings			
- Listed companies		**201,898**	335,756
- Unlisted company		**50,000**	50,000
		251,898	385,756
Subsidiary - unlisted company		**50,000**	50,000
Total investments - at cost		**8,226,844**	9,475,893
Less : Provision for diminution in the value of investments	*9.3*	**(92,393)**	(67,121)
Total investments - net of provisions		**8,134,451**	9,408,772
(Deficit) / surplus on revaluation of 'held for trading' securities		**(61,551)**	116,035
Surplus on revaluation of 'available for sale' securities		**1,427,479**	2,319,487
		1,365,928	2,435,522
Total investments		**9,500,379**	11,844,294

9.3 Particulars of provision for diminution in the value of un-quoted investments

	2006	2005
Opening balance	**67,121**	62,276
Charge for the year	**26,217**	9,253
Reversals	**(945)**	(4,408)
	25,272	4,845
Closing balance	**92,393**	67,121

9.3.1 Particulars of provision in respect of type and segment - un-quoted companies

	2006	2005
	(Rupees in '000)	
Available for sale securities	**72,666**	55,156
Associates	**19,727**	11,965
	92,393	67,121

9.4 Effective December 31, 2006, the company has reclassified its securities with cost of Rs 2,036 million and having market value of Rs 1,120 million from 'held for trading' to 'available for sale' after reviewing the trading pattern of the specific securities which remained restricted due to the extra ordinary market volatility prevailed through out the year.

10. ADVANCES

	Note	2006	2005
		(Rupees in '000)	
Loans and advances		**3,113,590**	4,530,240
Net investment in finance leases	*10.5*	**2,134,881**	2,154,757
		5,248,471	6,684,997
Provision for non-performing advances	*10.3*	**(374,606)**	(157,174)
Advances net of provisions		**4,873,865**	6,527,823

10.1 Particulars of advances

	2006	2005
In local currency	**5,225,876**	6,662,402
In foreign currencies	**22,595**	22,595
	5,248,471	6,684,997
Short term	**74,219**	1,925,593
Long term	**5,174,252**	4,759,404
	5,248,471	6,684,997

10.2 Advances include Rs. 377.245 million (2005: Rs 391.350 million) which have been placed under non-performing status as detailed below:

Domestic	**2006**		
	Classified Advances	**Provision Required**	**Provision Held**
		(Rupees in '000)	
Doubtful	5,277	2,638	2,638
Loss	371,968	371,968	371,968
	377,245	**374,606**	**374,606**

10.3 Particulars of provision against non-performing advances

	2006	2005
	(Rupees in '000)	
Opening balance	**157,174**	194,080
Charge for the year	**225,492**	118,094
Reversal	**(8,060)**	(160,000)
	217,432	(41,906)
Adjustment	**-**	5,000
Closing balance	**374,606**	157,174

	2006	2005
10.4 Local currency	**352,011**	134,579
Foreign currencies	**22,595**	22,595
	374,606	157,174

10.5 Net investment in finance leases

	2006				2005			
	Not later than one year	**Later than one and less than five years**	**Over five years**	**Total**	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees in '000)							
Lease rentals receivable	**145,918**	**2,244,500**	**-**	**2,390,418**	775,038	1,689,254	35,934	2,500,226
Residual value	**41,232**	**83,510**	**-**	**124,742**	3,830	112,261	7,677	123,768
Minimum lease payments	**187,150**	**2,328,010**	**-**	**2,515,160**	778,868	1,801,515	43,611	2,623,994
Financial charges for future periods	**11,619**	**368,660**	**-**	**380,279**	193,063	272,669	3,505	469,237
Present value of minimum lease payments	**175,531**	**1,959,350**	**-**	**2,134,881**	585,805	1,528,846	40,106	2,154,757

10.5.1 The company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amount recoverable under these arrangements are receivable by the year 2011 and are subject to finance income rates ranging between 7 (2005: 6.5) to 15 (2005: 16.25) percent per annum.

10.5.2 In respect of the aforementioned finance leases the company holds an aggregate sum of Rs. 124.742 million (2005: Rs. 124.602 million) as security deposits on behalf of the lessees which are included under other liabilities.

10.6 Particulars of loans & advances to Directors & associated companies

	2006	2005
	(Rupees in '000)	
Debts due by Directors, Executives and Officers		
Balance at beginning of the year	**35,381**	36,872
Loans granted during the year	**19,086**	4,201
Repayments	**(13,751)**	(5,692)
	5,335	(1,491)
Balance at end of the year	**40,716**	35,381
Debts due by related parties		
Balance at beginning of the year	**362,940**	386,175
Loans granted during the year	**-**	37,500
Repayments	**(78,782)**	(60,735)
	(78,782)	(23,235)
Balance at end of the year	**284,158**	362,940

11. OTHER ASSETS

		2006	2005
Income / markup accrued in local currency		**221,422**	233,091
Income / markup accrued in foreign currency		**647**	186
Advances, deposits, prepayments and other receivables		**10,218**	4,555
Receivable on account of sale of marketable securities		**-**	142,191
Central excise duty		**2,077**	2,077
Advance against shares subscription		**50,000**	51,000
Others		**2,339**	8,233
		286,703	441,333
Less: Provision held against other assets	*11.1*	**(26,154)**	(26,154)
		260,549	415,179

11.1 Provision against other assets

	2006	2005
	(Rupees in '000)	
Opening balance	**26,154**	26,154
Charge for the year	**-**	-
Closing balance	**26,154**	26,154

12. OPERATING FIXED ASSETS

Capital work in progress	*12.1*	**-**	836
Property and equipment	*12.2*	**125,197**	138,550
		125,197	139,386

12.1 Capital work-in-progress

Advances for purchase of vehicles	**-**	836

12.2 Property and equipment

2006

	Cost			**Depreciation**				
	As at January 1, 2006	**Additions / (disposals)**	**As at December 31, 2006**	**As at January 1, 2006**	**Charge / (disposals)**	**As at December 31, 2006**	**Net book value as at December 31, 2006**	**Rate of depreciation %**
	(Rupees in '000)							
Leasehold land	100	-	**100**	-	-	-	**100**	-
Building on lease hold land	112,149	-	**112,149**	19,778	2,800	**22,578**	**89,571**	2.50
Furniture and fixtures	33,303	287 (2,347)	**31,243**	20,852	3,597 (431)	**24,018**	**7,225**	20.00
Motor vehicles	64,615	8,243 (555)	**72,303**	36,443	12,648 (555)	**48,536**	**23,767**	20.00
Office equipment	26,254	2,594 -	**28,848**	24,509	2,270 -	**26,779**	**2,069**	33.33
Electrical appliances	7,939	78 (55)	**7,962**	4,228	1,280 (11)	**5,497**	**2,465**	20.00
Total	244,360	11,202 (2,957)	**252,605**	105,810	22,595 (997)	**127,408**	**125,197**	

2005

	Cost			Depreciation				
	As at January 1, 2005	Additions / (disposals)	As at December 31, 2005	As at January 1, 2005	Charge / (disposals)	As at December 31, 2005	Net book value as at December 31, 2005	Rate of depreciation %
	(Rupees in '000)							
Leasehold land	100	-	100	-	-	-	100	-
Building on lease hold land	112,149	-	112,149	16,974	2,804	19,778	92,371	2.50
Furniture and fixtures	25,726	8,577 (1,000)	33,303	17,569	4,157 (874)	20,852	12,451	20.00
Motor vehicles	52,981	15,682 (4,048)	64,615	28,624	11,110 (3,291)	36,443	28,172	20.00
Office equipment	25,084	1,390 (220)	26,254	21,740	2,926 (157)	24,509	1,745	33.33
Electrical appliances	6,054	3,738 (1,853)	7,939	4,117	1,311 (1,200)	4,228	3,711	20.00
Total	222,094	29,387 (7,121)	244,360	89,024	22,308 (5,522)	105,810	138,550	

13. BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	2006	2005
		(Rupees in '000)	
In Pakistan		**12,600,057**	4,898,129

13.1 Particulars of Borrowings with respect to currencies

		2006	2005
In local currency		**12,600,057**	4,898,129

13.2 Details of Borrowings Secured / Un Secured

	Note	2006	2005
Secured			
Repurchase agreement borrowings	*13.2.1*	**7,387,546**	1,398,129
Term finance certificates (TFCs)	*13.2.2*	**1,750,000**	500,000
Borrowings from SBP under LTF-EOP	*13.2.3*	**462,511**	-
Unsecured			
Term finance certificates (TFCs)	*13.2.4*	**3,000,000**	3,000,000
		12,600,057	4,898,129

13.2.1 Repurchase agreement borrowings

The company has arranged borrowings from various financial institutions against sale and repurchase of government securities. The mark-up on these finances range between 8.50 (2005: 7.25) percent per annum to 9.10 (2005: 8.6) percent per annum with maturity ranging from four days (2005: four days) to two months (2005: six months).

13.2.2 Term finance certificates (non-participatory)

This represents finance obtained through issue of privately placed term finance certificates of five years maturity. The markup is payable on quarterly basis and the principle is repayable in five equal semi annual installments commencing 36 months from the date of disbursement. The facility is secured by first hypothecation charge ranking pari passu, on existing and future assets of the company. The rate of profit is 3 months KIBOR ask rate plus 125 (2005: 125) basis points. As at December 31, 2006 the effective rate ranges between 11.55 to 11.75 (2005: 10.28) percent per annum.

13.2.3 LTF-EOP facility from SBP

In order to facilitate the export oriented projects, SBP has introduced a scheme to refinance the fixed term loan availed from Banks / DFIs.

The SBP has approved the company as Participating Finance Institution (PFI) and allocated a refinance limit of Rs 1,000 million for the financial year 2006 - 2007.

A one time swap facility option under the Scheme (LTF - EOP) has been extended to textile sector for import of plant and machinery, allowed by the State Bank of Pakistan through their SMED Circular No. 19 of 2006. The loan is repayable over a maximum period of 7.5 years from the date of first disbursement with mark up payable at maximum of 5 percent per annum including 2% spread for the lending institution.

Out of sanctioned limit of Rs 1,000 million, the company has availed facility under swap arrangement of an amount of Rs 462.511 million as on December 31, 2006 (2005 : Rs NIL).

13.2.4 Term finance certificates (non-participatory)

These represent finances obtained through issue of privately placed term finance certificates of five years maturity. The mark-up is payable semi-annually. The rate of profit ranges from 85 (2005: 85) to 170 (2005: 170) basis points over the cut-off yield of the last successful auction of six month T-bills. As at December 31, 2006 the effective rates ranges between 9.66 (2005: 8.98) to 10.51 (2005: 9.84) percent per annum.

14. DEPOSITS AND OTHER ACCOUNTS

	Note	2006	2005
		(Rupees in '000)	
Certificates of investment (COIs) / deposits			
Financial institutions		**3,650,000**	6,289,170
Others		**91,500**	262,500
	14.1	**3,741,500**	6,551,670

14.1 The profit rates on these COIs range between 9.30 (2005: 5) to 11.2 (2005:11.1) percent per annum. The COIs are due for maturity between January 04, 2007 to March 22, 2010 (2005: January 16, 2006 to August 09, 2010). Included in COIs is an amount of Rs. 3,704 million (2005: Rs. 6,419 million) payable within twelve months. All COIs / deposits are in local currency.

15. DEFERRED TAX LIABILITY

	2006	2005
	(Rupees in '000)	
(Debit) / credit balances arising on account of		
Accelerated tax depreciation allowance	**(6,130)**	(5,221)
Provision for staff retirement gratuity and compensated absences	**(6,477)**	(5,614)
Other staff benefits	**(4,970)**	(4,970)
Finance lease arrangements	**301,161**	204,029
Exchange differences	**-**	(68,900)
Provision for contingencies	**(124,417)**	(48,314)
Surplus on revaluation of government securities	**(134)**	69
	159,033	71,079

15.1 According to Finance Act, 2006, capital gains earned on listed securities are exempt upto tax year 2007. However, the Government has announced to extend this exemption for another year. Accordingly, deferred tax liability on unrealised surplus on revaluation of listed shares has not been accounted for.

16. OTHER LIABILITIES

	Note	2006	2005 Restated
		(Rupees in '000)	
Markup / return / interest payable		**144,369**	156,924
Accrued liabilities		**172,785**	175,089
Retention money payable		**101**	1,205
Taxation		**33,705**	154,376
Staff retirement gratuity	*30.1.3*	**23,915**	21,344
Security deposits	*10.5.2*	**124,742**	124,602
Exchange losses incurred on a loan		**-**	248,670
Employees compensated absences		**5,655**	5,762
Payable on account of purchase of marketable securities		**22,689**	142,441
Other liabilities		**1,265**	20,978
		529,226	1,051,391

17. SHARE CAPITAL

17.1 Authorised capital

2006	2005		2006	2005
(Number of shares)			(Rupees in '000)	
400,000	80,000	Ordinary shares of Rs 25,000 each	**10,000,000**	2,000,000

17.2 Issued, subscribed and paid up

2006	2005		2006	2005
(Number of shares)			(Rupees in '000)	
25,950	25,950	Ordinary shares of Rs. 25,000 each issued in cash	**648,750**	648,750
214,050	54,050	Ordinary shares of Rs. 25,000 each issued as bonus shares	**5,351,250**	1,351,250
240,000	80,000		**6,000,000**	2,000,000

The State Bank of Pakistan (SBP) on behalf of the Government of Pakistan (GOP) and Kuwait Investment Authority (KIA) on behalf of Government of Kuwait each held 120,000 (2005: 40,000) ordinary shares of the company as at December 31, 2006.

17.3 Reserves

		2006	2005 Restated
		(Rupees in '000)	
Capital reserves	*17.3.1*	**3,079,036**	2,837,106
Revenue reserves	*17.3.2*	**1,705,333**	4,501,479
		4,784,369	7,338,585

17.3.1 Capital reserves

		2006	2005
Compulsory reserve- statutory reserve	*17.3.1.1*		
As at January 1		**2,757,061**	2,377,759
Add: Transfer during the year		**241,930**	379,302
		2,998,991	2,757,061
Reserve for issue of bonus shares			
As at January 1		**-**	500,000
Transfer from general reserve		**2,042,175**	-
Transfer from marketable & government securities reserve		**1,190,680**	-
Transfer from profit & loss account		**767,145**	-
Bonus shares issued		**(4,000,000)**	(500,000)
		-	-
Special reserve	*17.3.1.2*	**80,045**	80,045
		3,079,036	2,837,106

17.3.1.1 Compulsory reserve - statutory reserve

In terms of article 67 (1) of the Articles of Association of the company, an amount equal to 10% of the net profit for the year shall be set aside for the formation of a compulsory reserve. Such percentage ceases to be compulsory when the same reserve exceeds 25% of the paid-up share capital of the company.

According to BPD circular No. 15 dated May 31, 2004 issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid up capital. The company has transferred Rs. 241.930 million (2005: Rs. 379.302 million) out of profit after taxation for the year to this reserve.

17.3.1.2 Special reserve

This special reserve was created during the year 1999 under section 23 (1) (ix) of the Income Tax Ordinance, 1979 (now repealed) by transferring Rs. 80.045 million out of the profit after taxation for that year to the special reserve. However, as the said sub section has been omitted by the Finance Ordinance, 2000 therefore similar amounts are no longer being transferred to this account.

17.3.2 Revenue reserves

		2006	2005 Restated
		(Rupees in '000)	
General reserve			
As at January 1		**2,042,175**	1,989,924
Add: Transfer during the year		**-**	52,251
Less: Transfer to reserve for issue of bonus shares		**(2,042,175)**	-
		-	2,042,175
Contingencies reserve	*17.3.2.1*		
As at January 1		**114,484**	70,144
Add: Transfer during the year		**67,581**	44,340
		182,065	114,484
Marketable and government securities reserve	*17.3.2.2*		
As at January 1		**2,344,820**	2,093,643
Less: Transfer to reserve for issue of bonus shares		**(1,190,680)**	-
Add: Transfer during the year		**369,128**	251,177
		1,523,268	2,344,820
		1,705,333	4,501,479

17.3.2.1 Contingencies reserve

Effective December 31, 2000 the company has set up a separate contingencies reserve to which an amount, equal to 1% of the outstanding balance as at the year end, of loans and advances, leases and TFCs considered good, excluding balance relating to back to back lending and financings against sovereign guarantees is appropriated from the profit.

17.3.2.2 Marketable and government securities reserve

The company has set up a separate marketable and government securities reserve at a minimum of 25% of shareholders funds to provide sufficient cushion against volatility in the value of the stock market portfolio and government securities.

18. SURPLUS ON REVALUATION OF 'AVAILABLE FOR SALE' SECURITIES

	2006	2005
	(Rupees in '000)	
Federal and provincial government securities	**(248)**	127
Quoted shares	**1,417,834**	2,292,179
Other securities	**10,026**	27,112
	1,427,612	2,319,418

19. CONTINGENCIES AND COMMITMENTS

19.1 During the year ended December 31, 2005 the Income Tax Authorities finalised the assessment for the tax year 2003, raising a tax demand of Rs. 137 million on account of allocation of 'Common Expenses' relating to 'Capial Gains'. The management considers that the tax department has misinterpreted the provisions of section 67 of the Income Tax Ordinance, 2001 read with Rule 13 of the Income Tax Rules 2002, wherein the tax authorities have allocated 'Common Expenses' including financial cost relating to 'Capital Gains' by taking into account the amount of 'Capital Gains' rather than the 'Cost of Investments'. The company therefore, filed an appeal before CIT (Appeals), who had maintained the above allocation. The company filed another appeal before Income Tax Appellate Tribunal (ITAT) who has set aside the matter with the directive to the tax authorities that the allocation of financial cost has to be made by taking into account the cost of investments rather than the gross turnover. Further the company has made representation before the member CBR for necessary clarification that the allocation of expenses has to be made in relation to investment cost, rather than the amount of capital gain on the sale of specific shares. Based on the above facts the company is confident that case will be decided in its favour.

The company has also requested CBR to refer the above matter to Alternate Dispute Resolution Committee' (ADRC), a mechanism available to provide an opportunity to tax payer for an easy and efficient resolution of dispute.

19.2 Other contingencies

	2006	2005
	(Rupees in '000)	
Direct credit substitute - guarantee issued	**9,846**	87,742

19.3 Other commitments

	2006	2005
Underwriting commitment	**-**	25,000
Undisbursed sanctions for financial assistance in the form of		
- equity participation	**94,220**	95,720
- loans and advances	**388,475**	895,048
Commitments for future sale of listed securities	**490,759**	1,005,682
	973,454	2,021,450

19.4 Derivatives

The company has executed an Interest Rate Swap transaction with a bank on April 2, 2004 for a period of four years, whereby it converted its floating rate liability of Rs.100 million into a fixed rate liability. Under the arrangement the company will be paying the agreed fixed rate to the bank in exchange for available rate. The Interest Rate Swap has maturity falling within 2 years.

20. MARK UP / RETURN / INTEREST EARNED

	2006	2005
	(Rupees in '000)	
On loans and advances	**650,728**	542,315
On investments		
- Available for sale	**135,857**	80,265
- Held to maturity	**19,796**	39,457
On deposits with financial institutions	**662,701**	276,463
On securities purchased under resale agreements	**181,082**	92,904
	1,650,164	1,031,404

21. MARK-UP / RETURN / INTEREST EXPENSED

	2006	2005
Deposits	**929,386**	549,077
Securities sold under repurchase agreements	**171,358**	72,316
Other short term borrowings	**2,298**	1,650
	1,103,042	623,043

22. GAIN ON SALE OF SECURITIES

	2006	2005
Federal Government Securities		
- Treasury bills	**108**	211
- Pakistan investment bonds	**102**	592
Shares - listed securities	**1,859,969**	1,811,996
	1,860,179	1,812,799

23. OTHER INCOME

	Note	2006	2005
		(Rupees in '000)	
Profit on sale of operating fixed assets		**483**	690
Others	*23.1*	**270,181**	1,829
		270,664	2,519

23.1 Other income includes Rs 257.015 million in respect of reversal of exchange losses incurred on a loan no longer required to be paid.

24. ADMINISTRATIVE EXPENSES

	Note	2006	2005
		(Rupees in '000)	
Salaries, allowances and employees' benefits		**142,013**	151,880
Directors remuneration (including remuneration of Chief Executive)		**57,593**	63,304
Provision for gratuity	*30.1.4*	**7,057**	5,698
Employer's contribution to the provident fund		**4,846**	4,116
Traveling and conveyance		**13,682**	11,012
Rent and rates		**6,996**	6,474
Utilities		**2,365**	2,787
Communication		**6,739**	6,899
Professional training and staff welfare		**712**	636
Advertisements, periodicals and membership dues		**6,595**	5,936
Printing and stationery		**2,316**	2,673
Depreciation	*12.2*	**22,595**	22,308
Auditors' remuneration	*24.1*	**3,036**	1,434
Legal, consultancy and other professional services		**39,023**	22,277
Repairs and maintenance		**23,725**	10,458
Motor vehicle expenses		**7,109**	5,070
Insurance		**2,401**	2,247
Donations		**-**	13,400
Entertainment		**1,429**	1,521
Software development expenses		**-**	1,400
Bank charges		**199**	176
Miscellaneous		**10,445**	6,944
		360,876	348,650

24.1 Auditors' Remuneration

	2006	2005
Audit fee	**805**	605
Fee for half yearly review	**305**	280
Special certifications and sundry advisory services	**1,848**	455
Out of pocket expenses	**78**	94
	3,036	1,434

25. OTHER CHARGES

	2006	2005
Penalties imposed by State Bank of Pakistan	**1,365**	17

26. TAXATION

	Note	2006	2005
Current		**173,191**	84,154
Prior years	*26.1*	**(200,967)**	(11,650)
Deferred		**88,159**	142,887
		60,383	215,391

26.1 During the year ended December 31, 2006, the Income Tax Appellate Tribunal (ITAT) has given its decision in favour of the company on the issue of taxability at public company rate in view of the fact that the company is 50% owned by the Government of Pakistan. Hence, a net amount of Rs.200.967 million representing tax provision at rate higher than that applicable to other company has been reversed.

26.2 Relationship between tax expense and accounting profit

	2006	2005
	(Rupees in '000)	
Profit before taxation	**1,270,032**	2,111,899
Tax at the applicable rate of 35% (2005: 35%)	**444,511**	739,165
Net tax effect on income taxed at reduced rates	**(94,210)**	(87,614)
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income	**(289,918)**	(436,160)
	60,383	215,391

27. BASIC AND DILUTED EARNINGS PER SHARE

		2006	2005
Profit for the year (Rupees in '000)		**1,209,649**	1,896,508
Weighted average number of ordinary shares (in '000)		**240**	240
Basic earnings per share	*Rupees*	**5,040**	7,902

28. CASH AND CASH EQUIVALENTS

	2006	2005
	(Rupees in '000)	
Cash and balances with treasury banks	**41,680**	29,255
Balances with other banks	**7,177,124**	4,787,431
	7,218,804	4,816,686

29. STAFF STRENGTH

	2006	2005
	(Number)	
Permanent	**61**	59
Temporary / on contractual basis	**9**	13
Own staff strength at the end of the year	**70**	72
Outsourced	**28**	23
Total Staff Strength	**98**	95

30. DEFINED BENEFIT PLAN

30.1 Staff retirement gratuity

30.1.1 Principal actuarial assumptions

	2006	2005
	% per annum	
Discount rate	**10**	9
Expected rate of increase in salaries	**10**	9
Expected rate of return on investments	**10**	9
Normal retirement age	**60 years**	60 years

30.1.2 Reconciliation of payable to defined benefit plan

	2006	2005
	(Rupees in '000)	
Present value of defined benefit obligations	**44,720**	35,320
Fair value of plan assets	**(6,243)**	(2,428)
Unrecognised actuarial losses	**(14,562)**	(11,548)
	23,915	21,344

30.1.3 Movement in liability

	2006	2005
Opening balance	**21,344**	19,345
Expense charged in the current year	**7,057**	5,698
Company's contribution to gratuity fund	**(4,486)**	(3,699)
Closing balance	**23,915**	21,344

30.1.4 Provision for gratuity

	2006	2005
Current service cost	**3,441**	3,352
Interest cost	**3,252**	2,588
Expected return on plan assets	**(304)**	(493)
Actuarial loss amortised	**668**	251
	7,057	5,698

30.1.5 Reconciliation of present value of defined benefit obligation

	2006	2005
Opening obligation as at January 1	**35,320**	33,345
Current service cost	**3,441**	3,352
Interest cost	**3,252**	2,588
Actuarial benefits paid during the year	**(754)**	(8,316)
Actuarial gain on obligation	**3,461**	4,351
Closing obligation as at December 31	**44,720**	35,320

30.1.6 Reconciliation of fair value of plan assets

	2006	2005
Fair value of plan assets as at January 1	**2,428**	7,153
Expected return on plan assets during the year	**304**	493
Actual contributions by the employer	**4,486**	3,699
Actual benefits paid during the year	**(754)**	(8,316)
Actuarial loss on plan assets	**(221)**	(601)
Fair value of plan assets as at December 31	**6,243**	2,428

Fair value of plan assets comprises of cash and cash equivalents deposited with different financial institutions.

Actual return on plan assets is 9.5% as at December 31, 2006.

31. COMPENSATION OF DIRECTORS AND EXECUTIVES

		Chief Executive		Directors		Executives	
		2006	2005	**2006**	2005	**2006**	2005
				(Rupees in '000)			
Fee		**1,122**	1,560	**5,944**	3,352	**-**	-
Managerial remuneration		**25,612**	26,374	**-**	-	**64,990**	63,099
Charge for defined benefit plan		**493**	432	**-**	-	**1,765**	1,197
Contribution to defined contribution plan		**592**	527	**-**	-	**2,009**	1,500
Rent and house maintenance		**2,756**	2,486	**-**	-	**12,600**	8,242
Utilities		**59**	131	**-**	-	**2,800**	1,832
Medical		**663**	158	**-**	-	**2,552**	1,713
Others		**9,692**	19,928	**12,467**	9,605	**-**	-
	31.1	**40,989**	**51,596**	**18,411**	**12,957**	**86,716**	**77,583**
No. of persons		**1**	1	**5**	5	**24**	16

31.1 Compensation charged during 2005 also includes remuneration and terminal benefits of outgoing Chief Executive.

31.2 The Chief Executive and certain executives are also provided with other facilities, including the free use of company maintained car.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

32.1 On balance sheet financial instruments

	2006		2005	
	Book Value	**Fair Value**	Book Value	Fair Value
		(Rupees in '000)		
Assets				
-Cash balances with treasury banks	**41,680**	**41,680**	29,255	29,255
- Balances with other banks	**7,177,124**	**7,177,124**	4,787,431	4,787,431
- Lendings to financial institutions	**8,344,074**	**8,344,074**	2,004,110	2,004,110
- Investments	**9,500,379**	**9,497,577**	11,844,294	11,817,861
- Advances	**4,873,865**	**4,873,865**	6,527,823	6,527,823
- Other assets	**260,549**	**260,549**	415,179	415,179
	30,197,671	**30,194,869**	25,608,092	25,581,659
Liabilities				
- Bills payable				
- Borrowings from financial institutions	**12,600,057**	**12,600,057**	4,898,129	4,898,129
- Deposits & other accounts	**3,741,500**	**3,741,500**	6,551,670	6,551,670
- Other liabilities	**529,226**	**529,226**	1,051,391	1,051,391
	16,870,783	**16,870,783**	12,501,190	12,501,190

The fair value of investments in listed securities is based on market rates of the Karachi Stock Exchange. Fair value of unquoted equity investments is determined on the basis of break-up value based on the latest available financial statements.

Fair value of fixed term loans and advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

33. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activities is as follow:

	2006					
	Corporate Finance	**Treasury**	**Investment Banking**	**Capital Market**	**Others**	**Total**
			(Rupees in '000)			
Total income - gross	**691,962**	**1,083,328**	**39,349**	**2,069,263**	**13,648**	**3,897,550**
Total markup / return / interest expense	**(460,415)**	**(642,627)**	**-**	**-**	**-**	**(1,103,042)**
Segment provision / impairment / unrealised losses	**11,091**	**-**	**-**	**(1,173,326)**	**-**	**(1,162,235)**
	(449,324)	**(642,627)**	**-**	**1,173,326**	**-**	**(2,265,277)**
Net operating income	**242,638**	**440,701**	**39,349**	**895,937**	**13,648**	**1,632,273**
Administrative expenses and other charges	**-**	**-**	**-**	**-**	**-**	**(362,241)**
Net income	**242,638**	**440,701**	**39,349**	**895,937**	**13,648**	**1,270,032**
Segment assets - net	**5,963,735**	**16,348,471**	**-**	**7,434,624**	**576,038**	**30,322,868**
Segment non performing loans	**377,245**	**-**	**-**	**-**	**-**	**377,245**
Segment provision required and held	**374,606**	**-**	**-**	**-**	**-**	**374,606**
Segment liabilities	**5,212,511**	**11,129,046**	**-**	**-**	**688,259**	**17,029,816**
Segment return on net assets (ROA) %	**11.96**	**10.19**	**-**	**10.08**	**2.63**	**-**
Segment cost of funds (%)	**10.68**	**9.39**	**-**	**-**	**-**	**-**

	2005					
	Corporate Finance	Treasury	Investment Banking	Capital Market	Others	Total
			(Rupees in '000)			
Total income - gross	603,792	551,518	2,406	1,994,795	2,518	3,155,029
Total markup / return / interest	(241,414)	(381,629)	-	-	-	(623,043)
Segment provision / impairment / unrealised gains	31,973	-	-	(103,393)	-	(71,420)
	(209,441)	(381,629)	-	(103,393)	-	(694,463)
Net operating income	394,351	169,889	2,406	1,891,402	2,518	2,460,566
Administrative expenses and other charges	-	-	-	-	-	(348,667)
Net income	394,351	169,889	2,406	1,891,402	2,518	2,111,899
Segment assets - net	6,824,561	9,678,176	-	8,542,945	701,796	25,747,478
Segment non performing loans	391,350	-	-	-	-	391,350
Segment provision required and held	374,605	-	-	-	-	157,174
Segment liabilities	3,500,000	7,949,799	-	-	1,122,470	12,572,269
Segment return on net assets (ROA) %	11.11	10.80	-	20.73	0.36	-
Segment cost of funds (%)	9.60	9.81	-	-	-	-

33.1 Under the company policy, capital market department assets are financed through equity funds.

34. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include associated companies with or without common directors, retirement benefit fund, directors and key management personnel.

The company enters into transactions with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates. The expenses incurred on behalf of a related party are actual expenses, which are subsequently reimbursed.

	2006	2005
	(Rupees in '000)	
Expenses charged to a related party	**16,165**	14,607
Expenses charged by		
- associates	**2,163**	3,704
- other related party	**24,974**	9,550
Dividend income from		
- associates	**113,796**	71,317
- other related parties	**7,307**	46,529
Placement / COI with a related party		
Balance as at January 1	**139,654**	534,072
Additions during the year	**6,967**	4,939
Deletions during the year	**-**	(400,000)
Exchange gain	**2,760**	643
Balance as at December 31	**149,381**	139,654

	2006	2005
	(Rupees in '000)	
Mark up earned on placement with associate	**7,427**	6,340
Mark up receivable on placement / COI / leases & loans and advances		
- with associates	**994**	368
- other related parties	**4,670**	5,578
Mark up earned on loans and advances		
- associates	**10,159**	8,695
- other related parties	**19,713**	18,525
Loans and advances to key management personnel		
Balance as at January 1	**5,702**	6,254
Disbursement during the year	**12,000**	-
Recovery during the year	**(8,576)**	(552)
	3,424	(552)
Balance as at December 31	**9,126**	5,702
Advances to an associates / other related parties *(refer 10.6)*	**284,158**	362,940
Mark up expense on COI of a related party	**238**	15,473
Bank balances with an associate	**43,923**	84,436
Receivable from associates	**2,339**	8,392
Mark up payable to other related party	**72**	62
Investments in		
- quoted, at market values		
- associates	**3,235,601**	3,101,888
- other related parties	**173,307**	496,157
- un - quoted, at cost		
- subsidiary company	**50,000**	50,000
- associates	**378,553**	320,530
- other related parties	**500**	500
Commitments for investment in equity of / loan to associates	**94,220**	95,720
Advance against units / shares subscription	**30,000**	51,000
Sale of shares to other related party	**684,670**	-
Contribution made to provident fund	**4,845**	4,102
Contribution made to gratuity fund	**4,486**	3,699

Key management personnel remuneration

Key management personnel include the Managing Director, Deputy General Manager, Senior Executive Vice Presidents and the Company Secretary. Their salaries and other benefits amount to Rs. 59.963 million (2005: Rs. 60.756 million) and staff retirement benefits amounted to Rs. 2.335 million (2005: Rs. 2.179 million).

35. ASSOCIATES AND ASSOCIATED UNDERTAKINGS

The investments in associates and associated undertakings are valued as stated in note 5.4 above. The company's associates are those companies in which it holds more than 20% of the equity or have common directorship and have significant influence and includes, Al-Meezan Mutual Fund Limited, Al-Meezan Investment Management Limited, Meezan Bank Limited, The General Tyre and Rubber Company of Pakistan Limited, Plexus (Private) Limited, Falcon Greenwood (Private) Limited, Pak Kuwait Takaful Company Limited, and Total Media Limited in which the company's direct percentage of holdings are 16, 30, 30, 28, 50, 22, 30, and 19 respectively. The company also holds units in Meezan Balanced Fund and Meezan Islamic Fund and has given advance for subscription of Meezan Islamic Income Fund.

Associated undertakings are those companies in which company holds less than 20% shares and has common directorship but it can not demonstrate and exercise significant influence and includes, Fauji Fertilizer Company Limited, Fauji Fertilizer Bin Qasim Limited, Pakistan State Oil Company Limited and Pakistan Textile City Limited in which the companys direct percentage of holdings are 0.03, 0.44, 0.08 and 6 respectively.

36. CAPITAL ADEQUACY

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

	2006	2005
	(Rupees in '000)	
Regulatory Capital Base		
Tier I Capital		
Share capital	**6,000,000**	2,000,000
General reserves	**4,784,369**	7,338,585
Unappropriated profit	**1,081,071**	1,517,206
	11,865,440	10,855,791
Less Adjustments		
Investments in equity of subsidiary companies engaged in banking and financial activities (including insurance) not consolidated in the balance sheet	**50,000**	50,000
Total Tier I Capital	**11,815,440**	10,805,791
Tier II Capital		
Revaluation reserve (upto 50%)	**708,917**	1,146,089
Total Tier II Capital	**708,917**	1,146,089
Eligible Tier III Capital	**-**	-
Total Regulatory Capital - (a)	**12,524,357**	11,951,880

Risk - Weighted Exposures

	2006 Book value	2006 Risk adjusted value	2005 Book value	2005 Risk adjusted value
	(Rupees in '000)			
Credit Risk				
Balance Sheet Items				
- Cash and other liquid assets	**36**	**-**	14	-
- with State Bank of Pakistan	**40,803**	**-**	23,132	-
- with Other Central Banks	**841**	**168**	6,109	1,222
- with Scheduled Banks in Pakistan	**7,110,315**	**1,422,063**	4,723,712	944,742
- with Banks outside Pakistan	**66,809**	**13,362**	63,719	12,744
	7,218,804	**1,435,593**	4,816, 686	958,708
Money at Call				
- with Scheduled Banks	**6,733,878**	**1,346,776**	332,188	66,438
- with Others	**1,610,196**	**1,610,196**	1,671,922	1,671,922
	8,344,074	**2,956,972**	2,004,110	1,738,360
Credit Risk				
Investments in				
- Federal Government Securities	**443,781**	**-**	1,077,427	-
- Shares of enterprise owned or controlled by Federal Government	**512,987**	**256,494**	464,746	232,373
- Shares of private sector enterprises	**7,004,392**	**7,004,392**	6,102,558	6,102,558
- Debentures, Bonds, PTC's, TFC's of enterprises owned or controlled by Federal Government / SBP.	**9,326**	**4,663**	27,978	13,989
- Debentures, Bonds, PTC's, TFC's of private sector enterprises	**691,503**	**691,503**	793,630	793,630
	8,661,989	**7,957,052**	8,466,339	7,142,550
Loans and Advances				
- Enterprise owned or controlled by Federal Government having corporate status or being run on commercial basis.	**3,334**	**1,667**	22,223	11,112
- Private sector enterprises	**4,829,815**	**4,829,815**	6,470,219	6,470,219
- Staff loans	**40,716**	**-**	35,381	-
	4,873,865	**4,831,482**	6,527,823	6,481,331
Fixed assets	**125,197**	**125,197**	139,386	139,386
Other assets	**260,549**	**260,549**	415,179	415,179
	29,484,478	**17,566,845**	22,369,523	16,875,514
Off Balance Sheet Items				
Loan repayment guarantees & acceptances (less cash margin) issued to private sector enterprises	**9,846**	**9,846**	87,742	87,742
Revolving underwriting commitments	**-**	**-**	25,000	12,500
Stand By LC's and other stand by facilities with an original maturity of over one year, and other LC's (less cash margin and Government securities held) on behalf of private sector enterprises	**482,695**	**241,348**	990,768	495,384
Derivative contracts	**100,000**	**1,500**	100,000	2,500
	592,541	**252,694**	1,203,510	598,126
Credit Risk - Weighted exposures	**30,077,019**	**17,819,539**	23,573,033	17,473,640

	2006 Risk adjusted value	2005 Risk adjusted value
	(Rupees in '000)	
Market Risk		
General market risk	**68,321**	271,986
Specific market risk	**107,503**	351,505
Capital charge for foreign exchange risk	**20,185**	16,541
Total capital charge for market risk	**196,009**	640,032
Market risk - weighted exposures	**2,450,113**	8,000,400
Total Risk Weighted exposures - (b)	**20,269,652**	25,474,040
Capital Adequacy Ratio [(a) / (b) x 100]	**61.79%**	46.92%

37. RISK MANAGEMENT

The company is primarily subject to interest rate risk, credit risk, market risk and liquidity risk. The management of company is cognizant of these risks and has put in place requisite parameters to manage distinct risks within acceptable limits. The approach used for risk management has taken into account the nature and size of the organization. The core principle behind the risk management approach in the company is that the members of the respective specialised risk management committees collaborate with relevant department in line with the risk management policies and frame works as approved by the Board of Directors. A dedicated risk management function is also functioning to identify, quantify, monitor and control these risks. The various forms of risks to which the company is exposed are as follows:

37.1 Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. However, the company does not believe that it is exposed to major concentration of credit risk. The company reduces such exposure to credit risk by portfolio diversification and adequate collateral, wherever applicable. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful for recovery. Further, the company appropriates an estimated amount in percentage term as 'contingencies reserve' each year as referred to in note 17.3.2.1 to these financial statements.

37.1.1 Segment by class of business

	2006					
	Advances		Deposits		Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Agriculture, forestry, hunting and fishing	205,710	3.92	-	-	-	-
Textile	1,781,089	33.94	-	-	-	-
Chemical and pharmaceutical	75,470	1.44	-	-	123,235	25.53
Cement	230,154	4.39	-	-	23,030	4.77
Sugar	456,042	8.69	-	-	-	-
Footwear and leather garments	104,463	1.99	35,000	0.94	2,537	0.53
Auto mobile and transportation equipments	62,572	1.19	54,000	1.44	-	-
Electronics and electrical appliances	83,851	1.60	-	-	80,000	16.57
Construction	322,195	6.14	-	-	-	-
Transport, storage & communication	838,717	15.98	-	-	7,519	1.56
Financial	28,334	0.54	3,650,000	97.55	25,000	5.18
Insurance	-	-	-	-	75,000	15.54
Services	57,143	1.09	-	-	125,000	25.90
Individuals	43,407	0.83	-	-	-	-
Others	959,324	18.26	2,500	0.07	21,374	4.42
	5,248,471	100.00	3,741,500	100.00	482,695	100.00

	2005					
	Advances		Deposits		Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and pharmaceutical	75,689	1.13	-	-	53,141	5.36
Agribusiness	616,429	9.22	-	-	108,247	10.93
Textile	1,906,488	28.52	-	-	208,246	21.02
Cement	102,008	1.53	-	-	38,146	3.85
Financial	383,094	5.73	3,300,000	50.37	-	-
Insurance	-	-	-	-	75,000	7.58
Individuals	1,035,381	15.49	-	-		
Construction	381,823	5.71	-	-	171,385	17.31
Communication and entertainment	961,005	14.38	-	-	100,000	10.09
Government	-	-	3,064,170	46.77	-	-
Others	1,223,080	18.29	187,500	2.86	236,603	23.86
	6,684,997	100.00	6,551,670	100.00	990,768	100.00

37.1.2 Segment By Sector

	2006					
	Advances		**Deposits**		**Commitments**	
	Rupees '000	**Percent**	**Rupees '000**	**Percent**	**Rupees '000**	**Percent**
Public / government	**3,333**	**0.06**	**554,000**	**14.81**	**-**	**-**
Private	**5,245,138**	**99.94**	**3,187,500**	**85.19**	**482,695**	**100.00**
	5,248,471	**100.00**	**3,741,500**	**100.00**	**482,695**	**100.00**

	2005					
	Advances		Deposits		Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / government	22,223	0.34	3,064,170	46.77	-	-
Private	6,505,600	99.66	3,487,500	53.23	990,768	100.00
	6,527,823	100.00	6,551,670	100.00	990,768	100.00

37.1.4 Details of non performing advances and specific provisions by class of business segment.

	2006		2005	
	Classified advances	**Specific provision held**	Classified advances	Specific provision held
	(Rupees in '000)			
Textile	**84,687**	**82,048**	81,944	20,486
Construction	**220,484**	**220,484**	226,219	56,555
Others	**72,074**	**72,074**	83,187	80,133
	377,245	**374,606**	391,350	157,174

37.2 Liquidity Risk

Liquidity risk is the potential loss to the company arising from either its inability to meet its obligation or to arrange the requisite funding for its assets at a reasonable price. The company manages its liquidity risk by diversifying and ensuring the stability of its liability structure (funding mix). The risk management function generates and monitor daily liquidity position of the company. A monthly gap analysis is also carried out to evaluate the match / mismatch of assets and liabilities.

37.2.1 MATURITIES OF ASSETS AND LIABILITIES

	2006									
	Total	**Upto one month**	**Over one to three months**	**Over three to six months**	**Over six months to one year**	**Over one to two years**	**Over two to three years**	**Over three to five years**	**Over five to ten years**	**Over ten years**
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	**41,680**	**41,680**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balances with other banks	**7,177,124**	**3,025,980**	**4,151,144**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Lendings to financial institutions	**8,344,074**	**4,748,515**	**3,595,559**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	**9,500,379**	**72,268**	**1,013,583**	**219,578**	**2,141,116**	**2,121,164**	**410,227**	**832,350**	**2,690,093**	**-**
Advances	**4,873,865**	**238,207**	**184,816**	**425,589**	**467,492**	**1,151,693**	**1,026,848**	**1,240,751**	**129,827**	**8,642**
Other assets	**260,549**	**-**	**260,549**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Operating fixed assets	**125,197**	**-**	**-**	**-**	**-**	**-**	**-**	**125,197**	**-**	**-**
	30,322,868	**8,126,650**	**9,205,651**	**645 ,167**	**2,608,608**	**3,272,857**	**1,437,075**	**2,198,298**	**2, 819,920**	**8,642**
Liabilities										
Due to financial institutions	**12,600,057**	**5,684,249**	**1,703,295**	**-**	**-**	**2,019,427**	**1,081,536**	**2,111,550**	**-**	**-**
Deposits and other accounts	**3,741,500**	**704,000**	**3,000,000**	**-**		**-**	**35,000**	**-**	**2,500**	**-**
Deferred tax liability	**159,033**	**-**	**-**	**-**	**-**	**159,033**	**-**	**-**	**-**	**-**
Other liabilities	**529,226**	**-**	**194,026**	**-**	**50,827**	**-**	**254,127**	**-**	**30,246**	
	17,029,816	**6,388,249**	**4,897,321**	**-**	**50,827**	**2,213,460**	**1,335,663**	**2,114,050**	**30,246**	**-**
Net assets	**13,293,052**	**1,738,401**	**4,308,330**	**645,167**	**2,557,781**	**1,059,397**	**101,412**	**84,248**	**2,789,674**	**8,642**
Share capital	6,000,000									
Reserves	4,784,369									
Un-appropriated profit	1,081,071									
Surplus on revaluation of 'available for sale' securities – net of tax	1,427,612									
	13,293,052									

	2005									
	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	29,255	29,255	-	-	-	-	-	-	-	-
Balances with other banks	4,787,431	1,252,431	3,535,000	-	-	-	-	-	-	
Lendings to financial institutions	2,004,110	1,101,563	502,547	400,000	-	-	-	-	-	-
Investments	11,844,294	15,374	3,391,650	1,618,893	2,433,998	2,183,018	1,405,930	302,701	492,730	-
Advances	6,527,823	1,054,230	252,895	144,623	1,643,264	978,958	1,084,894	1,110,803	250,645	7,511
Other assets	415,179	-	415,179	-	-	-	-	-	-	-
Operating fixed assets	139,386	-	836	-	-	-	-	-	138,550	-
	25,747,478	3,452,853	8,098,107	2,163,516	4,077,262	3,161,976	2,490,824	1,413,504	881,925	7,511
Liabllities										
Due to financial institutions	4,898,129	754,858	547,151	96,120	-	-	2,000,000	1,500,000	-	-
Deposits and other accounts	6,551,670	750,000	5,039,170	715,000	-	-	45,000	2,500	-	-
Deferred tax liability	71,079	-	-	-	-	71,079	-	-	-	-
Other liabilities	1,051,391	-	336,358	-	175,932	-	507,945	-	31,156	-
	12,572,269	1,504,858	5,922,679	811,120	175,932	71,079	2,552,945	1,502,500	31,156	-
Net assets	13,175,209	1,947,995	2,175,428	1,352,396	3,901,330	3,090,897	(62,121)	(88,996)	850,769	7,511
Share capital	2,000,000									
Reserves	7,338,585									
Un-appropriated profit	1,517,206									
Surplus on revaluation of 'available for sale' securities – net of tax	2,319,418									
	13,175,209									

37.3 Market Risk

Market risk is the loss due to adverse movements in market rates or price such as foreign exchange rates, interest rates and equity prices and / or commodity prices. The company is exposed to interest rate risk, equity price risk and foreign exchange risk. To manage various types of market risk, the company carries out stress testing of its balance sheet by varying sources of market risk.

37.3.1 Interest Rate Risk

Interest rate risk is the risk that investments value will change due to change in the market interest rates. The company manages its interest rate risk by entering into floating rate agreements with its customers. Approximately 85% of the credit portfolio is linked to the floating rate. To further keep the company abreast of the interest rate risk, an Asset and Liability Committee (ALCO) meets on a monthly basis to discuss the interest rate risk strategy. The risk management function carries out stress testing to ascertain the interest rate risk exposure of the balance sheet. In addition to this, interest rate risk profile is also prepared on monthly basis to ascertain the interest rates movements with regard to our portfolio.

	2006									
		Exposed to yield / profit risk								**Not exposed to yield / profit risk**
	Effective yield / interest rate %	**Total**	**Upto one month**	**Over one to three months**	**Over three to six months**	**Over six months to one year**	**Over one to two years**	**Over two to three years**	**Over three to five years**	
		(Rupees in '000)								
On-balance sheet financial instruments										
Financial Assets										
Cash and balances with treasury banks		**41,680**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**41,680**
Balances with other banks	11.52	**7,177,124**	**3,025,980**	**4,104,496**	**-**	**-**	**-**	**-**	**-**	**46,648**
Lendings to financial institutions	9.07	**8,344,074**	**4,748,515**	**3,595,559**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	9.69	**9,500,379**	**185,420**	**198,058**	**665,600**	**95,532**	**-**	**-**	**-**	**8,355,769**
Advances	12.02	**4,873,865**	**873,912**	**2,461,932**	**1,497,305**	**-**	**-**	**-**	**-**	**40,716**
Other assets		**260,549**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**260,549**
		30,197,671	**8,833,827**	**10,360,045**	**2,162,905**	**95,532**	**-**	**-**	**-**	**8,745,362**
Financial Liabilities										
Borrowings from financial institutions	9.31	**12,600,057**	**6,184,249**	**4,453,296**	**1,500,000**	**-**	**19,427**	**81,535**	**361,550**	**-**
Deposits and other accounts	10.75	**3,741,500**	**704,000**	**3,000,000**	**-**	**-**	**.35,000**	**-**	**2,500**	**-**
Other liabilities		**529,226**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**529,226**
		16,870,783	**6,888,249**	**7,453,296**	**1,500,000**	**-**	**54,427**	**81,535**	**364,050**	**529,226**
On-balance sheet gap		**13,326,888**	**1,945,578**	**2,906,749**	**662,905**	**95,532**	**(54,427)**	**(81,535)**	**(364,050)**	**8,216,136**

		2005								
		Exposed to yield / profit risk								Not exposed
	Effective yield / interest rate %	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	to yield / profit risk
		(Rupees in '000)								
On-balance sheet financial instruments										
Financial Assets										
Cash and balances with treasury banks		29,255	-	-	-	-	-	-	-	29,255
Balances with other banks	10.67	4,787,431	1,240,030	3,535,000	-	-	-	-	-	12,401
Lendings to financial institutions	10.01	2,004,110	1,101,563	502,547	400,000	-	-	-	-	-
Investments	7.78	11,844,294	164,645	82,256	574,708	869,439	207,987	-	-	9,945,259
Advances	11.22	6,527,823	2,069,861	2,188,632	2,233,949	-	-	-	-	35,381
Other assets		415,179	-	-	-	-	-	-	-	415,179
		25,608,092	4,576,099	6,308,435	3,208,657	869,439	207,987	-	-	10,437,475
Financial Liabilities										
Borrowings from financial institutions	9.25	4,898,129	1,254,858	2,047,151	1,596,120	-	-	-	-	-
Deposits and other accounts	10.12	6,551,670	750,000	5,039,170	715,000	-	-	45,000	2,500	-
Other liabilities		1,051,391	-	-	-	-	-	-	-	1,051,391
		12,501,190	2,004,858	7,086,321	2,311,120	-	-	45,000	2,500	1,051,391
On-balance sheet gap		13,106,902	2,571,241	(777,886)	897,537	869,439	207,987	(45,000)	(2,500)	9,386,084

37.3.2 CURRENCY RISK

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position when there is adverse exchange rate movement. The company's exposure to this category of market risk is negligible.

	2006			
	Assets	**Liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**
	(Rupees in '000)			
Pakistan Rupees	**30,069,884**	**17,029,816**	**-**	**13,040,068**
United States Dollars	**252,984**	**-**	**-**	**252,984**
	30,322,868	**17,029,816**	**-**	**13,293,052**

	2005			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupees	25,540,717	12,572,269	-	12,968,448
United States Dollars	206,761	-	-	206,761
	25,747,478	12,572,269	-	13,175,209

37.3.3 Equity Risk

Equity price risk is the risk to the earnings or capital resulting from an adverse change in the value / price of equity. A Portfolio Strategic Committee (PSC) meets on a regular basis to discuss equity investments related strategy. The risk management function is under process of developing a Value at Capital Risk which will quantify the market risk associated with the equity portfolio. Additionally, the risk management function monitors the sector wise and scrip wise equity exposure on a regular basis.

37.4 OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and system of the company. There is an Operational Risk Management Committee in the company which includes heads of key functional areas and is headed by senior executives. The committee meets on a regular basis to discuss the sources of potential operational risks and their mitigants.

38. ACCOUNTING ESTIMATES AND JUDGEMENTS

38.1 Provision against non-performing advances

The management reviews the loan and lease portfolio to assess non-performing accounts and expected recovery on a quarterly basis. In determining the non-performing accounts and provision requirements, the relevant prudential regulations issued by the State Bank of Pakistan, payment status of markup and principal, expected future cash flows of the business, security position and personal wealth of the directors and owners are taken into account.

38.2 Impairment of available for sale equity instruments

The management determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in market value / fair value below its cost. In making this judgment, the management considers among other factors, the price movement during previous twelve to eighteen months, the recent results and financial position of the investee company and the volume traded. Had the decline in market value of all 'available for sale' securities below cost considered as impairment, the company would be required to make an additional provision of Rs.584.439 million at the year end.

38.3 Income taxes

In making the estimates for income taxes currently payable by the company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past.

39. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

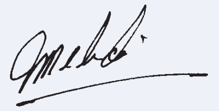
The Board of Directors of the company has proposed cash dividend of Rs. 364 million (2005: Rs. 200 million) and stock dividend of Rs. Nil (2005: Rs. 4,000 million) for the year ended December 31, 2006 in their meeting held on February 27, 2007. These financial statements do not reflect this proposed dividend as explained in note 4.

40. DATE OF AUTHORISATION FOR ISSUE

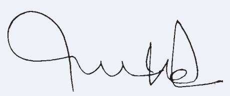
These financial statements were authorised for issue in the Board of Directors meeting held on February 27, 2007.

41. GENERAL

The Pakistan Credit Rating Agency and JCR-VIS has maintained long term credit rating of AAA (Triple A) and the short term rating of A-1+ (A one plus) for the company.



Chief Executive



Director

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2006

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Pakistan Kuwait Investment Company (Private) Limited** as at December 31, 2006 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, (here-in-after referred to as the 'financial statements') for the year then ended.

These financial statements are responsibility of the Company's management. Our responsibility is to express our opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standard 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 statements 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.

In our opinion the consolidated financial statements present fairly the financial position of Pakistan Kuwait Investment Company (Private) Limited as at December 31, 2006 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Karachi: February 27, 2007

Consolidated Balance Sheet

As at December 31, 2006

	Note	2006	2005 (Restated)
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	6	**41,680**	29,255
Balances with other banks	7	**7,186,336**	4,796,581
Lendings to financial institutions	8	**8,344,074**	2,004,110
Investments	9	**8,655,953**	10,931,640
Advances	10	**4,873,865**	6,527,823
Other assets	11	**260,995**	415,846
Intangible assets	12	**37,750**	37,750
Operating fixed assets	13	**127,547**	141,736
Deferred tax asset		**-**	-
		29,528,200	24,884,741
LIABILITIES			
Bills payable		**-**	-
Borrowings from financial institutions	14	**12,600,057**	4,898,129
Deposits and other accounts	15	**3,741,500**	6,551,670
Subordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liability	16	**197,305**	95,838
Other liabilities	17	**529,365**	1,051,439
		17,068,227	12,597,076
NET ASSETS		**12,459,973**	12,287,665
REPRESENTED BY			
Share capital	18	**6,000,000**	2,000,000
Reserves	18	**4,784,369**	7,338,585
Unappropriated profit		**1,891,851**	2,301,641
		12,676,220	11,640,226
(Deficit) / surplus on revaluation of 'available for sale' securities - net of tax	19	**(216,247)**	647,439
		12,459,973	12,287,665
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive

Director

Consolidated Profit And Loss Account

For the year ended December 31, 2006

	Note	2006	2005
		(Rupees in '000)	
Mark-up / return / interest earned	21	1,650,997	1,031,792
Mark-up / return / interest expensed	22	1,103,042	623,043
Net mark-up / interest income		547,955	408,749
Provision / (reversal of provision) against non-performing loans and advances - net	10.3	217,432	(41,906)
Impairment loss on 'available for sale' securities		80,067	221,834
Provision for diminution in the value of un-quoted investments	9.3	2,378	-
		299,877	179,928
		248,078	228,821
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		54,990	15,535
Dividend income		200,238	220,729
Gain on sale of securities	23	1,606,633	1,812,799
Income from dealing in foreign currencies		4,535	728
Unrealised (deficit) / surplus on revaluation of 'held-for-trading' securities		(1,096,480)	113,352
Share in results of associates - net		384,058	397,570
Other income	24	270,664	2,519
Total non mark-up / interest income		1,424,638	2,563,232
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	25	361,236	349,169
Other charges	26	1,365	17
Total non mark-up / interest expenses		362,601	349,186
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,310,115	2,442,867
Taxation			
- Current	27	173,416	84,154
- Prior years	27	(200,967)	(11,650)
- Deferred	27	101,672	159,200
		74,121	231,704
PROFIT AFTER TAXATION		1,235,994	2,211,163
Basic and diluted earnings per share			
(On share of Rs 25,000 each) Rupees	28	5,150	9,213

The appropriation of profit available is set out in the statement of changes in equity.

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive **Director**

Consolidated Cash Flow Statement

For the year ended December 31, 2006

	Note	2006	2005
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,310,115	2,442,867
Less: Dividend income		(200,238)	(220,729)
		1,109,877	2,222,138
Adjustments for:			
Depreciation		22,595	22,308
Amortization of premium on 'held to maturity' investments		13,086	16,232
Unrealised deficit / (surplus) on revaluation of 'held-for-trading' securities		1,096,480	(113,352)
Provision / (reversal of provision) against non-performing loans and advances		217,432	(41,906)
Provision for diminution in the value of un-qouted investments		2,378	-
Gain on sale of operating fixed assets		(483)	(689)
		1,351,488	(117,407)
		2,461,365	2,104,731
(Increase) / decrease in operating assets			
Lendings to financial institutions		(6,339,964)	863,544
'Held for trading' securities		2,361,979	(2,209,763)
Advances		1,436,526	(2,286,786)
Others assets		151,647	113,246
		(2,389,812)	(3,519,759)
Increase / (decrease) in operating liabilities			
Borrowings from financial institutions		7,701,928	192,467
Deposits		(2,810,170)	4,061,670
Other liabilities (excluding current taxation)		(401,408)	(100,070)
		4,490,350	4,154,067
		4,561,903	2,739,039
Income tax paid		(92,974)	(99,346)
Net cash flows from operating activities		4,468,929	2,639,693
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in 'available-for-sale' securities		(2,462,124)	1,019,687
Net investment in 'held to maturity' securities		399,999	(191)
Intangible assets		-	(37,750)
Dividend received		203,299	251,737
Investments in operating fixed assets		(10,144)	(30,474)
Sale proceeds of operating fixed assets		2,221	2,289
Net cash flows from investing activities		(1,866,749)	1,205,298
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(200,000)	(420,000)
Net cash flows from financing activities		(200,000)	(420,000)
Increase / (decrease) in cash and cash equivalents		2,402,180	3,424,991
Cash and cash equivalents at beginning of the year	29	4,825,836	1,400,845
Cash and cash equivalents at end of the year	29	7,228,016	4,825,836

The annexed notes 1 to 41 form an integral part of these financial statements

Chief Executive **Director**

Consolidated Statement of Changes in Equity
For the year ended December 31, 2006

	Share capital	Reserves: Capital	Reserves: Statutory	Reserves: Revenue	Unappropriated profit	Total
	(Rupees in '000)					
Balance as at December 31, 2004 as previously stated	1,500,000	580,045	2,377,759	4,501,479	469,780	**9,429,063**
Effect of changes in accounting policy with respect to						
Proposed dividend	-	-	-	-	420,000	**420,000**
Transfer to reserve for issue of bonus shares	-	(500,000)	-	-	500,000	-
Transfer to contingencies reserve	-	-	-	(44,340)	44,340	-
Transfer to general reserve				(52,251)	52,251	-
Transfer to marketable and government securities reserve	-	-	-	(251,177)	251,177	-
Balance as at December 31, 2004 as restated	1,500,000	80,045	2,377,759	4,153,711	1,737,548	**9,849,063**
Profit for the year ended December 31, 2005	-	-	-	-	2,211,163	**2,211,163**
Dividend paid @ Rs. 7,000 per share	-	-	-	-	(420,000)	**(420,000)**
Transfer to reserve for issue of bonus shares	-	500,000	-	-	(500,000)	-
Transfer to contingencies reserve	-	-	-	44,340	(44,340)	-
Transfer to general reserve	-	-	-	52,251	(52,251)	-
Transfer to statutory reserve	-	-	379,302	-	(379,302)	-
Transfer to marketable and government securities reserve	-	-	-	251,177	(251,177)	-
Issue of bonus shares	500,000	(500,000)	-	-	-	-
Balance as at December 31, 2005 as restated	2,000,000	80,045	2,757,061	4,501,479	2,301,641	**11,640,226**
Profit for the year ended December 31, 2006	-	-	-	-	1,235,994	**1,235,994**
Transfer to statutory reserve	-	-	241,930	-	(241,930)	-
Dividend paid @ Rs.2,500 per share	-	-	-	-	(200,000)	**(200,000)**
Transfer to contingencies reserve	-	-	-	67,581	(67,581)	-
Issue of bonus shares	4,000,000	-	-	(3,232,855)	(767,145)	-
Transfer to marketable and government securities reserve	-	-	-	369,128	(369,128)	-
Balance as at December 31, 2006	**6,000,000**	**80,045**	**2,998,991**	**1,705,333**	**1,891,851**	**12,676,220**

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive

Director

Notes to and Forming Part of the Consolidated Financial Statements
For the year ended December 31, 2006

1. STATUS AND NATURE OF BUSINESS

Pakistan Kuwait Investment Company (Private) Limited (Pak Kuwait) ('the holding company') was incorporated in Pakistan as a Private Limited company on March 17, 1979. The registered office is situated at 4th Floor, Block 'C', Finance and Trade Center, Shahrah–e–Faisal, Karachi. The company is a 50:50 joint venture between the Governments of Pakistan and Kuwait. The objective of the company is to profitably promote industrial investments in Pakistan.

The Group comprises of the holding company and a 100% owned subsidiary First Choice Securities Limited (FCSL). FCSL is principally engaged in the business of equity brokerage, money markets and foreign exchange brokerage, equity research and corporate financial advisory services. The company made equity contribution in the subsidiary on January 25, 2005. FCSL has acquired membership of the Karachi Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited. FCSL has not yet started its operations.

The Group's associates are as follows:

Entity / Fund	**Nature of Business**	**Percentage holding**	
		2006 %	2005 %
Meezan Bank Limited (MBL)	Scheduled Islamic Commercial Bank engaged in commercial, consumer and investment banking activities.	**30.00**	38.98
Plexus (Private) Limited	Business of development and export of IT enabled services and internet solutions.	**50.00**	50.00
Pak Kuwait Takaful Company Limited (PKTCL)	To undertake Takaful (insurance) business.	**30.00**	30.00
Falcon Greenwood (Private) Limited (FGL)	Engaged in business of real estate.	**22.24**	22.24
The General Tyre and Rubber Company of Pakistan Limited (GTR)	Manufacturing of tyres and tubes for automobiles	**28.06**	28.06
Al Meezan Investment Management Limited (AMIML)	Investment advisory, portfolio management, equity research, under-writing and corporate finance.	**30.00**	30.00
Al Meezan Mutual Fund Limited (AMMFL)	Formed under the Investment Companies and Investment Advisor Rules, 1971. A closed end mutual fund.	**15.57**	15.57
Meezan Islamic Fund (MIF)	Open end scheme established under a trust deed executed between AMIML as the management company and the Central Depository Company of Pakistan Limited (CDC), as the trustee.	**11.00**	11.00
Meezan Balanced Fund (MBF)	Closed-end scheme established under a trust deed executed between AMIML as the management company and the Central Depository Company of Pakistan Limited (CDC), as the trustee.	**9.21**	9.21
National Commodity Exchange Limited (NCEL)	Conduct, regulate and control the commodity market.	**12.50**	12.50

Entity / Fund	Nature of Business	Percentage holding	
		2006 %	2005 %
National Clearing Company Of Pakistan Limited (NCCL)	Business of clearing and settlement of securities through the National Clearing and Settlement System (NCSS).	**17.65**	17.65
Total Media Limited (TML)	Engaged in production, promotion, distribution and broadcasting of television program through satellite.	**19.48**	19.48

All of the associates are incorporated in Pakistan.

2. STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of such directives take precedence.

The SBP through its BSD circular letter No. 11 dated September 11, 2002 has deferred the implementation of IAS - 39 'Financial Instruments: Recognition and Measurement' and IAS - 40 'Investment Property' for Non-Banking Financial Institutions (NBFIs) in Pakistan. Accordingly, the requirements of these International Accounting Standards (IASs) have not been considered in preparation of these financial statements.

2.1 Forthcoming accounting changes

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after January 1, 2007 and are either not relevant to company's operations or are not expected to have significant impact on financial statements other than certain increased disclosures.

IAS 1- Presentation of Financial Statements - amendments relating to Capital disclosures

IFRS 2 - Share-Based Payments

IFRS 3 - Business Combinations

IFRS 5 - Non-current assets held for sale and discontinued operations

IFRS 6 - Exploration for and evaluation of mineral resources

IFRIC 8 - Scope of IFRS 2 Share-based Payments

IFRIC 9 - Reassessment of Embedded Derivatives

IFRIC 10 - Interim Financial Reporting and Impairment

IFRIC 11 - Group and Treasury Share Transactions

IFRIC 12 - Services Concession Arrangements

3. BASIS OF PRESENTATION

3.1 Basis of measurement

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

The financial statements are presented in Pakistan Rupees which is company's functional currency. The amounts are rounded to nearest thousand rupees.

3.2 Critical accounting estimates and judgments

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 amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgements about carrying values of assets and liabilities which 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 its revision and future periods if the revision affects both current and future periods. Judgement made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 38.

4. REASON AND EFFECT OF CHANGES IN ACCOUNTING POLICY

During the year, the accounting policy for recording of dividend declarations to holders of equity instruments was changed to comply with the requirements of IAS-10 'Events afer the Balance Sheet Date' as also directed in circular number 06/2006 dated June 19, 2006 issued by the Institute of Chartered Accountants of Pakistan. The circular requires all declarations of dividend to holders of equity instruments including declaration of bonus issue and other appropriations except which are required by law after the balance sheet date, should not be recognised as liabilities or changes in reserves at the balance sheet date. Previously, all declarations of dividend including declaration of bonus shares and other appropriations made subsequent to the balance sheet date were made part of the financial statements of that period.

The change in the accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the benchmark treatment specified in IAS-8; 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in accounting policy, the effect on the financial statements would be as follows:

	2006	2005
	(Rupees in '000)	
Decrease in unappropriated profit	**(1,081,071)**	(1,403,854)
Increase in proposed dividend	**364,000**	200,000
Increase in capital reserves	**-**	4,000,000
Increase / (decrease) in revenue reserves	**717,071**	(2,796,146)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of Consolidation

5.1.1 Subsidiary

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activites. This in general is evidenced when the company directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date the control commences until the date the control ceases.

5.1.2 Associates

Associates are those entities in which the Group has significant influence, but does not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligation.

5.1.3 Transactions eliminated on consolidation

Intra group balances and any unrealized gains and losses or income and expenses arising from intra group transactions are eliminated in preparing consolidated financial statements.

5.2 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash and balances with treasury and other banks.

5.3 **Revenue recognition**

i. Dividend income is recognised when the company's right to receive payment is established.

ii. Income from loans, term finance certificates, debentures, bank deposits, government securities and reverse repo transactions is recognised under effective interest method, except where recovery is considered doubtful, the income is recognised on receipt basis.

iii. The company follows the finance method in recognising income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a constant rate of return on net investment in the lease.

iv. Gain on sale of securities is recognised at the time of sale of relevant securities.

v. Advisory income is recognised as the services are rendered.

vi. Brokerage, commission, advisory fees and other income of FCSL are accrued as and when due. Interest income is recognised on a time proportion basis taking into account effective yield on the asset.

5.4 **Advances including net investment in finance leases**

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

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

Leases, where substantially all risks and rewards incidental to ownership of an asset are transferred to the lessee, are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payments. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

5.5 **Investments**

The Group classifies its investments as 'available for sale', 'held for trading' and 'held to maturity' based on the criteria set out in BSD Circular Nos. 10, 11 and 14 dated July 13, 2004, August 04, 2004 and September 24, 2004 respectively. Investments in government securities and quoted investments categorized as 'held for trading' and 'available for sale' are valued at rates quoted on PKRV (Reuter Page) and market rates of Karachi Stock Exchange as at the balance sheet date respectively. Any surplus or deficit arising as a result of revaluation of securities categorized as 'held for trading' is taken to profit and loss account and that of 'available for sale' is taken to the balance sheet, and shown below equity. Furthermore, investments classified as 'held to maturity' are stated at their amortised cost.

Unquoted investments are stated at lower of cost and breakup value.

Impairment loss is recognised whenever the carrying amount of an investment exceeds its recoverable amount. An impairment loss is recognised in income currently. Profit and loss on sale of investments during the year are included in income currently.

Premium or discount on acquisition of government securities is amortised over the period to maturity under effective interest method.

5.6 **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

The company accounts for deferred taxation using the balance sheet liability method. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and the credits will be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5.7 **Intangible assets**

Intangible assets comprising of membership cards of Karachi Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited are stated at cost. These are not amortised as they are expected to have an indefinite life.

5.8 **Operating fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation except leasehold land which is stated at cost.

Depreciation is charged to the profit and loss account applying the straight line method whereby the cost of an asset is written off over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred.

Profit or loss on the sale or retirement of fixed asset is included in income currently.

5.9 **Preliminary expenses**

Preliminary expenses represent expenses incurred on incorporation of a subsidiary. These costs are being amortised over a period of five years from the financial year in which they are incurred.

5.10 **Staff retirement benefits**

Defined Benefit Plan

The company operates a funded gratuity scheme for all its permanent and contract employees. 'Projected unit credit method' has been used for actuarial valuation. Actuarial gains or losses in excess of 10% of the actuarial liability or plan assets are recognised over the average life of the employees.

Defined Contribution Plan

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

5.11 **Employees' compensated absences**

Liability in respect of employees' compensated absences is recognised on the basis of actuarial valuation and is accounted for in the period in which these are earned. The actuarial valuation is carried out using 'Projected unit credit method'.

The last actuarial valuation of the employees' compensated absences was conducted as of December 31, 2006.

5.12 **Derivative financial instruments**

Derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The gain or loss on remeasurement to fair value is recognised in profit and loss account.

5.13 **Impairment**

The carrying amount of the assets, other than deferred tax asset, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

5.14 **Foreign currency**

Foreign currency transactions are recorded at the rates prevailing on the date of transactions. Monetary assets and liabilities in foreign currency are reported in Pakistan Rupees at the rates of exchange prevailing on the balance sheet date. Exchange gains and losses are included in income currently.

5.15 **Off-setting of financial assets and financial liabilities**

'Financial assets' and 'financial liabilities' are only offset and the net amount is reported in the balance sheet if the company has a legal right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

5.16 **Earnings per share**

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by weighted average number of ordinary shares outstanding during the year.

5.17 Segment information

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

Business segments

Following are the main segments of the company:

Corporate Finance	Includes loans, advances, leases, and other transactions with corporate customers.
Treasury	Undertakes company's fund management activities through leveraging and investing in liquid assets such as short term placements, government securities and reverse repo activities. It carries out spread based activities in the inter bank market and manages the interest rate risk exposure of the company.
Capital Market	Includes trading in listed securities with a view to trade and earn the benefit of market fluctuations and to hold securities for dividend income and capital gain.
Investment Banking	Undertakes advisory services including mergers and acquisitions, listed debt syndication, trustee activities and other investment banking activities.

Geographical segments

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

6. CASH AND BALANCES WITH TREASURY BANKS

	Note	2006	2005
		(Rupees in '000)	
Cash in hand in local currency		**36**	14
With State Bank of Pakistan in local currency current account	*6.1*	**40,803**	23,132
With National Bank of Pakistan in local currency current account		**841**	6,109
		41,680	29,255

6.1 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.

7. BALANCES WITH OTHER BANKS

	Note	2006	2005
		(Rupees in '000)	
In Pakistan			
- on current account		**41,086**	18,876
- on deposit account	*7.1*	**7,078,441**	4,713,986
Outside Pakistan			
- on current account		**845**	897
- on deposit account		**65,964**	62,822
		7,186,336	4,796,581

7.1 This includes placements of Rs. 7,023 million (2005: Rs. 4,615 million). The return on these placements ranges between 11 (2005: 9.05) to 12.5 (2005: 12.5) percent per annum and the placements mature between 4 days to 88 days (2005: 3 days to 182 days).

8. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2006	2005
		(Rupees in '000)	
Repurchase agreement lendings (Reverse Repo)	*8.1, 8.2 & 8.5*	**7,642,399**	909,456
Certificates of investment (COIs)	*8.3 & 8.4*	**701,675**	1,094,654
		8,344,074	2,004,110

8.1 All lendings of the company are in local currency.

8.2 Reverse repo carry interest rates ranging between 8.65 (2005: 8.25) to 9.25 (2005: 8.65) percent per annum against government securities and 15 (2005: 20) percent per annum against other securities and have maturities upto March 22, 2007 (2005: March 08, 2006) and January 05, 2007 (2005: January 30, 2006) respectively.

8.3 This includes COIs in local currency amounting to Rs. 522.293 million (2005: Rs. 955 million). The profit rate on these COIs ranges between 11 (2005: 10.25) to 12 (2005: 11.85) percent per annum. All COIs are due for maturity within 2 to 3 months (2005: 1 to 6 months).

8.4 This also includes a COI in foreign currency amounting to US$ 2.454 million (2005: US$ 2.338 million). The expected profit rate on this COI is 5.35 (2005: 4.37) percent per annum and is due for maturity on January 4, 2007 (2005: January 23, 2006).

8.5 Securities held as collateral against lendings to financial institutions

	2006			2005		
	Held by the Company	**Further given as collateral**	**Total**	Held by the Company	Further given as collateral	Total
	(Rupees in '000)					
Market treasury bills	**199,984**	**6,768,362**	**6,968,346**	96,397	462,310	558,707
Pakistan investment bonds	**176,272**	**430,233**	**606,505**	-	297,516	297,516
Equity shares of listed companies	**67,548**	**-**	**67,548**	53,233	-	53,233
	443,804	**7,198,595**	**7,642,399**	149,630	759,826	909,456

The market value of securities held as collateral amounted to Rs. 7,668 million (2005: Rs.1,047 million).

9 INVESTMENTS

9.1 Investments by type

	Note	2006			2005		
		Held by the Company	**Given as collateral**	**Total**	Held by the Company	Given as collateral	Total
		(Rupees in '000)					
Held-for-trading securities							
Shares of listed companies		**899,941**	**-**	**899,941**	3,261,920	-	3,261,920
Available-for-sale securities							
Market treasury bills		**-**	**242,646**	**242,646**	184,279	278,348	462,627
Shares of listed companies		**4,119,663**	**-**	**4,119,663**	2,482,570	-	2,482,570
Shares of unlisted companies		**143,598**	**-**	**143,598**	153,102	-	153,102
Listed term finance certificates		**455,314**	**-**	**455,314**	528,871	-	528,871
Unlisted term finance certificates		**235,488**	**-**	**235,488**	265,625	-	265,625
Held-to-maturity securities							
Pakistan investment bonds	*9.1.1*	**201,518**	**-**	**201,518**	155,106	459,497	614,603
Associates	*9.1.2*	**2,731,354**	**-**	**2,731,354**	2,494,796	-	2,494,796
		8,786,876	**242,646**	**9,029,522**	9,526,269	737,845	10,264,114
Less: Provision for diminution in the value of investments	*9.3*	**(54,531)**	**-**	**(54,531)**	(52,153)	-	(52,153)
Investments - net of provision		**8,732,345**	**242,646**	**8,974,991**	9,474,116	737,845	10,211,961
Surplus / (deficit) on revaluation of held for trading securities		**(61,551)**	**-**	**(61,551)**	116,035	-	116,035
Surplus / (deficit) on revaluation of available for sale securities		**(257,105)**	**(382)**	**(257,487)**	603,564	80	603,644
Total investments		**8,413,689**	**242,264**	**8,655,953**	10,193,715	737,925	10,931,640

9.1.1 Pakistan Investment Bonds (PIBs) are held with the SBP for dealing purposes and are also eligible for rediscounting with the SBP. These PIBs carry returns ranging from 6 (2005: 6) to 11 (2005: 11) percent per annum and mature by 2007. Market value of these PIBs as at December 31, 2006 amounted to Rs 198.716 million (2005: Rs 588.170 million).

9.1.2 The fair value of the investments in associates based on the market value of associates whose shares are quoted and break up value whose shares are not quoted amounted to Rs. 3,526 million (2005: Rs. 3,357 million).

9.2 INVESTMENTS BY SEGMENTS

	Note	2006	2005
		(Rupees in '000)	
Federal Government Securities			
- Market treasury bills		**242,646**	462,627
- Pakistan investment bonds		**201,518**	614,603
		444,164	1,077,230
Fully paid up Ordinary Shares			
- Listed companies		**4,817,706**	5,408,734
- Unlisted companies		**93,598**	103,102
		4,911,304	5,511,836
Term Finance Certificates (TFCs)			
- Listed TFC's		**455,314**	528,871
- Unlisted TFC's		**235,488**	265,625
		690,802	794,496
Investments in associates		**2,731,354**	2,494,796
Investments in associated undertakings			
- Listed companies		**201,898**	335,756
- Unlisted company		**50,000**	50,000
		251,898	385,756
		9,029,522	10,264,114
Less: Provision for diminution in the value of investments	*9.3*	**(54,531)**	(52,153)
Total investments - net of provisions		**8,974,991**	10,211,961
(Deficit) / surplus on revaluation of 'held for trading' securities		**(61,551)**	116,035
(Deficit) / surplus on revaluation of 'available for sale' securities		**(257,487)**	603,644
		(319,038)	719,679
Total Investments		**8,655,953**	10,931,640

9.3 Particulars of provision for diminution in the value of un-quoted investments

	Note	2006	2005
Opening balance		**52,153**	52,153
Charge for the year		**2,378**	9,253
Reversals		**-**	(9,253)
		2,378	-
Closing balance	*9.3.1*	**54,531**	52,153

9.3.1 Particulars of provision in respect of type and segment - Un-quoted

	2006	2005
Available for sale securities	**34,804**	40,188
Associates	**19,727**	11,965
	54,531	52,153

9.4 Summary of financial information of associates

Associates	Accounting date	Assets	Liabilities	Equity	Revenue	Profit / (loss)
		(Rupees in '000)				
2006						
Meezan Bank Limited	**30 Sep 2006	39,576,816	35,560,560	4,016,256	1,936,362	650,640
Plexus (Private) Limited	31 Dec 2006	24,225	2,425	21,800	10,011	1,589
Pak Kuwait Takaful Company Limited	31 Dec 2006	311,284	85,497	225,787	35,138	(317)
Falcon GreenWood (Private) Limited	31 Dec 2006	683,368	10,430	672,938	-	(35)
The General Tyre & Rubber Company of Pakistan Limited	**30 Sep 2006	3,611,223	2,442,024	1,169,199	3,768,566	81,289
Al Meezan Investment Management Limited	31 Dec 2006	594,418	56,684	537,734	261,233	154,197
Al Meezan Mutual Fund	30 Sep 2006	1,738,197	29,418	1,708,779	605,998	267,571
Meezan Islamic Fund	31 Dec 2006	3,532,509	20,314	3,512,195	200,720	193,986
Meezan Balanced Fund	31 Dec 2006	1,373,417	44,804	1,328,613	154,282	92,967
National Commodity Exchange Limited	* 30 June 2006	872,948	924,880	(51,932)	-	(55,193)
National Clearing Company of Pakistan Limited	30 Sep 2006	489,947	20,975	468,972	205,956	28,200
Total Media Limited	***30 June 2006	180,897	155,014	25,883	30,217	(47,102)
2005						
Meezan Bank Limited	30 Sep 2005	25,109,628	22,088,179	3,021,449	7,713,492	731,057
Plexus (Private) Limited	31 Dec 2005	24,459	4,322	20,137	8,000	540
Pak Kuwait Takaful Company Limited	31 Dec 2005	218,393	17,789	200,604	(142,839)	(23,896)
Falcon GreenWood (Private) Limited	31 Dec 2005	674,708	10,588	664,120	-	-
The General Tyre & Rubber Company of Pakistan Limited	30 Sep 2005	2,726,139	1,514,070	1,212,069	2,544,076	139,008
Al Meezan Investment Management Limited	31 Dec 2005	486,474	90,102	396,372	129,261	78,191
Al Meezan Mutual Fund	30 Sep 2005	2,041,736	223,355	1,818,381	51,618	227,403
Meezan Islamic Fund	31 Dec 2005	2,957,159	16,832	2,940,327	652,552	764,154
Meezan Balanced Fund	31 Dec 2005	1,599,717	124,071	1,475,646	282,127	249,010
National Commodity Exchange Limited	30 June 2005	896,529	913,519	(16,990)	-	(42,291)
National Clearing Company of Pakistan Limited	30 Sep 2005	448,332	231,985	216,347	219,035	19,241
Total Media Limited	30 Sep 2005	149,735	85,051	64,684	8,740	(8,302)

* National Commodity Exchange Limited has not yet commenced its operations and their financial statements for a later date were not available.

** These are listed entities and due to non availability of their 31 December 2006 financial statements, their results have been included based on 30 September 2006 un-audited financial statements.

*** The results of the entity are incorporated based on 30 June 2006 financial statements due to non-availability of the latest financial statements.

9.5 Effective December 31, 2006, the company has reclassified its securities with cost of Rs 2,036 million and having market value of Rs 1,120 million from 'held for trading' to 'available for sale' after reviewing the trading pattern of the specific securities which remained restricted due to the extra ordinary market volatility prevailed through out the year.

10. ADVANCES

	Note	2006	2005
		(Rupees in '000)	
Loans and advances		**3,113,590**	4,530,240
Net investment in finance leases	*10.5*	**2,134,881**	2,154,757
		5,248,471	6,684,997
Provision for non-performing advances	*10.3*	**(374,606)**	(157,174)
Advances net of provisions		**4,873,865**	6,527,823

10.1 Particulars of advances

	2006	2005
In local currency	**5,225,876**	6,662,402
In foreign currencies	**22,595**	22,595
	5,248,471	6,684,997
Short term	**74,219**	1,925,593
Long term	**5,174,252**	4,759,404
	5,248,471	6,684,997

10.2 Advances include Rs. 377.245 million (2005: Rs 391.350 million) which have been placed under non-performing status as detailed below:

	2006		
Domestic	**Classified advances**	**Provision required**	**Provision held**
	(Rupees in '000)		
Doubtful	**5,277**	**2,638**	**2,638**
Loss	**371,968**	**371,968**	**371,968**
	377,245	**374,606**	**374,606**

10.3 Particulars of provision against non-performing advances

	2006	2005
	(Rupees in '000)	
Opening balance	**157,174**	194,080
Charge for the year	**225,492**	118,094
Reversal	**(8,060)**	(160,000)
	217,432	(41,906)
Adjustment	**-**	5,000
Closing balance	**374,606**	157,174

10.4

	2006	2005
Local currency	**352,011**	134,579
Foreign currencies	**22,595**	22,595
	374,606	157,174

10.5 Net investment in finance leases

	2006				2005			
	Not later than one year	**Later than one and less than five years**	**Over five years**	**Total**	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees in '000)							
Lease rentals receivable	**145,918**	**2,244,500**	**-**	**2,390,418**	775,038	1,689,254	35,934	2,500,226
Residual value	**41,232**	**83,510**	**-**	**124,742**	3,830	112,261	7,677	123,768
Minimum lease payments	**187,150**	**2,328,010**	**-**	**2,515,160**	778,868	1,801,515	43,611	2,623,994
Financial charges for future periods	**11,619**	**368,660**	**-**	**380,279**	193,063	272,669	3,505	469,237
Present value of minimum lease payments	**175,531**	**1,959,350**	**-**	**2,134,881**	585,805	1,528,846	40,106	2,154,757

10.5.1 The company has entered into lease agreements with various companies for lease of vehicles and plant and machinery. The amount recoverable under these arrangements are receivable by the year 2011 and are subject to finance income rates ranging between 7 (2005: 6.5) to 15 (2005: 16.25) percent per annum.

10.5.2 In respect of the aforementioned finance leases the company holds an aggregate sum of Rs. 124.742 million (2005: Rs. 124.602 million) as security deposits on behalf of the lessees which are included under other liabilities.

10.6 Particulars of loans and advances to Directors and associated companies

	2006	2005
	(Rupees in '000)	
Debts due by Directors, Executives and Officers		
Balance at beginning of the year	**35,381**	36,872
Loans granted during the year	**19,086**	4,201
Repayments	**(13,751)**	(5,692)
	5,335	(1,491)
Balance at end of the year	**40,716**	35,381
Debts due by related parties		
Balance at beginning of the year	**362,940**	386,175
Loans granted during the year	**-**	37,500
Repayments	**(78,782)**	(60,735)
	(78,782)	(23,235)
Balance at end of the year	**284,158**	362,940

11. OTHER ASSETS

	Note	2006	2005
Income / markup accrued in local currency		**221,422**	233,091
Income / markup accrued in foreign currency		**647**	186
Advances, deposits, prepayments and other receivables		**10,218**	4,555
Preliminary expenses	*11.1*	**446**	624
Receivable on account of sale of marketable securities		**-**	142,191
Central excise duty		**2,077**	2,077
Advance income tax		**-**	38
Advance against shares subscription		**50,000**	51,000
Others		**2,339**	8,238
		287,149	442,000
Less: Provision held against other assets	*11.2*	**(26,154)**	(26,154)
		260,995	415,846

11.1 Preliminary expenses

		2006	2005
		(Rupees in '000)	
Preliminary expenses incurred		**891**	891
Less: Amortization to date		**445**	267
		446	624

11.2 Provision against other assets

Opening balance		**26,154**	26,154
Charge for the year		**-**	-
Closing balance		**26,154**	26,154

12. INTANGIBLE ASSETS

Cost of membership card

Karachi Stock Exchange (Guarantee) Limited		**34,750**	34,750
National Commodity Exchange Limited		**3,000**	3,000
		37,750	37,750

The membership of National Commodity Exchange Limited has not yet been transferred in the name of FCSL. This is currently held in the name of MMS Capital Securities and transfer to FCSL name is in progress.

13. OPERATING FIXED ASSETS

Capital work in progress	*13.1*	**2,350**	3,186
Property and equipment	*13.2*	**125,197**	138,550
		127,547	141,736

13.1 Capital work-in-progress

Advances for purchase of vehicles		**-**	836
Advance for purchase of room		**2,350**	2,350
		2,350	3,186

The above comprise of advance in respect of a room at National Commodity Exchange Limited and the possession of the room has not yet been given.

13.2 Property and equipment

	2006							
	Cost			Depreciation			Net book value as at December 31, 2006	Rate of depreciation %
	As at January 1, 2006	Additions / (disposals)	As at December 31, 2006	As at January 1, 2006	Charge / (disposals)	As at December 31, 2006		
	(Rupees in '000)							
Leasehold land	100	-	100	-	-	-	100	
Building on lease hold land	112,149	-	112,149	19,778	2,800	22,578	89,571	2.5
Furniture and fixtures	33,303	287 (2,347)	31,243	20,852	3,597 (431)	24,018	7,225	20
Motor vehicles	64,615	8,243 (555)	72,303	36,443	12,648 (555)	48,536	23,767	20
Office equipment	26,254	2,594 -	28,848	24,509	2,270 -	26,779	2,069	33.33
Electrical appliances	7,939	78 (55)	7,962	4,228	1,280 (11)	5,497	2,465	20
Total	244,360	11,202 (2,957)	252,605	105,810	22,595 (997)	127,408	125,197	

	2005							
	Cost			Depreciation			Net book value as at December 31, 2005	Rate of depreciation %
	As at January 1, 2005	Additions / (disposals)	As at December 31, 2005	As at January 1, 2005	Charge / (disposals)	As at December 31, 2005		
	(Rupees in '000)							
Leasehold land	100	-	100	-	-	-	100	
Building on lease hold land	112,149	-	112,149	16,974	2,804	19,778	92,371	2.5
Furniture and fixtures	25,726	8,577 (1,000)	33,303	17,569	4,157 (874)	20,852	12,451	20
Motor vehicles	52,981	15,682 (4,048)	64,615	28,624	11,110 (3,291)	36,443	28,172	20
Office equipment	25,084	1,390 (220)	26,254	21,740	2,926 (157)	24,509	1,745	33.3
Electrical appliances	6,054	3,738 (1,853)	7,939	4,117	1,311 (1,200)	4,228	3,711	20
Total	222,094	29,387 (7,121)	244,360	89,024	22,308 (5,522)	105,810	138,550	

14. BORROWINGS FROM FINANCIAL INSTITUTION

		2006	2005
		(Rupees in '000)	
In Pakistan		**12,600,057**	4,898,129

14.1 Particular of borrowing with respect to currencies

In local currency		**12,600,057**	4,898,129

14.2 Details of borrowing secured / unsecured

Secured			
Repurchase agreement borrowings	*14.2.1*	**7,387,546**	1,398,129
Term finance certificates (TFCs)	*14.2.2*	**1,750,000**	500,000
Borrowings from SBP under LTF - EOP	*14.2.3*	**462,511**	-
Unsecured			
Term finance certificates (TFCs)	*14.2.4*	**3,000,000**	3,000,000
		12,600,057	4,898,129

14.2.1 Repurchase agreement borrowings

The company has arranged borrowings from various financial institutions against sale and repurchase of government securities. The mark-up on these finances ranges between 8.50 (2005: 7.25) percent per annum to 9.10 (2005: 8.6) percent per annum with maturity ranging from 4 days (2005: 4 days) to 2 months (2005: 6 months).

14.2.2 Term finance certificates (non-participatory)

This represents finance obtained through issue of privately placed term finance certificates of five years maturity. The markup is payable on quarterly basis and the principal is repayable in five equal semi annual installments commencing 36 months from the date of disbursement. The facility is secured by first hypothecation charge ranking pari passu, on existing and future assets of the company.The rate of profit is 3 months KIBOR ask rate plus 125 (2005: 125) basis points. As at December 31, 2006 the effective rate range between 11.55 to 11.75 (2005: 10.28) percent per annum.

14.2.3 LTF-EOP facility from SBP

In order to facilitate the export oriented projects, SBP has introduced a scheme to refinance the fixed term loan availed from Banks / DFIs.

The SBP has approved the company as Participating Finance Institution (PFI) and allocated a refinance limit of Rs. 1,000 million for the financial year 2006 - 2007.

A one time swap facility option under the Scheme (LTF - EOP) has been extended to textile sector for import of plant and machinery, allowed by the State Bank of Pakistan through their SMED Circular No. 19 of 2006. The loan is repayable over a maximum period of 7.5 years from the date of first disbursement with mark up payable at maximum of 5 percent per annum including 2% spread for the lending institution.

Out of sanctioned limit of Rs. 1,000 million, the company has availed facility under swap arrangement of an amount of Rs. 462.511 million as on December 31, 2006 (2005 : Rs. Nil).

14.2.4 Term finance certificates (non-participatory)

These represent finances obtained through issue of privately placed term finance certificates of five years maturity. The mark-up is payable semi-annually. The rate of profit ranges from 85 (2005: 85) to 170 (2005: 170) basis points over the cut-off yield of the last successful auction of six month T-bills. As at December 31, 2006 the effective rates range between 9.66 (2005: 8.98) to 10.51 (2005: 9.84) percent per annum.

15. DEPOSITS AND OTHER ACCOUNTS

	Note	2006	2005
		(Rupees in '000)	
Certificates of investment (COIs) / deposits			
Financial institutions		**3,650,000**	6,289,170
Others		**91,500**	262,500
	15.1	**3,741,500**	6,551,670

15.1 The profit rates on these COIs range between 9.30 (2005: 5) to 11.2 (2005:11.1) percent per annum. The COIs are due for maturity between January 04, 2007 to March 22, 2010 (2005: January 16, 2006 to August 09, 2010). Included in COIs is an amount of Rs. 3,704 million (2005: Rs. 6,419 million) payable within 12 months. All COIs / deposits are in local currency.

16. DEFERRED TAX LIABILITY

	2006	2005
	(Rupees in '000)	
(Debit) / credit balances arising on account of		
Accelerated tax depreciation allowance	**(6,130)**	(5,221)
Provision for staff retirement gratuity and compensated absences	**(6,477)**	(5,614)
Other staff benefits	**(4,970)**	(4,970)
Finance lease arrangements	**301,161**	204,029
Share of profit from associates	**38,272**	24,759
Exchange differences	**-**	(68,900)
Provision for contingencies	**(124,417)**	(48,314)
Surplus on revaluation of government securities	**(134)**	69
	197,305	95,838

16.1 According to Finance Act, 2006, capital gains earned on listed securities are exempt upto tax year 2007. However, the Government has announced to extend this exemption for another year. Accordingly, deferred tax liability on unrealised surplus on revaluation of listed shares has not been accounted for.

17. OTHER LIABILITIES

	Note	2006	2005 Restated
		(Rupees in '000)	
Markup / return / interest payable		**144,369**	156,924
Accrued liabilities		**172,785**	175,137
Retention money payable		**101**	1,205
Taxation		**33,705**	154,376
Staff retirement gratuity	*31.1.2*	**23,915**	21,344
Security deposits	*10.5.2*	**124,742**	124,602
Exchange losses incurred on a loan		**-**	248,670
Employees' compensated absences		**5,655**	5,762
Payable on account of purchase of marketable securities		**22,689**	142,441
Other liabilities		**1,404**	20,978
		529,365	1,051,439

18. SHARE CAPITAL

18.1 Authorised capital

2006	2005		2006	2005
(Number of shares)			**(Rupees in '000)**	
400,000	80,000	Ordinary shares of Rs 25,000 each	**10,000,000**	2,000,000

18.2 Issued, subscribed and paid up

2006	2005		2006	2005
25,950	25,950	Ordinary shares of Rs. 25,000 each issued in cash	**648,750**	648,750
214,050	54,050	Ordinary shares of Rs. 25,000 each issued as bonus shares	**5,351,250**	1,351,250
240,000	80,000		**6,000,000**	2,000,000

The State Bank of Pakistan (SBP) on behalf of the Government of Pakistan (GOP) and Kuwait Investment Authority (KIA) on behalf of Government of Kuwait each held 120,000 (2005: 40,000) ordinary shares of the company as at December 31, 2006.

18.3 Reserves

	Note	2006	2005 Restated
		(Rupees in '000)	
Capital reserves	*18.3.1*	**3,079,036**	2,837,106
Revenue reserves	*18.3.2*	**1,705,333**	4,501,479
		4,784,369	7,338,585

18.3.1 Capital reserves

	Note	2006	2005
Compulsory reserve – statutory reserve	*18.3.1.1*		
As at January 1		**2,757,061**	2,377,759
Add: Transfer during the year		**241,930**	379,302
		2,998,991	2,757,061
Reserve for issue of bonus shares			
As at January 1		**-**	500,000
Transfer from general reserve		**2,042,175**	-
Transfer from marketable & government securities reserve		**1,190,680**	-
Transfer from profit & loss account		**767,145**	-
Bonus shares issued		**(4,000,000)**	(500,000)
		-	-
Special reserve	*18.3.1.2*	**80,045**	80,045
		3,079,036	2,837,106

18.3.1.1 Compulsory reserve - statutory reserve

In terms of article 67 (1) of the Articles of Association of the company, an amount equal to 10% of the net profit for the year shall be set aside for the formation of a compulsory reserve. Such percentage ceases to be compulsory when the same reserve exceeds 25% of the paid-up share capital of the company.

According to BPD circular No. 15 dated May 31, 2004 issued by the SBP, an amount not less than 20% of the after tax profits shall be transferred to create a reserve fund till such time the reserve fund equals the amount of the paid up capital. The company has transferred Rs. 241.930 million (2005: Rs. 379.302 million) out of 'profit after taxation' for the year to this reserve.

18.3.1.2 Special reserve

This 'special reserve' was created during the year 1999 under section 23 (1) (ix) of the Income Tax Ordinance, 1979 (now repealed) by transferring Rs. 80.045 million out of the 'profit after taxation' for that year to the special reserve. However, as the said sub-section has been omitted by the Finance Ordinance, 2000 therefore similar amounts are no longer being transferred to this account.

18.3.2 Revenue reserves

		2006	2005 Restated
		(Rupees in '000)	
General reserve			
As at January 1		**2,042,175**	1,989,924
Add: Transfer during the year		**-**	52,251
Less: Transfer to reserve for issue of bonus shares		**(2,042,175)**	-
		-	2,042,175
Contingencies reserve	18.3.2.1		
As at January 1		**114,484**	70,144
Add: Transfer during the year		**67,581**	44,340
		182,065	114,484
Marketable and government securities reserve	18.3.2.2		
As at January 1		**2,344,820**	2,093,643
Less: Transfer to reserve for issue of bonus shares		**(1,190,680)**	-
Add: Transfer during the year		**369,128**	251,177
		1,523,268	2,344,820
		1,705,333	4,501,479

18.3.2.1 Contingencies reserve

Effective December 31, 2000 the company has set up a separate 'contingencies reserve' to which an amount equal to 1% of the outstanding balance as at the year end, of loans and advances, leases and TFCs considered good, excluding balance relating to back to back lending and financings against sovereign guarantees, is appropriated from the profit.

18.3.2.2 Marketable and government securities reserve

The company has set up a separate 'marketable and government securities reserve' at a minimum of 25% of shareholders' funds to provide sufficient cushion against volatility in the value of the stock market portfolio and government securities.

19. (DEFICIT) / SURPLUS ON REVALUATION OF 'AVAILABLE FOR SALE' SECURITIES

	2006	2005
	(Rupees in '000)	
Federal and provincial government securities	**(248)**	127
Quoted shares	**(267,132)**	576,336
Other securities	**10,027**	27,112
Share of surplus on revaluation of investments held by associates	**41,106**	43,864
	(216,247)	647,439

20. CONTINGENCIES AND COMMITMENTS

20.1 During the year ended December 31, 2005 the Income Tax Authorities finalised the assesment for the tax year 2003, raising a tax demand of Rs. 137 million on account of allocation of Common Expenses relating to 'Capial Gains'. The management considers that the tax department has misinterpreted the provisions of section 67 of the Income Tax Ordinance, 2001 read with Rule 13 of the Income Tax Rules 2002, wherein the tax authorities have allocated 'Common Expenses' including financial cost relating to 'Capital Gains' by taking into account the amount of 'Capital Gains' rather than the 'Cost of Investments'. The company therefore, filed an appeal before CIT (Appeals), who had maintained the above allocation. The company filed another appeal before Income Tax Appellate Tribunal (ITAT) who has set aside the matter with the directive to the tax authorities that the allocation of financial cost has to be made by taking into account the cost of investments rather than the gross turnover. Further the company has made representation before the member CBR for necessary clarification that the allocation of expenses has to be made in relation to investment cost, rather than the amount of capital gain on the sale of specific shares. Based on the above facts the company is confident that case will be decided in its favour.

The company has also requested CBR to refer the above matter to 'Alternate Dispute Resolution Committee' (ADRC), a mechanism available to provide an opportunity to tax payer for an easy and efficient resolution of dispute.

20.2 Other contingencies

	2006	2005
	(Rupees in '000)	
Direct credit substitute – guarantee issued	**9,846**	87,742

20.3 Other commitments

	2006	2005
Underwriting commitment	**-**	25,000
Undisbursed sanctions for financial assistance in the form of		
- equity participation	**94,220**	95,720
- loans and advances	**388,475**	895,048
Commitments for future sale of listed securities	**490,759**	1,005,682
	973,454	2,021,450

20.4 Derivatives

The company has executed an Interest Rate Swap transaction with a bank on April 2, 2004 for a period of four years, whereby it converted its floating rate liability of Rs.100 million into a fixed rate liability. Under the arrangement the company will be paying the agreed fixed rate to the bank in exchange for a variable rate. The Interest Rate Swap has maturity falling within 2 years.

21. MARK UP / RETURN / INTEREST EARNED

	2006	2005
	(Rupees in '000)	
On loans and advances	**650,728**	542,703
On investments		-
- Available for sale	**135,857**	80,265
- Held to maturity	**19,796**	39,457
On deposits with financial institutions	**663,534**	276,463
On securities purchased under resale agreements	**181,082**	92,904
	1,650,997	1,031,792

22. MARK-UP / RETURN / INTEREST EXPENSED

	2006	2005
Deposits	**929,386**	549,077
Securities sold under repurchase agreements	**171,358**	72,316
Other short term borrowings	**2,298**	1,650
	1,103,042	623,043

23. GAIN ON SALE OF SECURITIES

		2006	2005
		(Rupees in '000)	
Federal Government Securities			
- Treasury bills		**108**	211
- Pakistan investment bonds		**101**	592
Shares - listed securities		**1,606,424**	1,811,996
		1,606,633	1,812,799

24. OTHER INCOME

		2006	2005
Profit on sale of operating fixed assets		**483**	690
Others	*24.1*	**270,181**	1,829
		270,664	2,519

24.1 Other income includes Rs 257.015 million in respect of reversal of exchange losses incurred on a loan no longer required to be paid.

25. ADMINISTRATIVE EXPENSES

		2006	2005
		(Rupees in '000)	
Salaries, allowances and employees' benefits		**142,013**	151,880
Directors' remuneration (including remuneration of Chief Executive)		**57,593**	63,304
Provision for gratuity	*31.1.4*	**7,057**	5,698
Employer's contribution to the provident fund		**4,846**	4,116
Traveling and conveyance		**13,682**	11,012
Rent and rates		**6,996**	6,474
Utilities		**2,365**	2,787
Communication		**6,739**	6,899
Professional training and staff welfare		**712**	636
Advertisements, periodicals and membership dues		**6,595**	5,936
Printing and stationery		**2,316**	2,673
Depreciation	*13.2*	**22,595**	22,308
Auditors' remuneration	*25.1*	**3,126**	1,434
Legal, consultancy and other professional services		**39,112**	22,277
Repairs and maintenance		**23,725**	10,458
Motor vehicle expenses		**7,109**	5,070
Insurance		**2,401**	2,247
Donations		**-**	13,400
Entertainment		**1,429**	1,521
Software development expenses		**-**	1,400
Bank charges		**199**	176
Miscellaneous		**10,626**	7,463
		361,236	349,169

25.1 Auditors' remuneration

	2006	2005
Audit fee	**895**	605
Fee for half yearly review	**305**	280
Special certifications and sundry advisory services	**1,848**	455
Out of pocket expenses	**78**	94
	3,126	1,434

26. OTHER CHARGES

	2006	2005
Penalties imposed by State Bank of Pakistan	**1,365**	17

27. TAXATION

		2006	2005
Current		**173,416**	84,154
Prior years	*27.1*	**(200,967)**	(11,650)
Deferred		**101,672**	159,200
		74,121	231,704

27.1 During the year ended December 31, 2006, the Income Tax Appellate Tribunal (ITAT) has given its decision in favour of the company on the issue of taxability at public company rate in view of the fact that the company is 50 percent owned by the Government of Pakistan. Hence, a net amount of Rs. 200.967 million representing a tax provision at rate higher than that applicable to 'other company' has been reversed.

27.2 Relationship between tax expense and accounting profit

	2006	2005
	(Rupees in '000)	
Profit before taxation	**1,310,115**	2,442,867
Tax at the applicable rate of 35% (2005: 35%)	**458,540**	855,003
Net tax effect on income taxed at reduced rates	**(60,071)**	(185,490)
Net tax effect of income not subject to tax and expenses that are not allowable in determining taxable income	**(324,348)**	(437,809)
	74,121	231,704

28. BASIC AND DILUTED EARNINGS PER SHARE

		2006	2005
Profit for the year (Rupees in '000)		**1,235,994**	2,211,163
Weighted average number of ordinary shares (in '000)		**240**	240
Basic earnings per share	*Rupees*	**5,150**	9,213

29. CASH AND CASH EQUIVALENTS

	2006	2005
	(Rupees in '000)	
Cash and balances with treasury banks	**41,680**	29,255
Balances with other banks	**7,186,336**	4,796,581
	7,228,016	4,825,836

30. STAFF STRENGTH

	2006	2005
	(Numbers)	
Permanent	**61**	59
Temporary / on contractual basis	**9**	13
Own staff strength at the end of the year	**70**	72
Outsourced	**28**	23
Total staff strength	**98**	95

31. DEFINED BENEFIT PLAN

31.1 Staff retirement gratuity

31.1.1 Principal actuarial assumptions

	2006	2005
	(Per annum)	
Discount rate	**10%**	9%
Expected rate of increase in salaries	**10%**	9%
Expected rate of return on investments	**10%**	9%
Normal retirement age	**60 years**	60 years

31.1.2 Reconciliation of payable to defined benefit plan

	2006	2005
	(Rupees in '000)	
Present value of defined benefit obligations	**44,720**	35,320
Fair value of plan assets	**(6,243)**	(2,428)
Unrecognised actuarial losses	**(14,562)**	(11,548)
	23,915	21,344

31.1.3 Movement in liability

Opening balance	**21,344**	19,345
Expense charged in the current year	**7,057**	5,698
Company's contribution to gratuity fund	**(4,486)**	(3,699)
Closing balance	**23,915**	21,344

31.1.4 Provision for gratuity

Current service cost	**3,441**	3,352
Interest cost	**3,252**	2,588
Expected return on plan assets	**(304)**	(493)
Actuarial loss amortised	**668**	251
	7,057	5,698

31.1.5 Reconciliation of present value of defined benefit obligation

Opening obligation as at January 1	**35,320**	33,345
Current service cost	**3,441**	3,352
Interest cost	**3,252**	2,588
Actuarial benefits paid during the year	**(754)**	(8,316)
Actuarial gain on obligation	**3,461**	4,351
Closing obligation as at December 31	**44,720**	35,320

31.1.6 Reconciliation of fair value of plan assets

Fair value of plan assets as at January 1	**2,428**	7,153
Expected return on plan assets during the year	**304**	493
Actual contributions by the employer	**4,486**	3,699
Actual benefits paid during the year	**(754)**	(8,316)
Actuarial loss on plan assets	**(221)**	(601)
Fair value of plan assets as at December 31	**6,243**	2,428

Fair value of plan assets comprises of cash and cash equivalents deposited with different financial institutions.

Actual return on plan assets is 9.5% as at December 31, 2006.

32. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / CEO		Directors		Executives	
	2006	2005	2006	2005	2006	2005
	(Rupees in '000)					
Fee	**1,122**	1,560	**5,944**	3,352	**-**	-
Managerial remuneration	**25,612**	26,374	**-**	-	**64,990**	63,099
Charge for defined benefit plan	**493**	432	**-**	-	**1,765**	1,197
Contribution to defined contribution plan	**592**	527	**-**	-	**2,009**	1,500
Rent and house maintenance	**2,756**	2,486	**-**	-	**12,600**	8,242
Utilities	**59**	131	**-**	-	**2,800**	1,832
Medical	**663**	158	**-**	-	**2,552**	1,713
Others	**9,692**	19,928	**12,467**	9,605	**-**	-
	40,989	51,596	**18,411**	12,957	**86,716**	77,583
No. of persons	**1**	1	**5**	5	**24**	16

32.1 Compensation charged during 2005 includes remuneration and terminal benefits of outgoing Chief Executive.

32.2 The Chief Executive and certain executives are also provided with other facilities, including the free use of company maintained car.

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

33.1 On balance sheet financial instruments

	2006		2005	
	Book Value	Fair Value	Book Value	Fair Value
	(Rupees in '000)			
Assets				
- Cash and balances with treasury banks	**41,680**	**41,680**	29,255	29,255
- Balances with other banks	**7,186,336**	**7,186,336**	4,796,581	4,796,581
- Lendings to financial institutions	**8,344,074**	**8,344,074**	2,004,110	2,004,110
- Investments	**8,655,953**	**9,497,577**	10,931,640	11,817,861
- Advances	**4,873,865**	**4,873,865**	6,527,823	6,527,823
- Other assets	**260,995**	**260,995**	415,846	415,846
	29,362,903	**30,204,527**	24,705,255	25,591,476
Liabilities				
- Borrowings from financial institutions	**12,600,057**	**12,600,057**	4,898,129	4,898,129
- Deposits & other accounts	**3,741,500**	**3,741,500**	6,551,670	6,551,670
- Other liabilities	**529,365**	**529,365**	1,051,439	1,051,439
	16,870,922	**16,870,922**	12,501,238	12,501,238

The fair value of investments in listed securities is based on market rates of the Karachi Stock Exchange. Fair value of unquoted equity investments is determined on the basis of break-up value based on the latest available financial statements.

Fair value of fixed term loans and advances, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments.

34. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activities is as follow :

2006

	Corporate Finance	Treasury	Investment Banking	Capital Market	Others	Total
	(Rupees in '000)					
Total income - gross	691,962	1,084,160	39,349	2,085,980	13,648	3,915,099
Total markup / return / interest expensed	(460,415)	(642,627)	-	-	-	(1,103,042)
Segment provision / impairment / unrealised losses	33,986	-	-	(1,173,327)	-	(1,139,341)
	(426,429)	(642,627)	-	(1,173,327)	-	(2,242,383)
Net operating income	265,533	441,533	39,349	912,653	13,648	1,672,716
Administrative expenses and other charges	-	-	-	-	-	(362,601)
Net income	265,533	441,533	39,349	912,653	13,648	1,310,115
Segment assets - net	5,564,667	15,974,326	-	7,521,235	467,972	29,528,200
Segment non performing loans	377,245	-	-	-	-	377,245
Segment provision required and held	374,606	-	-	-	-	374,606
Segment liabilities	3,741,500	12,600,057	-	-	726,670	17,068,227
Segment return on net assets (ROA) %	11.96	10.19	-	9.46	2.92	-
Segment cost of funds (%)	10.68	9.39	-	-	-	-

2005

	Corporate Finance	Treasury	Investment Banking	Capital Market	Others	Total
	(Rupees in '000)					
Total income - gross	603,792	551,908	2,406	2,321,048	2,518	3,481,672
Total markup / return / interest expensed	(241,414)	(381,629)	-	-	-	(623,043)
Segment provision / impairment / unrealised gains	41,906	-	-	(108,482)	-	(66,576)
	(199,508)	(381,629)	-	(108,482)	-	(689,619)
Net operating income	404,284	170,279	2,406	2,212,566	2,518	2,792,053
Administrative expenses and other charges	-	-	-	-	-	(349,186)
Net income	404,284	170,279	2,406	2,212,566	2,518	2,442,867
Segment assets - net	6,824,561	9,341,679	-	8,093,914	624,587	24,884,741
Segment non performing loans	391,350	-	-	-	-	391,350
Segment provision required and held	157,174	-	-	-	-	157,174
Segment liabilities	6,551,670	4,898,129	-	-	1,147,277	12,597,076
Segment return on net assets (ROA) %	11.11	10.80	-	22.91	0.40	-
Segment cost of funds (%)	9.60	9.81	-	-	-	-

34.1 Under the company policy, capital market department assets are financed through equity funds.

35. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include associated companies with or without common directors, retirement benefit fund, directors and key management personnel.

The company enters into transactions with related parties in the normal course of business. These transactions were carried out on commercial terms and at market rates. The expenses incurred on behalf of a related party are actual expenses, which are subsequently reimbursed.

		2006	2005
		(Rupees in '000)	
Expenses charged to a related party		**16,165**	14,607
Expenses charged by			
- associates		**2,163**	3,704
- other related party		**24,974**	9,550
Dividend income from			
- associates		**113,796**	71,317
- other related parties		**7,307**	46,529
Placement / COI with a related party			
Balance as at January 1		**139,654**	534,072
Additions during the year		**6,967**	4,939
Deletions during the year		**-**	(400,000)
Exchange gain		**2,760**	643
		9,727	(394,418)
Balance as at December 31		**149,381**	139,654
Mark up earned on placement with associate		**7,427**	6,340
Mark up receivable on placement / COI / leases & loans and advances			
- associates		**994**	368
- other related parties		**4,670**	5,578
Mark up earned on loans and advances			
- associates		**10,159**	8,695
- other related parties		**19,713**	18,525
Loans and advances to key management personnel			
Balance as at January 1		**5,702**	6,254
Disbursement during the year		**12,000**	-
Recovery during the year		**(8,576)**	(552)
		3,424	(552)
Balance as at December 31		**9,126**	5,702
Advances to an associates / other related parties	*(refer 10.6)*	**284,158**	362,940
Mark up expense on COI of a related party		**238**	15,473
Bank balances with an associate		**43,923**	84,436
Receivable from associates		**2,339**	8,392
Mark up payable to other related party		**72**	62

	2006	2005
	(Rupees in '000)	
Investments in		
- quoted, at market values		
- associates	**3,235,601**	3,101,888
- other related parties	**173,307**	496,157
- un - quoted, at cost	**-**	-
- subsidiary company	**50,000**	50,000
- associates	**378,553**	320,530
- other related parties	**500**	500
Commitments for investment in equity of / loan to associates	**94,220**	95,720
Advance against units / shares subscription	**30,000**	51,000
Sale of shares to other related party	**684,670**	-
Contribution made to provident fund	**4,845**	4,102
Contribution made to gratuity fund	**4,486**	3,699

Key management personnel remuneration

Key management personnel include the Managing Director, Deputy General Manager, Senior Executive Vice Presidents and the Company Secretary. Their salaries and other benefits amount to Rs. 59.963 million (2005: Rs. 60.756 million) and staff retirement benefits amounted to Rs. 2.335 million (2005: Rs. 2.179 million).

36. CAPITAL ADEQUACY

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

Regulatory Capital Base	2006	2005
	(Rupees in '000)	
Tier I Capital		
Share capital	**6,000,000**	2,000,000
General reserves	**4,784,369**	7,338,585
Unappropriated profit	**1,891,851**	2,301,641
	12,676,220	11,640,226
Less Adjustments		
Investments in equity of subsidiary companies engaged in banking and financial activities (including insurance) not consolidated in the balance sheet	**-**	-
Total Tier I Capital	**12,676,220**	11,640,226
Tier II Capital		
Revaluation reserve (upto 50%)	**(267,132)**	288,168
Total Tier II Capital	**(267,132)**	288,168
Eligible Tier III Capital	**-**	-
Total Regulatory Capital - (a)	**12,409,088**	11,928,394

Risk - Weighted Exposures	2006		2005	
	Book value	Risk adjusted value	Book value	Risk adjusted value
Credit Risk	(Rupees in '000)			
Balance Sheet Items				
Cash and other liquid assets	**36**	**-**	14	-
- with State Bank of Pakistan	**40,803**	**-**	23,132	-
- with Other Central Banks	**841**	**168**	6,109	1,222
- with Scheduled Banks in Pakistan	**7,119,527**	**1,423,905**	4,732,862	946,572
- with Banks outside Pakistan	**66,809**	**13,362**	63,719	12,744
	7,228,016	**1,437,435**	4,825,836	960,538
Money at Call				
- with Scheduled Banks	**6,733,878**	**1,346,776**	332,188	66,438
- with Others	**1,610,196**	**1,610,196**	1,671,922	1,671,922
	8,344,074	**2,956,972**	2,004,110	1,738,360
Investments in				
- Federal Government Securities	**443,781**	**-**	1,077,427	-
- Shares of enterprise owned or controlled by Federal Government	**512,987**	**256,494**	464,746	232,373
- Shares of private sector enterprises	**6,159,965**	**6,159,965**	5,189,904	5,189,904
- Debentures, Bonds, PTC's, TFC's of enterprises owned or controlled by Federal Government / SBP	**9,326**	**4,663**	27,978	13,989
- Debentures, Bonds, PTC's, TFC's of private sector enterprises	**691,503**	**691,503**	793,630	793,630
	7,817,562	**7,112,625**	7,553,685	6,229,896
Loans and Advances				
- Enterprise owned or controlled by Federal Government having corporate status or being run on commercial basis	**3,334**	**1,667**	22,223	11,112
- Private sector enterprises	**4,829,815**	**4,829,815**	6,470,219	6,470,219
- Staff loans	**40,716**	**-**	35,381	-
	4,873,865	**4,831,482**	6,527,823	6,481,331
Intangible assests	**37,750**	**37,750**	37,750	37,750
Fixed assets	**127,547**	**125,547**	141,736	141,736
Other assets	**260,995**	**260,995**	415,846	415,846
	28,689,809	**16,764,806**	21,506,786	16,005,457
Off Balance Sheet Items				
Loan repayment guarantees and acceptances (less cash margin) issued to private sector enterprises	**9,846**	**9,846**	87,742	87,742
Revolving underwriting commitments	**-**	**-**	25,000	12,500
Stand By LC's and other stand by facilities with an original maturity of over one year, and other LC's (less cash margin and Government securities held) on behalf of private sector enterprises	**482,695**	**241,348**	990,768	495,384
Derivative contracts	**100,000**	**1,500**	100,000	2,500
	592,541	**252,694**	1,203,510	598,126
Credit Risk - Weighted exposure	**29,282,350**	**17,017,500**	22,710,296	16,603,583

Market Risk	2006 Risk adjusted Value	2005 Risk adjusted Value
	(Rupees in '000)	
General market risk	**68,321**	271,986
Specific market risk	**107,503**	351,505
Capital charge for foreign exchange risk	**20,185**	16,541
Total capital charge for market risk	**196,009**	640,032
Market risk - weighted exposures	**2,450,113**	8,000,400
Total Risk Weighted exposures - (b)	**19,467,612**	24,603,983
Capital Adequacy Ratio [(a) / (b) x 100]	**63.74%**	48.48%

37. RISK MANAGEMENT

The company is primarily subject to interest rate risk, credit risk, market risk and liquidity risk. The management of company is cognizent of these risks and has put in place requisite parameters to manage distinct risks within acceptable limits. The approach used for risk management has taken into account the nature and size of the organization. The core principle behind the risk management approach in the company is that the members of the respective specialised risk management committees collaborate with relevant department in line with the risk management policies and frame works as approved by the Board of Directors. A dedicated Risk Management Function is also functioning to identify, quantify, monitor and control these risks. The various forms of risks to which the company is exposed are as follows:

37.1 Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. However, the company does not believe that it is exposed to major concentration of credit risk. The company reduces such exposure to credit risk by portfolio diversification and adequate collateral, wherever applicable. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful for recovery. Further, the company appropriates an estimated amount in percentage term as 'contingencies reserve' each year as referred to in note 18.3.2.1 to these financial statements.

37.1.1 Segment by class of business

	2006					
	Advances		Deposits		Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Agriculture, forestry, hunting and fishing	205,714	3.92	-	-	-	-
Textile	1,781,089	33.94	-	-	-	-
Chemical and pharmaceutical	75,470	1.44	-	-	123,235	25.53
Cement	230,154	4.39	-	-	23,030	4.77
Sugar	456,042	8.69	-	-	-	-
Footwear and leather garments	104,463	1.99	35,000	0.94	2,537	0.53
Auto mobile and transportation equipments	62,572	1.19	54,000	1.44	-	-
Electronics and electrical appliances	83,851	1.60	-	-	80,000	16.57
Construction	322,195	6.14	-	-	-	-
Transport, storage and communication	838,717	15.98	-	-	7,519	1.56
Financial	28,334	0.54	3,650,000	97.55	25,000	5.18
Insurance	-	-	-	-	75,000	15.54
Services	57,143	1.09	-	-	125,000	25.90
Individuals	43,407	0.83	-	-	-	-
Others	959,320	18.26	2,500	0.07	21,374	4.42
	5,248,471	100.00	3,741,500	100.00	482,695	100.00

	2005					
	Advances		Deposits		Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Chemical and pharmaceuticals	75,689	1.13	-	-	53,141	5.36
Agribusiness	616,429	9.22	-	-	108,247	10.93
Textile	1,906,488	28.52	-	-	208,246	21.02
Cement	102,008	1.53	-	-	38,146	3.85
Financial	383,094	5.73	3,300,000	50.37	-	-
Insurance	-	-	-	-	75,000	7.58
Individuals	1,035,381	15.49	-	-	-	-
Construction	381,823	5.71	-	-	171,385	17.30
Communication and entertainment	961,005	14.38	-	-	100,000	10.09
Government	-	-	3,064,170	46.77	-	-
Others	1,223,080	18.29	187,500	2.86	236,603	23.87
	6,684,997	100.00	6,551,670	100.00	990,768	100.00

37.1.2 Segment by sector

	2006					
	Advances		Deposits		Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / government	3,333	0.06	554,000	14.81	-	-
Private	5,245,138	99.94	3,187,500	85.19	482,695	100.00
	5,248,471	100.00	3,741,500	100.00	482,695	100.00

	2005					
	Advances		Deposits		Commitments	
	Rupees '000	Percent	Rupees '000	Percent	Rupees '000	Percent
Public / government	22,223	0.34	3,064,170	46.77	-	
Private	6,505,600	99.66	3,487,500	53.23	990,768	100.00
	6,527,823	100.00	6,551,670	100.00	990,768	100.00

37.1.3 Details of non performing advances and specific provisions - sector wise

	2006		2005	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Rupees in '000)			
Public / government	-	-	-	-
Private	**377,245**	**374,606**	391,350	157,174
	377,245	**374,606**	391,350	157,174

37.1.4 Details of non performing advances and specific provisions by class of business segment

	2006		2005	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Rupees in '000)			
Textile	**84,687**	**82,048**	81,944	20,486
Construction	**220,484**	**220,484**	226,219	56,555
Others	**72,074**	**72,074**	83,187	80,133
	377,245	**374,606**	391,350	157,174

37.2 Liquidity Risk

Liquidity risk is the potential loss to the company arising from either its inability to meet its obligation or to arrange the requisite funding for its assets at a reasonable price. The company manages its liquidity risk by diversifying and ensuring the stability of its liability structure (funding mix). The risk management function generates and monitor daily liquidity position of the company. A monthly gap analysis is also carried out to evaluate the match / mismatch of assets and liabilities.

37.2.1 MATURITIES OF ASSETS AND LIABILITIES

2006

	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	41,680	41,680	-	-	-	-	-	-	-	-
Balances with other banks	7,186,336	3,025,976	4,160,360	-	-	-	-	-	-	-
Lendings to financial institutions	8,344,074	4,748,515	3,595,559	-	-	-	-	-	-	-
Investments	8,655,953	72,059	1,016,018	217,082	2,064,957	2,123,576	2,913,145	116,923	132,193	-
Advances	4,873,865	238,201	184,827	425,578	467,498	1,151,693	1,026,848	1,240,751	129,827	8,642
Other assets	260,995	-	260,995	-	-	-	-	-	-	-
Intangible assets	37,750	-	-	-	-	-	-	-	-	37,750
Operating fixed assets	127,547	-		-	2,350	-	-	125,197	-	-
	29,528,200	8,126,431	9,217,759	642,660	2,534,805	3,275,269	3,939,993	1,482,871	262,020	46,392
Liabilities										
Borrowings from financial institutions	12,600,057	5,684,249	1,703,295	-	-	2,019,427	1,081,536	2,111,550	-	-
Deposits and other accounts	3,741,500	704,000	3,000,000	-	-	35,000	-	2,500	-	-
Deferred tax liability	197,305	-	-	-	-	197,305	-	-	-	-
Other liabilities	529,365	-	194,020	-	50,972	-	254,127	-	30,246	-
	17,068,227	6,388,249	4,897,315	-	50,972	2,251,732	1,335,663	2,114,050	30,246	-
Net assets	12,459,973	1,738,182	4,320,444	642,660	2,483,833	1,023,537	2,604,330	(631,179)	231,774	46,392
Share capital	6,000,000									
Reserves	4,784,369									
Un-appropriated profit	1,891,851									
(Deficit) on revaluation of 'available for sale' securities -net of tax	(216,247)									
	12,459,973									

2005

	Total	Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	29,255	29,255	-	-	-	-	-	-	-	-
Balances with other banks	4,796,581	1,252,431	3,544,150	-	-	-	-	-	-	-
Lendings to financial institutions	2,004,110	1,101,563	502,547	400,000	-	-	-	-	-	-
Investments	10,931,640	15,374	3,391,650	1,618,893	1,930,697	1,679,717	1,499,879	302,700	492,730	-
Advances	6,527,823	1,054,230	252,895	144,623	1,643,264	978,958	1,084,894	1,110,803	250,645	7,511
Other assets	415,846	-	415,846	-	-	-	-	-	-	-
Intangible assets	37,750	-	-	-	-	-	-	-	-	37,750
Operating fixed assets	141,736	-	836	-	2,350	-	-	-	138,550	-
	24,884,741	3,452,853	8,107,924	2,163,516	3,576,311	2,658,675	2,584,773	1,413,503	881,925	45,261
Liabilities										
Borrowings from financial institutions	4,898,129	754,858	547,151	96,120	-	-	2,000,000	1,500,000	-	-
Deposits and other accounts	6,551,670	750,000	5,039,170	715,000	-	-	45,000	2,500	-	-
Deferred tax liability	95,838	-	-	-	-	95,838	-	-	-	-
Other liabilities	1,051,439	-	536,358	-	75,956	-	407,969	-	31,156	-
	12,597,076	1,504,858	6,122,679	811,120	75,956	95,838	2,452,969	1,502,500	31,156	-
Net assets	12,287,665	1,947,995	1,985,245	1,352,396	3,500,355	2,562,837	131,804	(88,997)	850,769	45,261
Share capital	2,000,000									
Reserves	7,338,585									
Un-appropriated profit	2,301,641									
Surplus on revaluation of 'available for sale' securities -net of tax	647,439									
	12,287,665									

37.3 Market Risk

Market risk is the loss due to adverse movements in market rates or price such as foreign exchange rates, interest rates and equity prices and / or commodity prices. The company is exposed to interest rate risk, equity price risk and foreign exchange risk. To manage various types of market risk, the company carries out stress testing of its balance sheet by varying sources of market risk.

37.3.1 Interest Rate Risk

Interest rate risk is the risk that investments value will change due to change in the market interest rates. The company manages its interest rate risk by entering into floating rate agreements with its customers. Approximately 85% of the credit portfolio is linked to the floating rate. To further keep the company abreast of the interest rate risk, an Asset and Liability Committee (ALCO) meets on a monthly basis to discuss the interest rate risk strategy. The risk management function carries out stress testing to ascertain the interest rate risk exposure of the balance sheet. In addition to this, interest rate risk profile is also prepared on monthly basis to ascertain the interest rates movements with regard to our portfolio.

2006

	Effective yield / interest rate %	Total	Exposed to yield / profit risk							Not exposed to yield / profit risk
			Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	
		(Rupees in '000)								
On-balance sheet financial instruments										
Financial Assets										
Cash and balances with treasury banks		41,680	-	-	-	-	-	-	-	**41,680**
Balances with other banks	11.52	7,186,336	3,025,980	4,113,708	-	-	-	-	-	**46,648**
Lendings to financial institutions	9.07	8,344,074	4,748,515	3,595,559	-	-	-	-	-	-
Investments	9.69	8,655,953	185,420	198,053	665,600	95,532	-	-	-	**7,511,348**
Advances	12.02	4,873,865	873,912	2,461,932	1,497,305	-	-	-	-	**40,716**
Other assets		260,995	-	-	-	-	-	-	-	**260,995**
		29,362,903	8,833,827	10,369,252	2,162,905	95,532	-	-	-	**7,901,387**
Financial Liabilities										
Borrowings from financial institutions	9.31	12,600,057	6,184,249	4,453,296	1,500,000	-	19,427	81,535	361,550	-
Deposits and other accounts	10.75	3,741,500	704,000	3,000,000	-	-	35,000	-	2,500	-
Other liabilities		529,365	-	-	-	-	-	-	-	**529,365**
		16,870,922	6,888,249	7,453,296	1,500,000	-	54,427	81,535	364,050	**529,365**
On-balance sheet gap		12,491,981	1,945,578	2,915,956	662,905	95,532	(54,427)	(81,535)	(364,050)	**7,372,022**

2005

	Effective yield / interest rate %	Total	Exposed to yield / profit risk							Not exposed to yield / profit risk
			Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	
		(Rupees in '000)								
On-balance sheet financial instruments										
Financial Assets										
Cash and balances with treasury banks		29,255	-	-	-	-	-	-	-	**29,255**
Balances with other banks	10.67	4,796,581	1,240,030	3,544,150	-	-	-	-	-	**12,401**
Lendings to financial institutions	10.01	2,004,110	1,101,563	502,547	400,000	-	-	-	-	-
Investments	7.78	10,931,640	164,645	82,256	574,708	869,439	207,987	-	-	**9,032,605**
Advances	11.22	6,527,823	2,069,861	2,188,632	2,233,949	-	-	-	-	**35,381**
Other assets		415,846	-	-	-	-	-	-	-	**415,846**
		24,705,255	4,576,099	6,317,585	3,208,657	869,439	207,987	-	-	**9,525,488**
Financial Liabilities										
Borrowings from financial institutions	9.25	4,898,129	1,254,858	2,047,151	1,596,120	-	-	-	-	-
Deposits and other accounts	10.12	6,551,670	750,000	5,039,170	715,000	-	-	45,000	2,500	-
Other liabilities		1,051,439	-	-	-	-	-	-	-	**1,051,439**
		12,501,238	2,004,858	7,086,321	2,311,120	-	-	45,000	2,500	**1,051,439**
On-balance sheet gap		12,204,017	2,571,241	(768,736)	897,537	869,439	207,987	(45,000)	(2,500)	**8,474,049**

37.3.2 CURRENCY RISK

Foreign exchange risk arises in case of an on balance sheet / off balance sheet asset or liability position when there is adverse exchange rate movement. The company's exposure to this category of market risk is negligible.

	2006			
	Assets	**Liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**
	(Rupees in '000)			
Pakistan Rupees	**29,275,216**	**17,068,227**	**-**	**12,206,989**
United States Dollars	**252,984**	**-**	**-**	**252,984**
	29,528,200	**17,068,227**	**-**	**12,459,973**

	2005			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupees	24,677,980	12,597,076	-	12,080,904
United States Dollars	206,761	-	-	206,761
	24,884,741	12,597,076	-	12,287,665

37.3.3 Equity Risk

Equity price risk is the risk to the earnings or capital resulting from an adverse change in the value / price of equity. A Portfolio Strategic Committee (PSC) meets on a regular basis to discuss equity investments related strategy. The risk management function is under process of developing a Value at Capital Risk which will quantify the market risk associated with the equity portfolio. Additionally, the risk management function monitors the sector wise and scrip wise equity exposure on a regular basis.

37.4 Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and system of the company. There is an Operational Risk Management Committee in the company which includes heads of key functional areas and is headed by senior executives. The committee meets on a regular basis to discuss the sources of potential operational risks and their mitigants.

38. ACCOUNTING ESTIMATES AND JUDGEMENTS

38.1 Provision against non-performing advances

The management reviews the loan and lease portfolio to assess non-performing accounts and expected recovery on a quarterly basis. In determining the non-performing accounts and provision requirements, the relevant prudential regulations issued by the State Bank of Pakistan, payment status of markup and principal, expected future cash flows of the business, security position and personal wealth of the directors and owners are taken into account.

38.2 Impairment of available for sale equity instruments

The management determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in market value / fair value below its cost. In making this judgment, the management considers among other factors, the price movement during previous twelve to eighteen months, the recent results and financial position of the investee company and the volume traded. Had the decline in market value of all 'available for sale' securities below cost considered as impairment, the company would be required to make an additional provision of Rs.584.439 million at the year end.

38.3 *Income taxes*

In making the estimates for income taxes currently payable by the company, the management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past.

39. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the company has proposed cash dividend of Rs. 364 million (2005: Rs. 200 million) and stock dividend of Rs. Nil (2005: Rs. 4,000 million) for the year ended December 31, 2006 in their meeting held on February 27, 2007. These financial statements do not reflect this proposed dividend as explained in note 4.

40. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on February 27, 2007.

41. GENERAL

The Pakistan Credit Rating Agency and JCR-VIS has maintained long term credit rating of AAA (Triple A) and the short term rating of A-1+ (A one plus) for the company.

Chief Executive **Director**