Pak Kuwait

Pakistan Kuwait Investment Company (Private) Limited

الشركة الباكستانية الكويتيه للاستثمار (الخاصة) المحدودة

Head Office: 4th Floor, Block-C, Finance & Trade Centre, Shahrah-e-Faisal, Karachi.
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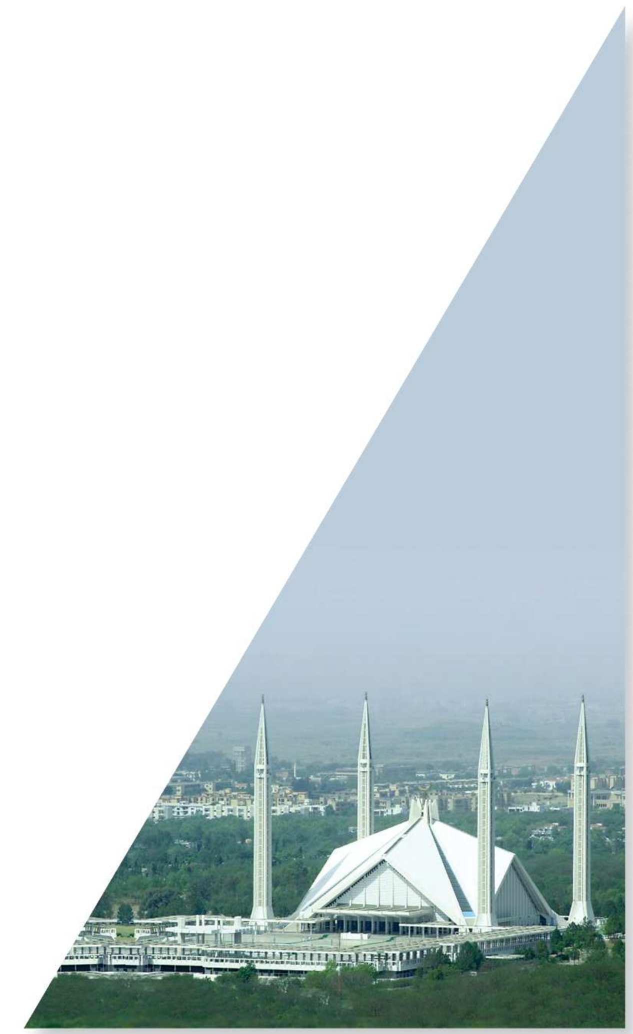
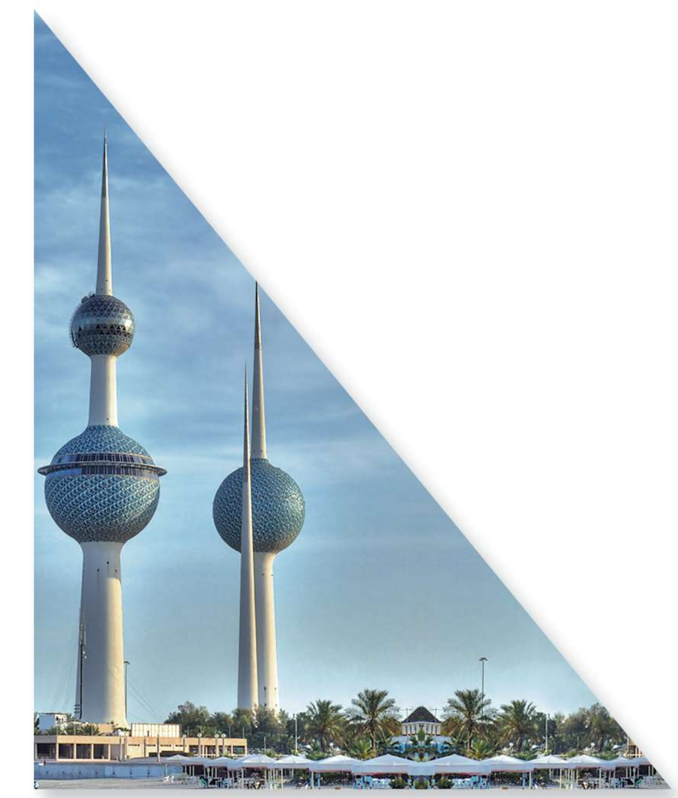
Pakistan Kuwait Investment Company (Private) Limited

Annual Report 2008

ANNUAL REPORT 2008





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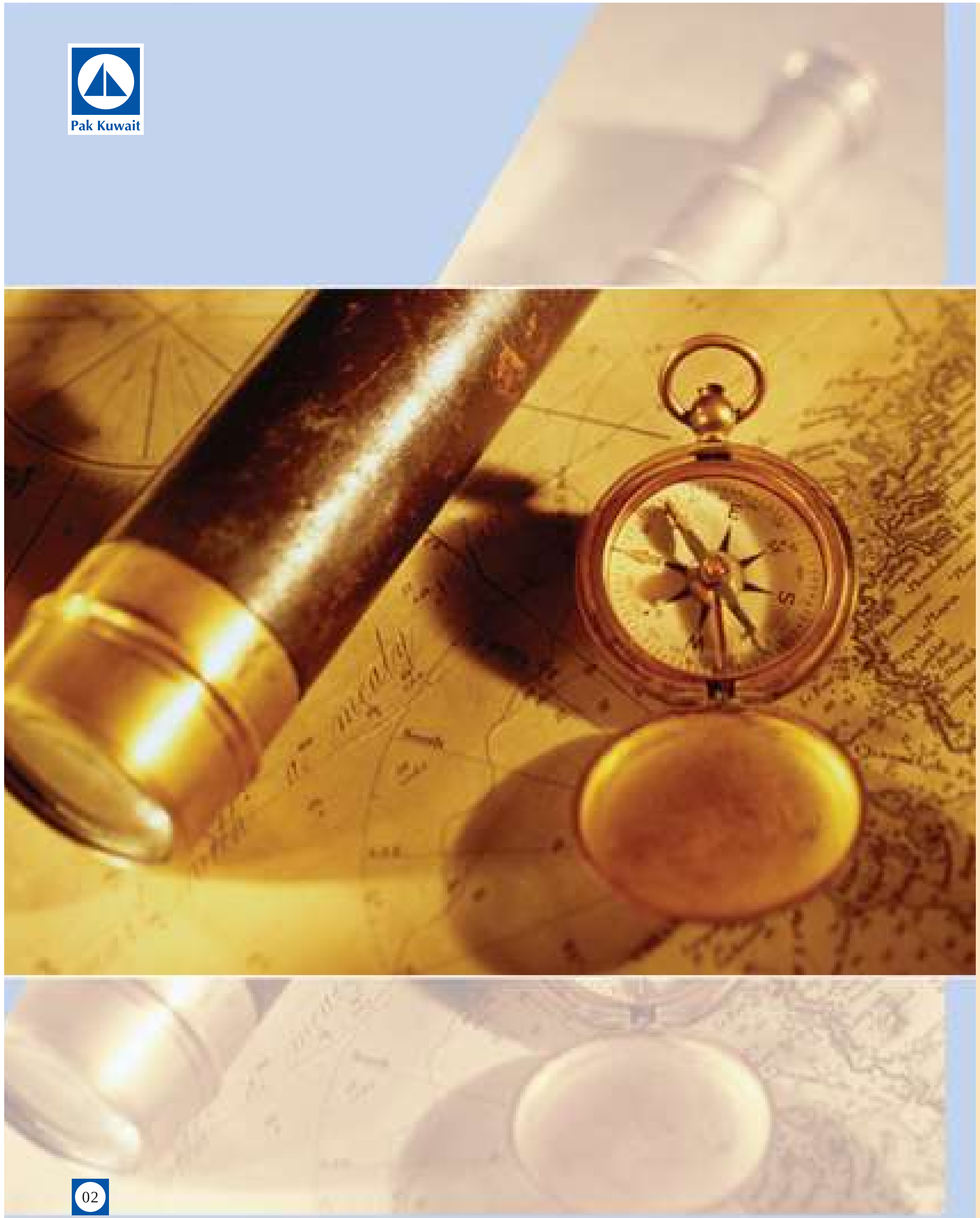
Pakistan Kuwait Investment Company (Private) Limited

الشركة الباكستانية الكويتيه للاستثمار (الخاصة) المحدودة

بسم الله الرحمن الرحيم

IN THE NAME OF ALLAH,
THE MOST BENEFICENT, THE MOST MERCIFUL

Pak Kuwait



Pak Kuwait

OUR VISION

Be the financial house of excellence focused on facilitating the expansion and modernization of industry in Pakistan

OUR MISSION

Play a key role in the development of industrial and economic infrastructure of Pakistan

Develop a team of quality professionals with wide spectrum of expertise

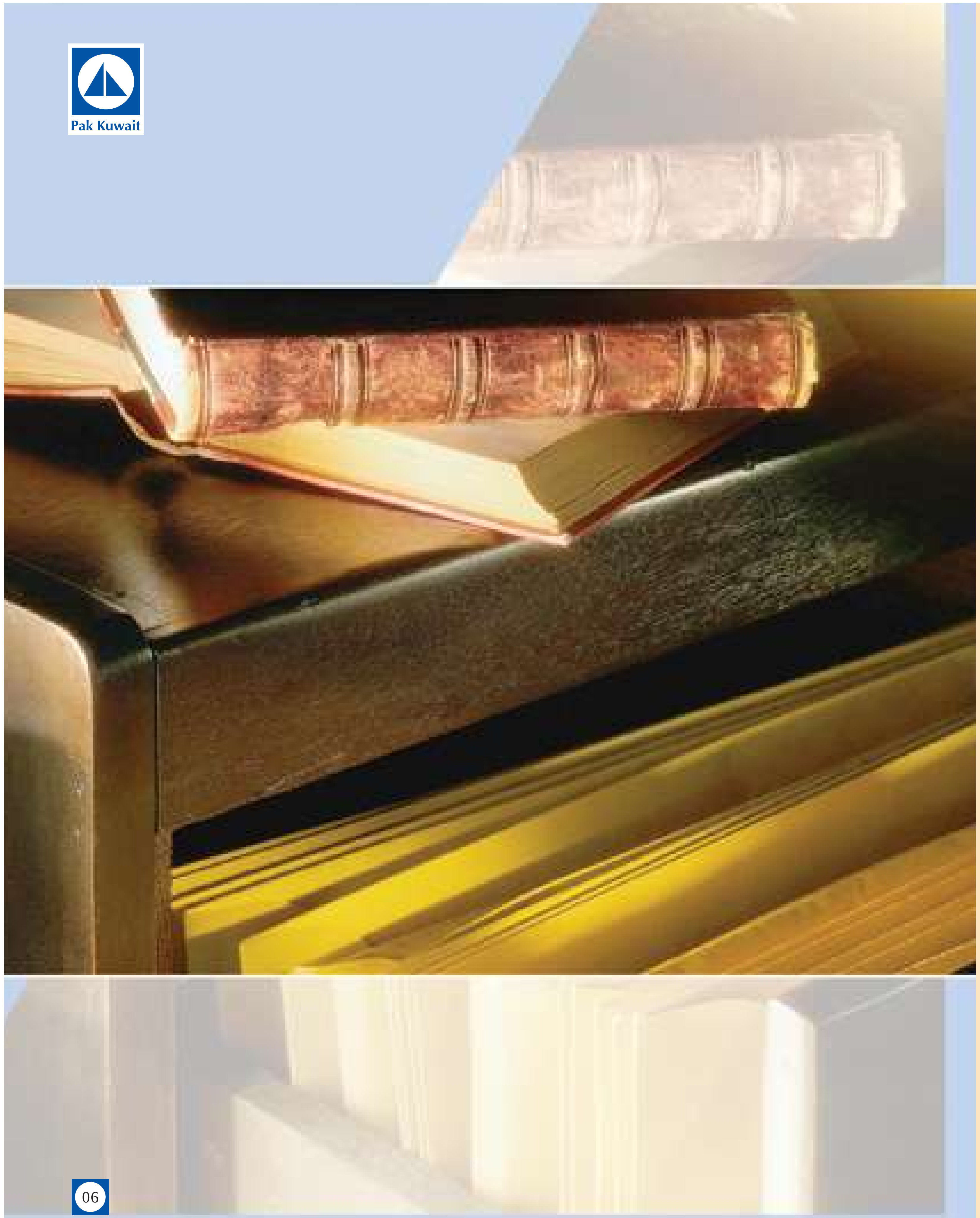
Maintain high standards of Corporate Governance

Provide value and optimize returns for all our stakeholders

Pursue our corporate values

A JOINT VENTURE

The Company is a Joint Venture between the Governments of **Pakistan** and **Kuwait**



CONTENTS

Board of Directors	09
Corporate Information	11
Directors' Report	13
Statement of Compliance with the Code of Corporate Governance	18
Review Report to the Members	20
Statement on Internal Control	21
Unconsolidated Financial Statements	23
Auditors' Report to the Members	24
Balance Sheet	25
Profit and Loss Account	26
Cash Flow Statement	27
Statement of Changes in Equity	28
Notes To and Forming Part of the Financial Statements	29
Consolidated Financial Statements	77
Auditors' Report to the Members	78
Balance Sheet	79
Profit and Loss Account	80
Cash Flow Statement	81
Statement of Changes in Equity	82
Notes To and Forming Part of the Financial Statements	83

BOARD OF DIRECTORS

Salah Al-Muraikhi
Chairman

Muhammed Abdullah Yusuf
Director

Mohammad Saud Al-Abhoul
Director

Asif Bajwa
Director

Mohammad Al Hamad
Director

Shamsul Hasan
Managing Director

Executive Committee

Salah Al-Muraikhi
Member

Shamsul Hasan
Member

Audit Committee

Muhammed Abdullah Yusuf
Chairman

Mohammad Saud Al-Abhoul
Member

Asif Bajwa
Member

Risk Management Committee

Mohammad Saud Al-Abhoul
Chairman

Asif Bajwa
Member

Mohammad Al Hamad
Member

Company Secretary

Wamiq Rizvi

Pak Kuwait

CORPORATE INFORMATION

MANAGEMENT

Shamsul Hasan	Managing Director
Rana Ahmed Humayun	Deputy General Manager / Chief Financial Officer
Faisal Khan	Head of Risk Management
Irtiza Kazmi	Head of Corporate Finance & Investment Banking
Nabil Daudur Rahman	Head of Treasury & Capital Markets
Wamiq Rizvi	Head of Human Resources
Mazhar Sharif	Head of Internal Audit
Shamsuddin Khan	Head of Compliance

LEGAL ADVISOR

M/s. Obaidur Rehman & Co.

AUDITORS

M/s. KPMG Taseer Hadi & Co.

REGISTERED OFFICE

4th Floor, Block ‘C’ Finance & Trade Centre,
Shahrah-e-Faisal, Karachi.
Ph: 021 5630901-7 Fax: 021 5630939-40
UAN: 111-611-611 E-mail:info@pkic.com
Website:www.pkic.com

REPRESENTATIVE OFFICE

LAHORE

Siddiq Trade Centre, 1st Floor, Office # 104,
Main Boulevard, Gulberg, Lahore
Ph: 042 5781723 / 5781726 Fax: 042 5781725

ISLAMABAD

Saudi Pak Tower, 16th Floor, 61-A,
Jinnah Avenue, Blue Area, Islamabad
Ph: 051 2800036 / 2800038-39 Fax: 051 2800041

Shamsul Hasan
Managing Director

Salah Al-Muraikhi
Chairman

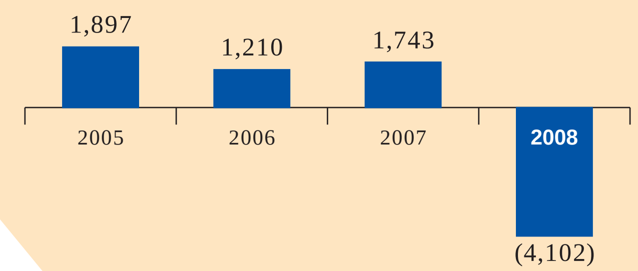
DIRECTORS' REPORT

It is our privilege to present the 30th Annual Report along with the financial statements for the year ended December 31, 2008.

FINANCIAL HIGHLIGHTS

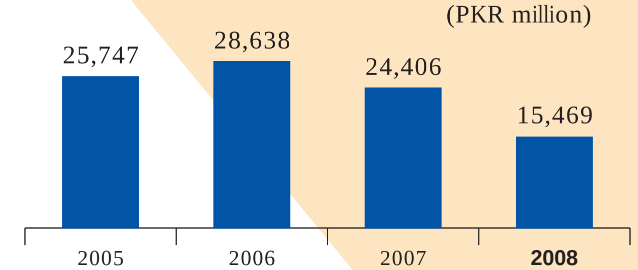
For the Year (PKR million)	2008	2007
Net Markup Based Income	607	608
Non Markup Income	254	1,573
Total Income	861	2,181
Admin Expenses	286	400
Profit before Provisions	575	1,781
Provisions	4,647	38
Profit Before Taxation	(4,072)	1,743
Taxation	30	294
Profit After Taxation	(4,102)	1,449

PROFIT AFTER TAX
(PKR million)



At Year end (PKR million)	2008	2007
Total Assets	15,469	24,406
Liabilities	7,159	11,414
Share Capital	6,000	6,000
Reserves	6,448	5,791

TOTAL ASSETS
(PKR million)



2008 was a disappointing year for the financial sector. Our company recorded a loss before tax of PKR 4,072 million and loss after tax of PKR 4,102 million. The balance sheet stood at PKR15,469 million as of Dec 31, 2008 as compared to PKR24, 406 million for the previous year, representing a decline of 36%, due to the impairment losses booked.

The Securities and Exchange Commission of Pakistan allowed deferment of the impairment losses, a norm followed by most of the financial services industry. PKIC's Board, despite the relaxation allowed by the regulator, took a more prudent approach by recognizing the entire impairment loss in the financial year 2008.

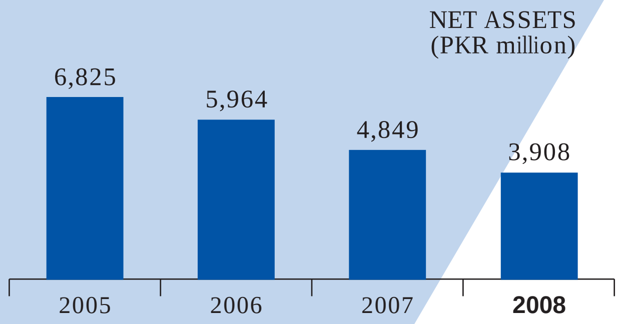
Economic downturn, resulting in NPLs and weak investor confidence, was the main reason for the depressed financial performance of PKIC. Low economic growth rate (FY09 expected 3.7% against an average of 7% during the period 2004-08) coupled with high inflation (FY09 expected 20% against an average of 8.32% in the period 2004-08) plagued the performance of the financial sector. The international commodity super spike and its impact on the domestic front derailed the growth path of the economy. The distressed economic conditions were also reflected in the country's benchmark index, the Karachi Stock Exchange-100 Index. The KSE-100 dropped by a massive 58.34% in CY2008, consequently a floor was placed on the index for period of hundred and ten days to give the market some breathing space.

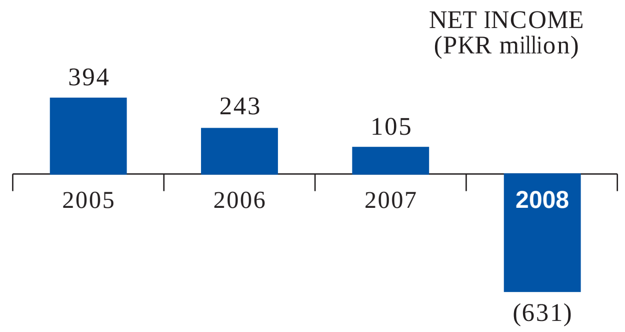
The IMF program coupled with SBP's prudent policies is expected to bring discipline in all aspects of the economy, restoring foreign investors' confidence. Your company stands by its vision to be the financial house of excellence.

OPERATIONS

Corporate Finance

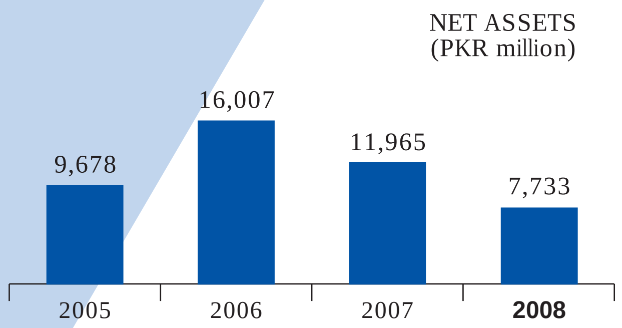
Provisioning against NPLs turned the profits of the department into losses. Inflation, global recession, power shortage and volatile raw material prices squeezed the margins of the industrial segment.

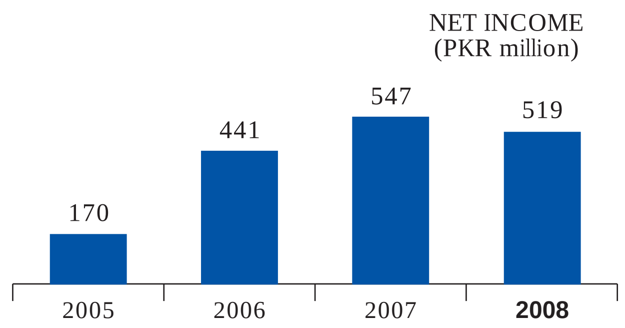




TREASURY

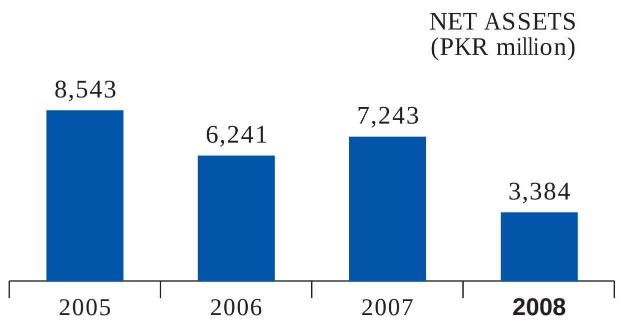
The treasury serves the liquidity function of the company. The treasury has optimized its resources and significantly contributed to the company's bottom line.

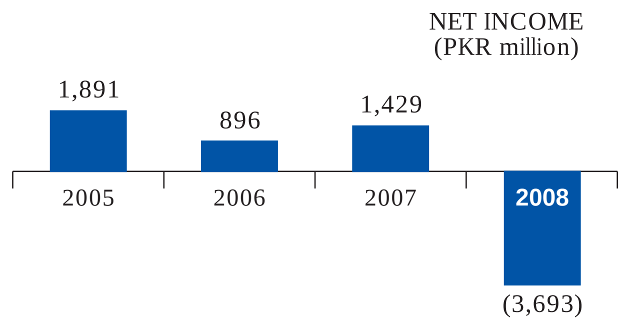




CAPITAL MARKET

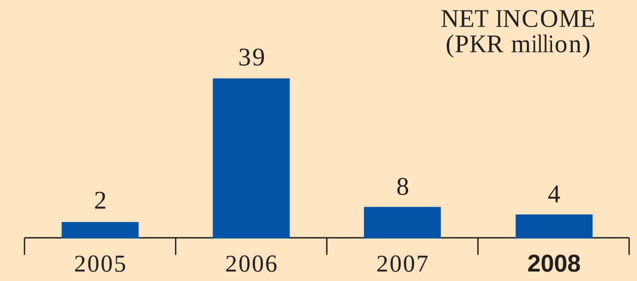
Adverse economic conditions took toll on the PKIC equity portfolio. The benchmark KSE-100 fell by 58% during 2008. The company has taken 100% impairment on its portfolio despite the relaxation given by SECP as a matter of prudence and fair presentation of financial statements.





Investment Banking

Due to uncertain economic conditions, the investment climate remained bleak and investment banking revenues plummeted.



Future Outlook

2009 seems to be a year of consolidation, as the economy cools down. However, there are ample opportunities in the on-going expansion projects of some strategic sectors like Fertilizer, Power, Oil & Gas Exploration and Production. The new government's focus on the commodity-producing sector of the economy is expected to further boost investment in the domestic economy.

As the banking sector is faced with challenges of minimum CAR and ADR requirements, we believe this is a good opportunity for PKIC to capitalize. In order to maximize shareholder return, PKIC has planned to leverage its balance sheet as well as focusing on fee-based income. The company has targeted strategic sectors having stable demand outlook as its favored sectors of the economy. Moreover, the company has planned to enhance its fee-based income by providing advisory services on mergers & acquisitions, balance sheet restructuring, private equity, distressed asset sale etc. The economic slow down presents an ideal opportunity to generate business from restructuring activities.

Risk Management Framework

PKIC fully recognizes that the risk management function is fundamental to the business of finance and is an essential element of our banking strategy. The management has a clear understanding and appreciation of Credit, Market, Liquidity and Operational risks and has synchronized the distinct risks into 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 additional required resources and infrastructure, which can further improve the company's risk management capabilities.

Business Continuity Plan (BCP) at Pak-Kuwait is functional to meet the operational requirements of the company in case of a disaster situation. The first testing of BCP cold site has been successfully carried out.

Entity & Credit Rating of Pakistan Kuwait Investment Company

The Pakistan Credit Rating Agency (PACRA) has made adjustment in the long-term entity rating of our Company to AA+ (double A plus), while maintaining the short term rating at A1+ (A one Plus). These rating imply a low credit risk along with capacity for timely payments coupled with sovereign support. The adjustment reflects a need for improvement in the governance framework, even though the agency ratings recognize the strong risk absorption capacity of our company.

JCR-VIS Credit rating Company has reaffirmed the medium to long term entity rating of the company at 'AAA' (Triple AAA) with stable outlook. The short term entity rating has also been reaffirmed at 'A-1+' (A-One Plus). PKIC's rating derives strength from the low risk profile along with the support of the two joint ventures.

Compliance with Code of Corporate Governance

The Directors confirm the compliance of the requirements of the Code of Corporate Governance relevant for the year ended December 31, 2008 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 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

Five Meetings of the Board of Directors of Pak-Kuwait were held in the year 2008 as per following schedule:

1st Meeting	March 09, 2008
2nd Meeting	March 30, 2008
3rd Meeting	May 04, 2008
4th Meeting	August 03, 2008
5th Meeting	November 23, 2008

Details of Attendance are as follows:

Name of Directors	Meetings Attended
Mr. Salah Al Muraikhi	5
Mr. Istaqbal Mehdi	5
Mr. Mohammad Al Hamad	5
Mr. Mohammad Saud Al-Abhoul	5
Mr. Asif Bajwa	5
Mr. Muhammad Abdullah Yusuf	5

Summarized Operating and Financial Data for the last six years

(PKR million)

	2008	2007	2006	2005	2004	2003
Paid up Capital	**6,000**	6,000	6,000	2,000	1,500	1,500
Reserves	**2,369**	6,951	5,865	8,856	7,459	6,295
Total Assets	**15,469**	24,406	28,638	25,747	19,508	16,554
(Loss)/Profit before tax	**(4,072)**	1,743	1,270	2,112	1,670	3,035
Net (Loss)/Profit after tax	**(4,102)**	1,449	1,210	1,897	1,585	2,830
Cash Dividend	**-**	480	364	200	420	580
Stock Dividend	**-**	-	-	4,000	500	-

Statement of Investments of Provident and Gratuity Funds

Investments of Provident and Gratuity Funds as at December 31, 2008 according to their respective un-audited accounts were PKR 53.485 million and PKR 12.226 million, respectively. Investment of Provident Fund amounted to PKR 48.458 million as at December 31, 2005 according to its audited accounts.

Auditors

Audit Committee had recommended the name of M/s. Ford Rhodes Sidat Hyder & Co Chartered Accountants, to be the auditors for the year ending December 31, 2009, to replace M/s. KPMG Taseer Hadi & Co, Chartered Accountants who were auditors of the Company for the last five years. Accordingly, the Board approved the recommendation of the Audit Committee and recommended the name of M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountant for consideration and approval at the Annual General Meeting.

Acknowledgement

No institution can be successful without its people who are to be complimented for performing well under difficult circumstances. The Board would like to place on record appreciation for the role of our staff members in their commitment and dedication to work.

We welcome Mr. Shamsul Hasan as the new Managing Director in place of Mr. Istaqbal Mehdi.

We would like to express sincere gratitude to our shareholders for having reposed confidence in us and their consistent support and guidance during the year. We would also like to record our appreciation to the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their support and cooperation.

On behalf of the Board of Directors

Shamsul Hasan
Managing Director

Salah Al Muraikhi
Chairman

Date: March 05, 2009
Karachi

Pak Kuwait

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

This statement is being presented to comply with the Code of Corporate Governance framed 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 representation 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 that stock exchange.

4. During the year, two directors were replaced Mr. Muhammad Abdullah Yusuf and Mr. Shamsul Hasan replaced Mr. Ahmad Waqar and Mr. Istaqbal Mehdi respectively as nominees of Government of Pakistan.

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 approved 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 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 five times during the year. The minutes of the meetings were appropriately recorded and circulated.

9. 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.

10. The financial statements of the company were duly endorsed by the Managing Director and Depty General Manger before approval of the Board.

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

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

13. The Board has formed an Audit Committee. All the three members of the Audit Committee are non executive directors.

14. During the year, four Audit Committee meetings were held, which also included review of the half-yearly results and review of the annual financial results of the company as required by the Code.

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

Pak Kuwait

16. 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 partners of the firm, their spouses or minor children do not hold shares of the company.

17. 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 IFAC guidelines in this regard.

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

Chief Executive

Date: March 05, 2009
Karachi

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, 2008.

KPMG Taseer Hadi & Co.

Date: March 05, 2009
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

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 2008 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 been maintained as compared to previous year in all areas/functions of the company. Further, due attention and focus is to enhance competence level and knowledge of the employees.

Mazhar Sharif

Head Internal Audit

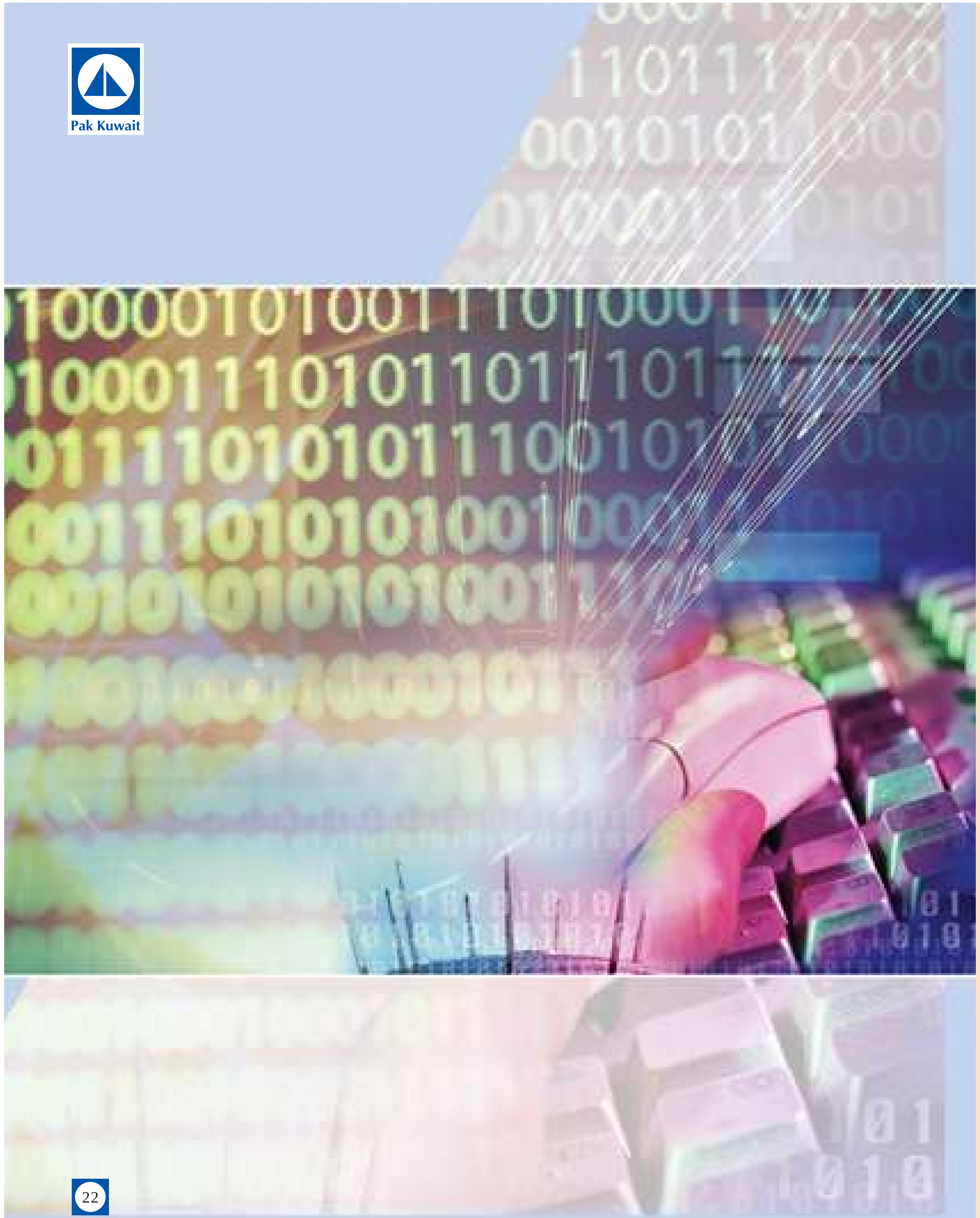
Humayun

Deputy General Manager

Managing Director

Chairman Audit Committee

Date: March 05, 2009
Karachi



Unconsolidated Financial Statements

For the year ended
December 31, 2008

Pak Kuwait

Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of Pakistan Kuwait Investment Company (Private) Limited as at December 31, 2008 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 amount and disclosers in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the 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, 2008 and of the loss, 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).

Date: March 05, 2009
Karachi

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants

Pak Kuwait

Unconsolidated Balance Sheet

As at December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	5	**17,179**	24,849
Balances with other banks	6	**2,759,358**	5,349,009
Lendings to financial institutions	7	**500,000**	6,591,584
Investments	8	**8,436,921**	8,074,324
Advances	9	**3,358,935**	4,080,121
Other assets	10	**162,751**	164,141
Operating fixed assets	11	**107,138**	121,588
Deferred tax asset	12	**126,230**	-
		15,468,512	24,405,616
LIABILITIES			
Bills payable		**-**	-
Borrowings from financial institutions	13	**6,370,782**	8,644,000
Deposits and other accounts	14	**37,500**	1,947,500
Subordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liability		**-**	178,166
Other liabilities	15	**750,649**	644,190
		7,158,931	11,413,856
NET ASSETS		**8,309,581**	12,991,760
REPRESENTED BY			
Share capital	16	**6,000,000**	6,000,000
Reserves	16	**6,447,712**	5,791,271
(Accumulated loss) / unappropriated profit		**(4,079,185)**	1,159,325
		8,368,527	12,950,596
(Deficit) / surplus on revaluation of 'available-for-sale' securities - net of tax	17	**(58,946)**	41,164
		8,309,581	12,991,760
CONTINGENCIES AND COMMITMENTS	18		

The annexed notes 1 to 40 and annexures I and II form an integral part of these financial statements.

Chief Executive **Director**

Pak Kuwait

Unconsolidated Profit And Loss Account

For the year ended December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
Mark-up / return / interest earned	19	**1,158,545**	1,501,903
Mark-up / return / interest expensed	20	**551,191**	894,330
Net mark-up / interest income		**607,354**	607,573
Provision / (reversal of provision) against non-performing advances - net	9.4	**571,642**	(36,067)
Provision against non-performing lending to financial institutions	7.3	**150,000**	-
Provision for diminution / impairment in the value of investments	8.3	**3,925,744**	73,714
		4,647,386	37,647
Net mark-up / interest income after provisions		**(4,040,032)**	569,926
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		**4,933**	10,054
Dividend income		**201,743**	218,657
Gain on sale of securities	21	**280,631**	1,262,727
Income from dealing in foreign currencies		**-**	-
Unrealised (deficit) / surplus on revaluation of 'held for trading' securities		**(266,208)**	22,884
Other income	22	**32,715**	59,027
Total non mark-up / interest income		**253,814**	1,573,349
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	23	**286,202**	400,288
Other charges	24	**50**	55
Total non mark-up / interest expenses		**286,252**	400,343
Extra ordinary / unusual items		**-**	-
(LOSS) / PROFIT BEFORE TAXATION		**(4,072,470)**	1,742,932
Taxation			
- Current	25	**312,315**	296,943
- Prior years		**-**	-
- Deferred	25	**(282,716)**	(3,167)
		29,599	293,776
(LOSS) / PROFIT AFTER TAXATION		**(4,102,069)**	1,449,156
		(Rupees)	
Basic and diluted (loss) / earnings per share (On share of Rs. 25,000 each)	26	**(17,092)**	6,038

The annexed notes 1 to 40 and annexures I and II form an integral part of these financial statements.

Chief Executive **Director**

Pak Kuwait

Unconsolidated Cash Flow Statement

For the year ended December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / Profit before taxation		**(4,072,470)**	1,742,932
Less: Dividend income		**(201,743)**	(218,657)
		(4,274,213)	1,524,275
Adjustments for:			
Depreciation		**15,776**	22,588
Amortisation of premium on 'held-to-maturity' investments		**-**	1,518
Unrealised deficit / (surplus) on revaluation of 'held for trading' securities		**266,208**	(26,696)
Provision / (Reversal of provision) against non-performing advances		**571,642**	(36,067)
Provision against lending to financial institutions		**150,000**	-
Provision for diminution / impairment in the value of investments		**3,925,744**	73,714
Gain on sale of operating fixed assets		**(3,028)**	(1,135)
		4,926,342	33,922
		652,129	1,558,197
Decrease / (increase) in operating assets			
Lendings to financial institutions		**5,941,584**	1,752,490
'Held for trading' securities		**101,670**	615,995
Advances		**149,544**	829,811
Others assets		**(1,431)**	101,586
		6,191,367	3,299,882
(Decrease) / increase in operating liabilities			
Borrowings from financial institutions		**(2,273,218)**	(3,956,057)
Deposits		**(1,910,000)**	(1,794,000)
Other liabilities (excluding current taxation)		**(122,184)**	(93,589)
		(4,305,402)	(5,843,646)
		2,538,094	(985,567)
Income tax paid		**(83,672)**	(88,390)
Net cash flows from operating activities		**2,454,422**	(1,073,957)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in 'available-for-sale' securities / subsidiaries		**(4,778,009)**	(804,142)
Net investment in 'held-to-maturity' securities		**-**	201,518
Dividend received		**204,564**	213,479
Investments in operating fixed assets		**(9,550)**	(21,958)
Sale proceeds from sale of operating fixed assets		**11,252**	4,114
Net cash flows from investing activities		**(4,571,743)**	(406,989)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		**(480,000)**	(364,000)
Net cash flows from financing activities		**(480,000)**	(364,000)
(Decrease) in cash and cash equivalents		**(2,597,321)**	(1,844,946)
Cash and cash equivalents at beginning of the year		**5,373,858**	7,218,804
Cash and cash equivalents at end of the year	27	**2,776,537**	5,373,858

The annexed notes 1 to 40 and annexures I and II form an integral part of these financial statements.

Chief Executive **Director**

Pak Kuwait

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2008

	Share capital	Reserves: Statutory	Reserves: Tax	Reserves: Revenue	Unappropriated profit/ (Accumulated loss)	Total
	(Rupees in '000)					
Balance as at December 31, 2006	6,000,000	2,998,991	80,045	1,705,333	1,081,071	11,865,440
Profit for the year ended December 31, 2007	-	-	-	-	1,449,156	1,449,156
Transfer to statutory reserve	-	289,831	-	-	(289,831)	-
Final dividend for the year ended December 31, 2006 @ Rs. 1,516.67 per share approved subsequent to year end	-	-	-	-	(364,000)	(364,000)
Transfer to contingencies reserve	-	-	-	50,686	(50,686)	-
Transfer to marketable and government securities reserve	-	-	-	666,385	(666,385)	-
Balance as at December 31, 2007	6,000,000	3,288,822	80,045	2,422,404	1,159,325	12,950,596
Final dividend for the year ended December 31, 2007 @ Rs.2,000 per share approved subsequent to year end	-	-	-	-	(480,000)	(480,000)
Transfer to contingencies reserve	-	-	-	42,086	(42,086)	-
Transfer to marketable and government securities reserve	-	-	(80,045)	694,400	(614,355)	-
Loss for the year ended December 31, 2008	-	-	-	-	(4,102,069)	(4,102,069)
Balance as at December 31, 2008	**6,000,000**	**3,288,822**	**-**	**3,158,890**	**(4,079,185)**	**8,368,527**

The annexed notes 1 to 40 and annexures I and II form an integral part of these financial statements.

Chief Executive | **Director**

Pak Kuwait

Notes to and Forming Part of the Unconsolidated Financial Statements

For the year ended December 31, 2008

1. STATUS AND NATURE OF BUSINESS

Pakistan Kuwait Investment Company (Private) Limited ("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 Centre, 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 two 100% owned subsidiaries, First Choice Securities Limited (FCSL) and Pak Kuwait Financial Services Limited (PKFSL). FCSL is principally engaged in the business of equity brokerage, money markets and foreign exchange brokerage, equity research and corporate financial advisory services. The principal business of PKFSL is to provide Assets Management Services. Both FCSL and PKFSL have not started their operations.

These financial statements are separate financial statements of the company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the State Bank of Pakistan (SBP). In case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, and directives issued by the SBP shall prevail. 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) and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements.

2.1 Forthcoming accounting changes

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. This change will be affected after directions from regulator.

Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Company's financial statements.

Revised IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The company does not have any operations in Hyperinflationary Economies and therefore the standard is not relevant to Company's operations.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Company's financial statements.

Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Company's financial statements.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated asbusiness combinations, contingent consideration to be measured at fair value, transaction costs other th an share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Company's financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.

IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.

IFRS 8 - Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the company presents segment information in respect of its business and geographical segments. This standard will have no effect on the Company's reported total profit or loss or equity.

IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The IFRIC 13 is not relevant to Company's operations.

IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.

IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October, 2009) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to the profit or loss. The Interpretation allows an entity that used the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2009 financial statements. These amendments are unlikely to have an impact on the Company's financial statements.

IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Company's financial statements.

IFRIC 17 - Distributions on Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount as fair value is recognized in the income statement. As the Company does not distribute non cash assets to its shareholders, this interpretation has no impact on the Company's financial statements.

IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-Current Assets Held for Sale and Discounted Operations (effective for annual periods beginning on or after 1 July 2009) specify that: if an entity is committed to a sale plan involving the loss of control of a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of IFRS 5 are met. Disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation. . The amendment is not likely to have an effect on Company's financial statements.

3. BASIS OF PRESENTATION

3.1 Basis of measurement

These financial statements 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.

3.2 Functional and presentation currency

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

3.3 Use of 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. Judgements 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 37.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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.

4.2 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.

4.3 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 recognised 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.

4.4 Investments

The company classifies its investments other than those in subsidiaries and associates as 'Available- for-Sale', 'Held for Trading', '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, categorised as 'Held for Trading' and 'Available-for-Sale' are valued at rates quoted on PKRV (Reuters Page) and market rates of Karachi Stock Exchange as at the balance sheet date respectively. Any surplus or deficit other than impairment arising as a result of revaluation of securities categorised 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.

Investments in subsidiaries and associates are stated at cost less impairment in value, if any. Unquoted investments including investments in associates and subsidiaries are stated at lower of cost and break-up value based on latest available financial statements.

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 is included in income currently.

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

Companies where there are common directors but the company does not have significant influence are classified as "Investment in associated undertakings". These are stated in accordance with their classification either as 'held for trading' or 'available-for-sale' securities.

4.5 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 and any adjustments to any tax payable relating to prior years.

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.

4.6 Operating fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss (if any) 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 assets is included in income currently.

4.7 Staff retirement benefits

Defined benefit plan

The company operates a funded gratuity scheme for all its eligible permanent and contractual 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 expected average working 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.

4.8 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, 2008.

4.9 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.

4.10 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2008	2007
		(Rupees in '000)	
Cash in hand in local currency		30	30
With State Bank of Pakistan in local currency current account	5.1	16,901	24,755
With National Bank of Pakistan in local currency current account		248	64
		17,179	24,849

5.1 This includes the minimum cash reserve required to be maintained with the SBP in accordance with the requirement of BSD Circular No. 04 dated May 22, 2004.

6. BALANCES WITH OTHER BANKS

	Note	2008	2007
		(Rupees in '000)	
In Pakistan			
- current account		2,971	5,492
- deposit account	6.1 & 6.2	2,755,493	5,342,738
Outside Pakistan			
- current account		894	779
- deposit account		-	-
		2,759,358	5,349,009

6.1 This includes placements of Rs. 2,700 million (2007: Rs. 5,330 million). The return on these placements ranges between 18.25 (2007: 10.2) and 22.0 (2007: 12.5) percent per annum and the placements mature between 14 days to 92 days (2007: 2 days to 83 days).

6.2 This also includes a placement in foreign currency amounting to US$ 0.591 million (2007: Nil). The expected profit rate on this placement is 2.70 (2007: Nil) percent per annum and is due for maturity on January 01, 2009 (2007: Nil).

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2008	2007
		(Rupees in '000)	
7.1 Repurchase agreement lendings (Reverse Repo)		-	6,555,900
Certificates of investment (COIs)			
In local currency	7.2	650,000	-
In foreign currency		-	35,684
		650,000	35,684
Provision against COI	7.3	(150,000)	-
		500,000	6,591,584

7.2 The return on these COIs ranges between 17.9 to 23 percent per annum (2007: Nil) and are due for maturity by April 02, 2009.

7.3 This represents provision against clean lending under COI to an investment bank. The lending was made on September 20, 2008 and matured on December 20, 2008.On maturity the investment bank was unable to repay the lending and the company is in the process of initiating legal proceedings for recovery of the outstanding amount. While the recovery proceedings continue, based on prudence the company has provided the amount.

7.4 Securities held as collateral against lendings to financial institutions

	2008			2007		
	Held by the company	Further given as collateral	Total	Held by the company	Further given as collateral	Total
	(Rupees in '000)					
Market treasury bills	-	-	-	3,054,287	3,451,155	6,505,442
Pakistan investment bonds	-	-	-	50,458	-	50,458
Equity shares of listed companies	-	-	-	-	-	-
	-	-	-	3,104,745	3,451,155	6,555,900

The market value of securities held as collateral amounted to Rs. Nil (2007: Rs. 6,555 million).

8. INVESTMENTS

8.1 Investments by type

	Note	2008			2007		
		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		421,790	-	421,790	257,251	-	257,251
Available-for-sale securities							
Market treasury bills		605,632	3,349,317	3,954,949	-	-	-
Shares of listed companies		6,238,029	-	6,238,029	5,464,900	-	5,464,900
Shares of unlisted companies		151,546	-	151,546	143,089	-	143,089
Listed preference shares		96,003	-	96,003	118,127	-	118,127
Listed term finance certificates		124,341	-	124,341	219,936	-	219,936
Unlisted term finance certificates		93,958	-	93,958	190,301	-	190,301
		7,309,509	3,349,317	10,658,826	6,136,353	-	6,136,353
Associates		1,726,560	-	1,726,560	1,763,335	-	1,763,335
Subsidiaries		81,120	-	81,120	55,020	-	55,020
Total investments - at cost		9,538,979	3,349,317	12,888,296	8,211,959	-	8,211,959
Provision for diminution / impairment in the value of investments	8.3 & 37.3	(4,091,851)	-	(4,091,851)	(166,107)	-	(166,107)
Total investments - net of provisions		5,447,128	3,349,317	8,796,445	8,045,852	-	8,045,852
(Deficit) on revaluation of 'held for trading' securities		(301,064)	-	(301,064)	(34,856)	-	(34,856)
(Deficit) / surplus on revaluation of 'available-for-sale' securities		(59,621)	1,161	(58,460)	63,328	-	63,328
Total investments		5,086,443	3,350,478	8,436,921	8,074,324	-	8,074,324

8.2 Investments by segments

		2008	2007
		(Rupees in '000)	
Federal Government Securities			
- Market treasury bills		**3,954,949**	-
Fully paid up Ordinary Shares			
- Listed companies		**6,659,819**	5,417,116
- Unlisted companies		**151,546**	143,089
		6,811,365	5,560,205
Preference Shares			
- Listed companies		**96,003**	118,127
Term Finance Certificates (TFCs)			
- Listed TFCs		**124,341**	219,936
- Unlisted TFCs		**93,958**	190,301
		218,299	410,237
Investments in Associated Undertakings			
- Listed companies		**-**	305,035
Investments in Associates			
- Ordinary shares-listed companies		**1,426,280**	1,451,282
- Ordinary shares-unlisted companies		**154,445**	166,218
- Preference shares-unlisted company		**145,835**	145,835
		1,726,560	1,763,335
Subsidiaries - unlisted ordinary shares		**81,120**	55,020
Total investments - at cost		**12,888,296**	8,211,959
Provision for diminution / impairment in the value of investments	8.3.2 & 37.3	**(4,091,851)**	(166,107)
Total investments - net of provisions		**8,796,445**	8,045,852
(Deficit) on revaluation of 'held for trading' securities		**(301,064)**	(34,856)
(Deficit) / Surplus on revaluation of 'available-for-sale' securities		**(58,460)**	63,328
		(359,524)	28,472
Total investments		**8,436,921**	8,074,324

Investments in Meezan Bank Limited (associate) include shares with cost of Rs. 1,003 million market value : Rs. 3,174 million (2007: Cost 1,003 million, market value Rs.4,366 million) which are held as strategic investment in terms of Prudential Regulation applicable to Corporate / Commercial Banking, and is kept in their CDC Account as required by SBP.

The investments also include Faysal Management Services (Private) Limited, Al-Meezan Investment Management Limited and Orix Investment Bank Pakistan Limited which can be sold only with prior permission of Securities and Exchange Commission of Pakistan.

8.3 Particulars for impairment / diminution in the value of investments

	2008	2007
	(Rupees in '000)	
Opening balance	**166,107**	92,393
Charge for the year	**3,937,863**	89,109
Reversals	**(12,119)**	(15,395)
	3,925,744	73,714
Closing balance	**4,091,851**	166,107

8.3.1 Particulars of provision in respect of type and segment

	2008	2007
'Available-for-sale' securities	**4,025,122**	67,429
Associates	**65,804**	25,012
Subsidiary	**925**	20
	4,091,851	92,461

8.3.2 Information relating to quality of 'available-for-sale' securities and investments in shares of listed and unlisted companies, redeemable capital required to be disclosed as part of the financial statements under the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006, are given in Annexure "I" and "II", which are an integral part of these financial statements.

9. ADVANCES

		2008	2007
		(Rupees in '000)	
In Pakistan			
Advances		**2,685,896**	2,664,259
Net investment in finance leases	9.2	**1,583,220**	1,754,401
		4,269,116	4,418,660
Provision for non-performing advances	9.4	**(910,181)**	(338,539)
Advances net of provision		**3,358,935**	4,080,121

9.1 Particulars of gross advances

	2008	2007
In local currency	**4,246,521**	4,396,065
In foreign currencies	**22,595**	22,595
	4,269,116	4,418,660
For upto one year	**1,240,050**	164,056
For over one year	**3,029,066**	4,254,604
	4,269,116	4,418,660

9.2 Net investment in finance leases

	2008				2007			
	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	**834,322**	**872,639**	**23,078**	**1,730,039**	563,216	1,299,373	23,399	1,885,988
Residual value	**68,311**	**57,973**	**4,684**	**130,968**	56,049	71,474	-	127,523
Minimum lease payments	**902,633**	**930,612**	**27,762**	**1,861,007**	619,265	1,370,847	23,399	2,013,511
Financial charges for future periods	**137,725**	**139,892**	**170**	**277,787**	124,921	132,182	2,007	259,110
Present value of minimum lease payments	**764,908**	**790,720**	**27,592**	**1,583,220**	494,344	1,238,665	21,392	1,754,401

9.2.1 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 2015 and are subject to finance income at rates ranging between 7.0 (2007: 7.0) and 21.83 (2007: 15.99) percent per annum.

9.2.2 In respect of the aforementioned finance leases the company holds an aggregate sum of Rs. 130.968 million (2007: Rs. 127.759 million) as security deposits on behalf of the lessees which are included under other liabilities (note 15).

9.3 Advances include Rs. 1,278.058 million (2007: Rs 338.539 million) which have been placed under non-performing status as detailed below:

Category of classification

	2008			2007		
	Classified Advance	Provision Required	Provision Held	Classified Advance	Provision Required	Provision Held
	----------	----------	(Rupees in '000)	----------	----------	----------
Substandard	**268,773**	**67,193**	**67,193**	-	-	-
Doubtful	**332,594**	**166,297**	**166,297**	-	-	-
Loss	**676,691**	**676,691**	**676,691**	338,539	338,539	338,539
	1,278,058	**910,181**	**910,181**	338,539	338,539	338,539

9.4 Particulars of provision against non-performing advances

	2008	2007
	(Rupees in '000)	
Opening balance	**338,539**	374,606
Charge for the year	**607,032**	-
Reversal	**(35,390)**	(36,067)
	571,642	(36,067)
Closing balance	**910,181**	338,539

	2008	2007
9.5 Local currency	**887,586**	315,944
Foreign currency	**22,595**	22,595
	910,181	338,539

9.6 Particulars of loans and advances to directors and associated companies

Debts due by directors, executives and officers of the company or any of them severally or jointly with any other persons

	2008	2007
Balance at beginning of the year	**61,852**	40,716
Loans granted during the year	**-**	42,695
Repayments	**(49,352)**	(21,559)
	(49,352)	21,136
Balance at end of the year	**12,500**	61,852

10. OTHER ASSETS

	Note	2008	2007
		(Rupees in '000)	
Income / mark-up accrued in local currency		**173,567**	179,861
Income / mark-up accrued in foreign currency		**108**	77
Advances, deposits, prepayments and other receivables		**13,153**	8,280
Central excise duty		**2,077**	2,077
		188,905	190,295
Provision held against other assets	10.1	**(26,154)**	(26,154)
		162,751	164,141

10.1 Provision against other assets

	2008	2007
Opening balance	**26,154**	26,154
Charge for the year	**-**	-
Closing balance	**26,154**	26,154

11. OPERATING FIXED ASSETS

	Note	2008	2007
Property and equipment	11.1	**107,138**	121,588

11.1 Property and equipment

	2008							
	Cost			Depreciation				
	As at January 1, 2008	Additions / (diposals)	As at December 31, 2008	As at January 1, 2008	Charge / (diposals)	As at December 31, 2008	Net book value as at December 31, 2008	Rate of depre-ciation %
	----------	----------	----------	(Rupees in '000)	----------	----------	----------	----------
Leasehold land	100	-	**100**	-	-	**-**	**100**	-
Building on lease hold land	112,149	-	**112,149**	25,382	2,804	**28,186**	**83,963**	2.50
Furniture and fixtures	31,324	430 (500)	**31,254**	27,577	2,366 (300)	**29,643**	**1,611**	20.00
Motor vehicles	79,420	8,180 (21,792)	**65,808**	53,830	7,958 (15,033)	**46,755**	**19,053**	20.00
Office equipment	32,871	504 (542)	**32,833**	29,140	2,396 (535)	**31,001**	**1,832**	33.33
Electrical appliances	7,820	437 (3,326)	**4,931**	6,167	252 (2,067)	**4,352**	**579**	20.00
	263,684	9,551 (26,160)	**247,075**	142,096	15,776 (17,935)	**139,937**	**107,138**	

	2007							
	Cost			Depreciation			Net book value as at December 31, 2007	Rate of depre-ciation %
	As at January 1, 2007	Additions / (diposals)	As at December 31, 2007	As at January 1, 2007	Charge / (diposals)	As at December 31, 2007		
	(Rupees in '000)							
Leasehold land	100	-	100	-	-	-	100	
Building on lease hold land	112,149	-	112,149	22,578	2,804	25,382	86,767	2.50
Furniture and fixtures	31,243	81	31,324	24,018	3,559	27,577	3,747	20.00
Motor vehicles	72,303	17,217	79,420	48,536	12,475	53,830	25,590	20.00
		(10,100)			(7,181)			
Office equipment	28,848	4,484	32,871	26,779	2,822	29,140	3,731	33.33
		(461)			(461)			
Electrical appliances	7,962	176	7,820	5,497	928	6,167	1,653	20.00
		(318)			(258)			
	252,605	21,958	263,684	127,408	22,588	142,096	121,588	
		(10,879)			(7,900)			

11.1.1 Included in cost of property and equipment are fully depreciated items still in use having cost of:

	(Rupees in '000)
Furniture and fixture	24,718
Motor vehicles	30,194
Office equipment	27,845
Electrical appliances	3,770

11.2 Details of disposals of fixed assets whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 which ever is less and assets disposed off to the chief executive or to a director or to executives or to any related party, irrespective of the value, are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particular of purchaser
	(Rupees in '000					
Motor vehicles						
Suzuki Cultus	560	560	-	56	Company policy	Inam ur Rahman Khan (Employee)
Honda City	846	169	677	677	-do-	Amer Hussain (Former Employee)
Suzuki Cultus	555	555	-	56	-do-	Farah Akber (Employee)
Toyota Corolla	879	527	352	352	-do-	Shoaib Ali Khan (Former Employee)
Honda City	795	636	159	159	-do-	Khurram Noor (Former Employee)
Honda Civic	1,564	313	1,251	1,550	Negotiation	Salim Yusuf (Former Employee)
Honda City	785	785	-	530	-do-	Iftikhar Ahmed (Former Employee)
Honda City	845	845	-	530	-do-	Shahid Usman (Former Employee)
Honda Civic	1,280	1,280	-	686	-do-	-do-
Toyota Estima	2,652	2,122	530	1,061	Board approved contract	Irfan Siddiqui (Former Employee)
Toyota Crown	2,931	2,931	-	293	-do-	-do-
Land Cruiser Parado	5,350	3,210	2,140	2,140	-do-	Istaqbal Mehdi (Former MD)
Toyota Camry Sedan	2,750	1,100	1,650	1,650	-do-	-do-
Electrical appliances						
Generator	900	540	360	360	Board approved contract	Istaqbal Mehdi (Former MD)
Home Theater	831	498	333	333	-do-	-do-
Hot Water Heating System	460	276	184	184	-do-	-do-
Generator	900	540	360	360	-do-	-do-
Office equipment						
Toshiba Note Book	155	155	-	-	Board approved contract	Istaqbal Mehdi (Former MD)
Computer and related items	100	93	7	7	-do-	-do-
Furniture and fixtures						
Furniture	500	300	200	200	Board approved contract	Istaqbal Mehdi (Former MD)

12. DEFERRED TAX ASSETS / (LIABILITY)

	Balance January 01, 2008	Recognised in profit and loss	Recognised in equity	Balance December 31, 2008
	(Rupees in '000)			
Debit / (credit) balances arising on account of				
Accelerated tax depreciation allowance	5,821	(1,585)	-	4,236
Provision for staff retirement gratuity and compensated absences	3,793	1,436	-	5,229
Other staff benefits	4,970	-	-	4,970
Finance lease arrangements	(282,379)	30,291	-	(252,088)
Provision against non-performing advances	111,795	252,574	-	364,369
Surplus / (deficit) on revaluation of 'available-for-sale' securities	(22,166)	-	21,680	(486)
	(178,166)	**282,716**	**21,680**	**126,230**

12.1 Deferred tax asset has not been recognised in respect of provision for diminution / impairment in the value of securities amounting to Rs. 3,863 million, as future capital gain against it is exempt from tax.

	Balance January 01, 2007	Recognised in profit and loss	Recognised in equity	Balance December 31, 2007
	(Rupees in '000)			
Debit / (credit) balances arising on account of				
Accelerated tax depreciation allowance	6,130	(309)	-	5,821
Provision for staff retirement gratuity and compensated absences	6,477	(2,684)	-	3,793
Other staff benefits	4,970	-	-	4,970
Finance lease arrangements	(301,161)	18,782	-	(282,379)
Provision against non-performing advances	124,417	(12,622)	-	111,795
Surplus / (deficit) on revaluation of 'available-for-sale' securities	134	-	(22,300)	(22,166)
	(159,033)	3,167	(22,300)	(178,166)

13. BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	2008	2007
		(Rupees in '000)	
In Pakistan		**6,370,782**	8,644,000

13.1 Particulars of borrowings with respect to currencies

	2008	2007
In local currency	**6,370,782**	8,644,000

13.2 Details of borrowings secured / unsecured

	Note	2008	2007
Secured			
Repurchase agreement borrowings	13.2.1	**3,351,634**	3,450,210
Term finance certificates (TFCs)	13.2.2	**1,650,000**	1,750,000
Borrowings from SBP under LTF-EOP	13.2.3	**369,148**	443,790
Unsecured			
Term finance certificates (TFCs)	13.2.4	**1,000,000**	3,000,000
		6,370,782	8,644,000

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 11.00 (2007: 9.25) percent per annum and 14.90 (2007: 9.55) percent per annum with maturity ranging from two days (2007: three days) to six days (2007: one month).

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 mark-up is payable on quarterly basis and the principal is repayable in five equal semi annual instalments 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 65 (2007: 65) basis points. As at December 31, 2008 the effective rate ranges between 15.81 and 16.15 (2007: 11.00 to 11.27) 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.

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.

The sanctioned limit was Rs. 1,000 million. The outstanding balance under swap arrangement amounts to Rs. 369.148 million as at December 31, 2008 (2007: Rs. 443.790 million).

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 is 85 (2007: 85 to 170) basis points over the cut-off yield of the last successful auction of six month T bills. As at December 31, 2008 the effective rate is 12.34 (December 31, 2007: 9.99 to 10.75) percent per annum.

14. DEPOSITS AND OTHER ACCOUNTS

	2008	2007
	(Rupees in '000)	
Certificates of investment (COI) / deposits		
Financial institutions	**-**	1,875,000
Others	**37,500**	72,500
	37,500	1,947,500

The profit rates on these COIs range between 9.75 (2007: 9.45) and 14.03 (2007: 10.25) percent per annum. The COIs are due for maturity between January 19, 2009 and March 22, 2010 (2007:January 28, 2008 to March 22, 2010). Included in COIs is an amount of Rs. 35 million (2007: Rs. 1,945 million) payable within twelve months. All COIs / deposits are in local currency.

15. OTHER LIABILITIES

	Note	2008	2007
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		**66,979**	119,580
Accrued liabilities		**65,835**	134,826
Retention money payable		**22**	1,737
Taxation		**470,901**	242,258
Staff retirement gratuity	29.1.3	**5,393**	4,151
Security deposits against finance lease	9.2.2	**130,968**	127,759
Employees' compensated absences		**9,291**	6,429
Payable on account of purchase of marketable securities		**-**	3,345
Other liabilities		**1,260**	4,105
		750,649	644,190

16. SHARE CAPITAL

16.1 Authorised Share Capital

2008	2007		2008	2007
(Number of shares)				
400,000	400,000	Ordinary shares of Rs. 25,000 each	**10,000,000**	10,000,000

16.2 Issued, Subscribed and Paid-up Share Capital

2008	2007		2008	2007
(Number of shares)				
25,950	25,950	Ordinary shares of Rs. 25,000 each issued for cash	**648,750**	648,750
214,050	214,050	Ordinary shares of Rs. 25,000 each issued as bonus shares	**5,351,250**	5,351,250
240,000	240,000		**6,000,000**	6,000,000

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 (2007 : 120,000) ordinary shares of the company as at December 31, 2008.

16.3 Reserves

	Note	2008	2007
		(Rupees in '000)	
Capital reserves	16.3.1	**3,288,822**	3,368,867
Revenue reserves	16.3.2	**3,158,890**	2,422,404
		6,447,712	5,791,271

16.3.1 Capital reserves

	Note	2008	2007
		(Rupees in '000)	
Statutory reserve - compulsory reserve	16.3.1.1		
At beginning of the year		**3,288,822**	2,998,991
Add: Transfer during the year		**-**	289,831
		3,288,822	3,288,822
Special reserve	16.3.1.2		
At beginning of the year		**80,045**	80,045
Less: Transfer to marketable and government securities reserve		**(80,045)**	-
		-	80,045
		3,288,822	3,368,867

16.3.1.1 Statutory reserve

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 and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve. Due to loss during the year the transfer during the year is Nil (2007: Rs.289.831 million).

16.3.1.2 Special reserve

This was created under Income Tax Ordinance, 1979 (now repealed) and has been transferred to marketable and government securities reserve.

16.3.2 Revenue reserves

	Note	2008	2007
		(Rupees in '000)	
Contingencies reserve	16.3.2.1		
At beginning of the year		**232,751**	182,065
Add: Transfer during the year		**42,086**	50,686
		274,837	232,751
Marketable and government securities reserve	16.3.2.2		
At beginning of the year		**2,189,653**	1,523,268
Add: Transfer during the year		**614,355**	666,385
Add: Transfer from special reserve		**80,045**	-
		2,884,053	2,189,653
		3,158,890	2,422,404

16.3.2.1 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.

16.3.2.2 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.

17. (DEFICIT) / SURPLUS ON REVALUATION OF 'AVAILABLE-FOR-SALE' SECURITIES-NET OF TAX

	2008	2007
	(Rupees in '000)	
Federal and provincial government securities	**902**	-
Quoted shares	**(59,956)**	39,037
Other securities	**108**	2,127
	(58,946)	41,164

18. CONTINGENCIES AND COMMITMENTS

18.1 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 'Capital 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 a 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 of 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 the case will be decided in its favour and the company will not be liable to taxes on capital gains on the basis used by the department.

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.

18.2 Other contingencies

	2008	2007
	(Rupees in '000)	
Direct credit substitute – guarantee issued	**1,550**	9,846

18.3 Other commitments

	Note	2008	2007
Underwriting commitment		**-**	71,000
Undisbursed sanctions for financial assistance in the form of:			
- equity participation	18.3.1	**1,135,100**	191,220
- loans and advances		**200,936**	532,400
		1,336,036	794,620

18.3.1 This amount includes commitments to related parties.

19. MARK - UP / RETURN / INTEREST EARNED

	2008	2007
On loans and advances to customers	**387,178**	527,749
On investments in:		
- 'Available-for-sale' securities	**111,658**	71,560
- 'Held-to-maturity' securities	**-**	1,777
On deposits with financial institutions	**406,084**	412,294
On securities purchased under resale agreements	**253,625**	488,523
	1,158,545	1,501,903

Pak Kuwait

20. MARK-UP / RETURN / INTEREST EXPENSED

	Note	2008	2007
		(Rupees in '000)	
Deposits / borrowings from financial institutions		**486,850**	728,848
Securities sold under repurchase agreement		**63,716**	164,693
Other short term borrowings		**625**	789
		551,191	894,330

21. GAIN / (LOSS) ON SALE OF SECURITIES

		2008	2007
Federal Government Securities			
- Market treasury bills		**2**	53
- Pakistan investment bonds		**-**	61
Shares - listed securities		**279,579**	1,266,513
Shares - unquoted securities		**1,050**	(3,900)
		280,631	1,262,727

22. OTHER INCOME

		2008	2007
Profit on sale of operating fixed assets		**3,028**	1,135
Others		**29,687**	57,892
		32,715	59,027

23. ADMINISTRATIVE EXPENSES

	Note	2008	2007
Salaries, allowances and employees' benefits		**118,360**	170,653
Directors' remuneration (including remuneration of Chief Executive)		**38,124**	51,874
Provision for gratuity	29.1.4	**6,972**	9,053
Employer's contribution to the provident fund		**5,785**	5,173
Travelling and conveyance		**9,074**	14,938
Rent and rates		**9,129**	8,642
Utilities		**3,168**	2,716
Communication		**7,409**	7,720
Professional training and staff welfare		**537**	1,288
Advertisements, periodicals and membership dues		**5,826**	7,217
Printing and stationery		**2,615**	2,262
Depreciation	11.1	**15,776**	22,588
Auditors' remuneration	23.1	**4,928**	2,031
Legal, consultancy and other professional services		**20,739**	21,118
Repairs and maintenance		**16,260**	13,575
Motor vehicle expenses		**8,989**	7,372
Insurance		**2,758**	2,574
Donations		**-**	50
Entertainment		**1,516**	1,419
Bank charges		**220**	196
Miscellaneous		**8,017**	47,829
		286,202	400,288

23.1 Auditor's remuneration

		2008	2007
Audit fee		**950**	886
Fee for half yearly review		**365**	339
Special certifications and sundry advisory services		**3,326**	639
Out of pocket expenses		**287**	167
		4,928	2,031

Pak Kuwait

24. OTHER CHARGES

	2008	2007
	(Rupees in '000)	
Penalties imposed by the State Bank of Pakistan	**50**	55

25. TAXATION

	2008	2007
For the year		
- Current	**312,315**	296,943
- Deferred	**(282,716)**	(3,167)
	29,599	293,776

25.1 Relationship between tax expense and accounting profit

	2008	2007
(Loss) / profit before taxation	**(4,072,470)**	1,742,932
Tax at the applicable rate of 35% (2007: 35%)	**(1,425,365)**	610,026
Net tax effect on income taxed at reduced rates	**(50,436)**	(54,664)
Net tax effect of expenses not subject to tax	**1,480,815**	(255,638)
Others	**24,585**	(5,948)
	29,599	293,776

26. BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

	2008	2007
(Loss) / profit for the year	**(4,102,069)**	1,449,156
	(Number in '000)	
Weighted average number of ordinary shares	**240**	240
	(Rupees)	
Basic (loss) / earnings per share	**(17,092)**	6,038

26.1 There were no convertible diluted potential ordinary shares outstanding as on December 31, 2008 and December 31, 2007.

27. CASH AND CASH EQUIVALENTS

	2008	2007
	(Rupees in '000)	
Cash and balances with treasury banks	**17,179**	24,849
Balances with other banks	**2,759,358**	5,349,009
	2,776,537	5,373,858

28. STAFF STRENGTH

	2008	2007
	(Number)	
Permanent	**59**	58
Temporary / on contractual basis	**17**	16
Own staff strength at the end of the year	**76**	74
Outsourced	**32**	35
Total staff strength	**108**	109

29. DEFINED BENEFIT PLAN

29.1 Staff retirement gratuity

29.1.1 Principal actuarial assumptions

	2008	2007
	(% per anum)	
Discount rate	**15**	10
Expected rate of increase in salaries	**15**	9
Expected rate of return on investments	**15**	10
Normal retirement age	**60 years**	60 years

29.1.2 Reconciliation of payable to defined benefit plan

		2008	2007
		(Rupees in '000)	
Present value of defined benefit obligations	29.1.5	**40,136**	27,370
Fair value of plan assets	29.1.6	**(9,620)**	(7,198)
		30,516	20,172
Unrecognised actuarial losses		**(25,123)**	(16,021)
		5,393	4,151

29.1.3 Movement in liability

		2008	2007
Opening balance		**4,151**	23,915
Expense charged in the current year	29.1.4	**6,972**	9,053
Company's contribution to gratuity fund		**(5,730)**	(28,817)
Closing balance		**5,393**	4,151

29.1.4 Gratuity charge for the year

	2008	2007
Current service cost	**3,864**	4,357
Interest cost	**2,790**	4,518
Expected return on plan assets	**(789)**	(663)
Actuarial loss amortised	**1,107**	841
	6,972	9,053

29.1.5 Reconciliation of present value of defined benefit obligation

	2008	2007
Opening balance of defined benefit obligation	**27,370**	44,720
Current service cost	**3,864**	4,357
Interest cost	**2,790**	4,518
Actuarial benefits paid during the year	**(4,223)**	(28,472)
Actuarial gain on obligation	**10,335**	2,247
Closing balance of defined benefit obligation	**40,136**	27,370

29.1.6 Reconciliation of fair value of plan assets

	2008	2007
Opening fair value of plan assets	**7,198**	6,244
Expected return on plan assets during the year	**789**	663
Actual contributions made by the employer	**5,730**	28,816
Actual benefits paid during the year	**(4,223)**	(28,472)
Actuarial gain / (loss) on plan assets	**126**	(53)
Closing fair value of plan assets	**9,620**	7,198

Actual return on plan assets is 9.5% as at December 31, 2008.

29.1.7 Historical information of defined benefit plan

	Present value of the defined benefit plan	Fair value of the plan assets	Deficit in the plan	Gain / (loss) on plan liabilities due to experience	Gain / (loss) on plan assets due to experience
	(Rupees in '000)				
2008	**40,136**	**9,620**	**(30,516)**	**(10,335)**	**126**
2007	27,370	7,198	(20,172)	(2,247)	(53)
2006	44,720	6,243	(38,477)	(3,461)	(221)
2005	35,320	2,427	(32,893)	(4,351)	(593)
2004	33,354	7,153	(26,201)	427	513

29.1.8 Break up of investments

	2008	2007
	%	
Bank balances	**40**	4
Musharika deposits	**60**	96
	100	100

29.1.9 The expected gratuity expense for the year ending December 31, 2009 works out to be Rs.10.930 million.

29.1.10 The Company operates an approved funded contributory provident fund for all its permanent employees to which monthly contributions are made both by the Company (at 10 % of basic salary), and by the employees (at the rate of 10 % - 30 %) of basic salary.

30. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2008	2007	**2008**	2007	**2008**	2007
	(Rupees in '000)					
Fee	**-**	-	**3,530**	2,380	**-**	-
Managerial remuneration	**19,395**	33,304	**-**	-	**55,228**	78,963
Charge for defined benefit plan	**652**	656	**-**	-	**3,393**	2,270
Contribution to defined contribution plan	**782**	787	**-**	-	**4,409**	2,352
Rent and house maintenance	**4,130**	3,637	**-**	-	**24,852**	15,595
Utilities	**142**	175	**-**	-	**5,523**	3,465
Medical	**198**	715	**-**	-	**4,009**	2,826
Others	**12,896**	6,778	**-**	5,775	**-**	-
	38,195	46,052	**3,530**	8,155	**97,414**	105,471
No. of persons	**2**	1	**5**	5	**44**	30

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

30.2 The compensation for 2008 includes remuneration and retirement benefits of outgoing chief executive till November 25, 2008.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

31.1 On balance sheet financial instruments

	2008		2007	
	Book value	**Fair value**	Book value	Fair value
	---------- **(Rupees in '000)** ----------			
Financial Assets				
- Cash balances with treasury banks	**17,179**	**17,179**	24,849	24,849
- Balances with other banks	**2,759,358**	**2,759,358**	5,349,009	5,349,009
- Lendings to financial institutions	**500,000**	**500,000**	6,591,584	6,591,584
- Investments	**8,436,921**	**10,651,191**	8,074,324	11,825,801
- Advances	**3,358,935**	**3,358,935**	4,080,121	4,080,121
- Other assets	**149,598**	**149,598**	155,861	155,861
	15,221,991	**17,436,261**	24,275,748	28,027,225
Financial Liabilities				
- Borrowings from financial institutions	**6,370,782**	**6,370,782**	8,644,000	8,644,000
- Deposits and other accounts	**37,500**	**37,500**	1,947,500	1,947,500
- Other liabilities	**274,355**	**274,355**	397,781	397,781
	6,682,637	**6,682,637**	10,989,281	10,989,281

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.

32. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

2008

	Corporate Finance	**Treasury Banking**	**Investment Markets**	**Capital**	**Others**	**Total**
	---------- **(Rupees in '000)** ----------					
Total income - gross	**436,364**	**786,727**	**3,697**	**436,742**	**15,037**	**1,678,567**
Total mark-up / return / interest expense	**(433,073)**	**(118,118)**	**-**	**-**	**-**	**(551,191)**
Segment provision / impairment / unrealised losses	**(634,088)**	**(150,000)**	**-**	**(4,129,506)**	**-**	**(4,913,594)**
	(1,067,161)	**(268,118)**	**-**	**(4,129,506)**	**-**	**(5,464,785)**
Net operating income	**(630,797)**	**518,609**	**3,697**	**(3,692,764)**	**15,037**	**(3,786,218)**
Administrative expenses and other charges						**(286,252)**
Profit before taxation						**(4,072,470)**
Segment assets - net	**3,908,126**	**7,732,843**	**-**	**3,384,138**	**443,405**	**15,468,512**
Segment non-performing loans	**1,278,058**	**-**	**-**	**-**	**-**	**1,278,058**
Segment provision required and held	**910,181**	**-**	**-**	**-**	**-**	**910,181**
Segment liabilities	**3,019,148**	**3,389,134**	**-**	**-**	**750,649**	**7,158,931**
Segment return on net assets (ROA) %	**9.81**	**12.74**	**-**	**6.92**	**3.21**	**-**
Segment cost of funds (%)	**10.96**	**8.79**	**-**	**-**	**-**	**-**

2007

	Corporate Finance	Treasury Banking	Investment Markets	Capital	Others	Total
	---------- (Rupees in '000) ----------					
Total income - gross	598,728	915,464	7,690	1,475,452	55,034	3,052,368
Total mark-up / return / interest expense	(529,617)	(364,713)	-	-	-	(894,330)
Segment provision / impairment / unrealised gains	35,999	(3,812)	-	(46,950)	-	(14,763)
	(493,618)	(368,525)	-	(46,950)	-	(909,093)
Net operating income	105,110	546,939	7,690	1,428,502	55,034	2,143,275
Administrative expenses and other charges						(400,343)
Profit before taxation						1,742,932
Segment assets - net	4,849,479	11,965,412	-	7,243,114	347,611	24,405,616
Segment non-performing loans/financings	1,278,058	150,000	-	-	-	1,428,058
Segment provision required and held	910,181	150,000	-	-	-	1,060,181
Segment liabilities	5,193,790	5,397,710	-	-	822,356	11,413,856
Segment return on net assets (ROA) %	11.01	9.56	-	23.26	10.72	-
Segment cost of funds (%)	10.16	9.50	-	-	-	-

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

33. RELATED PARTY TRANSACTIONS

The company has related party relationship with its associates, associated undertakings, subsidiary companies, employee benefit plans, key management personnel and its directors.

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.

	2008	2007
	(Rupees in '000)	
Expenses charged to a related party	**10,491**	10,212
Expenses charged by		
- associates	**3,058**	1,902
- other related party	**13,703**	10,956
Dividend income from		
- associates	**27,954**	69,885
- other related parties	**-**	16,779
Placement / COI with an associate		
Balance as at January 1,	**35,684**	149,381
Matured during the year	**(47,205)**	(114,850)
Exchange gain	**11,521**	1,153
	(35,684)	(113,697)
Balance as at December 31	**-**	35,684
Mark-up earned on placement with an associate	**1,206**	6,464
Mark-up receivable on placement / COI / leases & loans and advances		
- with associates	**49**	179
- other related parties	**-**	3,790
Mark-up earned on loans and advances		
- associates	**4,238**	7,206
- other related parties	**-**	16,191
Loans and advances to key management personnel		
Balance as at January 1,	**14,618**	9,126
Disbursement during the year	**-**	19,643
Recovery during the year	**(10,864)**	(14,151)
	(10,864)	5,492
Balance as at December 31	**3,754**	14,618
Advances to associates / other related parties	**12,500**	197,534
Mark-up expense on COI of a related party	**869**	188
Bank balances with an associate	**6,906**	9,886
Mark-up payable to other related party	**97**	6
Investments in		
- quoted, at market values		
- associates	**3,591,019**	5,202,758
- other related parties	**-**	314,184
- unquoted, at cost		
- subsidiary companies	**81,120**	55,020
- associates	**300,280**	312,053
- other related parties	**500**	500
Commitments for investment in equity of / loan to associates	**1,135,100**	191,220
Contribution made to provident fund	**5,785**	5,173
Contribution made to gratuity fund	**6,972**	7,057

Key management personnel

Key management personnel include the Managing Director, Deputy General Manager, Senior Executive Vice Presidents, Chief Financial Officer and the Company Secretary. Their salaries and other benefits amount to Rs. 51.990 million (2007: Rs. 73.928 million) and staff retirement benefits amount to Rs. 3.176 million (2007: Rs. 3.259 million).

34. ASSOCIATES AND ASSOCIATED UNDERTAKINGS

The investments in associates are valued as stated in note 4.4 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 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, National Clearing Company of Pakistan Limited in which company's direct percentage of holdings are 12, 30, 30, 28, 50, 25, 30 and 18 respectively. The company also holds units in Meezan Balance Fund and Meezan Islamic Income Fund.

35. CAPITAL ADEQUACY

35.1 The company's objectives when managing its capital are:

a) To comply with the capital requirements set by the State Bank of Pakistan;
b) To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
c) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regularly by the company's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the State Bank of Pakistan. In implementing current capital requirements, SBP requires to maintain a prescribed ratio of 9% total capital to total risk-weighted assets on standalone as well a on consolidated basis using the Standardized approach of Basel-II. The Company maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company's regulatory capital is analyzed in following tiers:

- Tier 1 Capital which includes fully paid up capital, general reserves as disclosed in the financial statements and un-appropriated profits, etc. after deductions for deficit on revaluation of available for sale investments and 50% deduction for investments in the equity of subsidiary companies and significant minority investment entities engaged in banking and financial activities.

- Tier 2 Capital, which includes reserve on revaluation of equity investments upto a maximum of 45% of the balance after 50% deduction for investments in the equity of subsidiary companies and significant minority investments in entities engaged in banking and financial activities.

According to SBP guidelines on Internal Capital Adequacy Assessment Process (ICAAP), the Company also intends to implement ICAAP. The company will develop policies and methodologies to monitor and manage risk covered in Pillar-II of Basel II and to meet the challenges of ICAAP.

Pak Kuwait

35.2 Capital adequacy ratio

	2008	2007
	(Rupees in '000)	
CAP 1		
Tier 1 Capital		
Fully paid-up capital	**6,000,000**	6,000,000
General Reserves as disclosed on the balance sheet	**6,447,712**	5,791,271
(Accumulated loss) /Un-appropriated profit	**(4,079,185)**	1,159,325
Sub-Total	**8,368,527**	12,950,596
Deductions:		
Deficit on account of revaluation of investments held AFS category	**59,956**	-
Other deductions (50% of the amount as calculated on CAP 2)	**773,155**	760,105
Sub-Total	**833,111**	760,105
Total eligible Tier 1 Capital	**7,535,416**	12,190,491
Supplementary Capital		
Tier 2 Capital	**-**	-
Deductions		
Other deductions (50% of the amount as calculated on CAP 2)	**773,155**	760,105
Total deductions	**773,155**	760,105
Total supplementary capital eligible for capital adequacy ratio	**(773,155)**	(760,105)
(Maximum upto 100% of Total eligible Tier 1 capital)		
Total eligible capital	**6,762,261**	11,430,386

Risk weighted exposures	Risk Weighted Assets	
	2008	2007
	(Rupees in '000)	
Credit risk		
Other sovereigns, GOP, PG, SBP other than PKR	**-**	-
PSE's	**-**	-
Banks	**565,635**	1,659,752
Corporates	**3,026,186**	6,228,559
Retail portfolio	**1,187**	1,791
Secured by residential property	**15,985**	20,812
Past due loans	**332,600**	500
Listed equity investments	**330,155**	444,378
Unlisted equity investments	**133,116**	145,317
Investments in fixed assets	**107,138**	121,588
Other assets	**139,384**	8,281
	4,651,386	8,630,978
Credit risk on off balance sheet		
Non market related	**1,336,268**	788,717
Market related	**-**	1,620
	1,336,268	790,337
Equity position risk	**5,014,774**	11,583,662
Operational risk	**1,454,530**	1,834,621
	12,456,958	22,839,598
Capital adequacy ratios		
Total eligible regulatory capital	**6,762,261**	11,430,386
Total risk weighted assets	**12,456,958**	22,839,598
TOTAL CAPITAL ADEQUACY RATIO	**54.29%**	50.05%

Pak Kuwait

35.3 Types of exposures and ECAI's used

Exposures	JCR-VIS	PACRA
PSE's		
Banks	4	4
Corporates	4	4
Sovereigns and GOP other than PKR		

35.4 Credit exposures subject to standardised approach

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net amount
		(Rupees in '000)		
GOP	1	2,960	-	2,960
Banks	2,3	6,958	-	6,958
Corporates	1	532,777	-	532,777
	2	145,429	-	145,429
	Unrated	5,603,262	-	5,603,262
		6,291,386	-	6,291,386

36. RISK MANAGEMENT

Risk taking is central to all financing activities. The Company evaluates business opportunities in terms of the risk-reward relationship. The risk that company takes are reasonable, controlled within its financial resources and credit competence.

The following key principles form part of our approach to risk management:

- The Board through its subcommittee reviews and approves risk policies and tolerance limit whenever required.
- Various committees at functional level oversee the implementation of risk management policies.
- Market and Liquidity Risk are managed by a well-represented Asset Liability Committee (ALCO). And the Credit Committee oversees Credit Risk.
- The Risk Management function acts independently.

The risk management framework is based on prudent risk, measurement monitoring and management process which are closely aligned with all activities so as to ensure that risks are kept with an acceptable level.

36.1 Credit risk

Credit Risk is the risk of loss due to the failure of a borrower to meet its credit obligations in accordance with agreed contract terms. Company's Credit process is guided by centrally established credit policies, rules and guidelines continuing to close to the market approach with aim to maintain a well-diversified portfolio of credit risk who produces a reliable and consistent return.

Company has a system of checks and balances in place around the extension of credit that are:

- an independent risk management function.
- multiple credit approvers
- an internal audit function

Silent features of risk approval process as follows:

- Every extension of credit to any counter party requires approval by pre-defined level of authority.
- All business groups must apply consistent standards in arriving at their credit decisions.
- Every material change to a credit facility requires approval at the appropriate / pre-defined level.

The company is using Basel II standardized approach to calculate risk weighted assets against credit risk.

The company performs stress testing on its credit portfolio aaccording to SBP stress testing guidelines.

The disbursement , administration and monitoring of credit facilities is managed by Credit Administration Department (CAD) linked to various business units.

The company monitors its credit portfolio on continuing basis. Procedures are in place to identify at an early stage, credit exposure for which there may be a risk of loss.

36.1.1 Segment by class of business

	2008					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agriculture, forestry, hunting and fishing	114,286	2.68	-	-	-	-
Textile	1,778,679	41.66	-	-	-	-
Chemical and pharmaceutical	216,274	5.07	-	-	6,443	0.48
Cement	107,783	2.52	-	-	-	-
Sugar	259,375	6.08	-	-	-	-
Footwear and leather garments	160,380	3.76	35,000	93.33	-	-
Automobile and transportation equipment	40,760	0.95	-	-	-	-
Electronics and electrical appliances	14,164	0.33	-	-	-	-
Construction	395,747	9.27	-	-	16,220	1.21
Transport, storage and communication	271,354	6.36	-	-	-	-
Financial and Insurance	48,790	1.14	-	-	1,118,880	83.65
Power	250,000	5.86	-	-	1,550	0.12
Services	87,500	2.05	-	-	52,069	3.89
Individuals	49,928	1.17	-	-	-	-
Others	474,096	11.0	2,500	6.67	142,424	10.65
	4,269,116	100.00	37,500	100.00	1,337,586	100.00

	2007					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agriculture, forestry, hunting and fishing	160,000	3.62	-	-	-	-
Textile	2,025,159	45.83	-	-	186,450	23.17
Chemical and pharmaceutical	103,659	2.35	-	-	56,443	7.02
Cement	215,271	4.87	-	-	59,846	7.44
Sugar	386,875	8.76	-	-	-	-
Footwear and leather garments	125,240	2.83	35,000	1.80	9,507	1.18
Automobile and transportation equipment	51,250	1.16	35,000	1.80	-	-
Electronics and electrical appliances	38,198	0.86	-	-	30,000	3.73
Construction	482,995	10.93	-	-	16,220	2.02
Transport, storage and communication	78,962	1.79	-	-	-	-
Financial and Insurance	8,333	0.19	1,875,000	96.27	196,000	24.36
Services	153,571	3.48	-	-	150,000	18.65
Individuals	64,538	1.46	-	-	-	-
Others	524,609	11.87	2,500	0.13	100,000	12.43
	4,418,660	100.00	1,947,500	100.00	804,466	100.00

36.1.2 Segment by sector

	2008					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	-	-	35,000	93.33	1,550	0.12
Private	4,269,116	100.00	2,500	6.67	1,336,036	99.88
	4,269,116	100.00	37,500	100.00	1,337,586	100.00

	2007					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	-	-	35,000	1.80	-	-
Private	4,418,660	100.00	1,912,500	98.20	804,466	100.00
	4,418,660	100.00	1,947,500	100.00	804,466	100.00

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

	2008		2007	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Rupees in '000)			
Public / government	-	-	-	-
Private	1,278,058	910,181	338,539	338,539
	1,278,058	910,181	338,539	338,539

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

	2008		2007	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Rupees in '000)			
Textile	799,144	431,268	71,190	71,190
Construction	169,110	169,110	196,071	196,071
Others	309,804	309,803	71,278	71,278
	1,278,058	910,181	338,539	338,539

36.2 Liquidity risk

Liquidity Risk is the risk that the company is unable to fund its current obligations and operations in the most cost effective manner.

To limit this risk the company maintains statutory deposits with the central bank. In addition, ALCO is the forum to oversee liquidity management. The company's key funding source is the inter-bank money market. Change in government monetary policy and market expectations of interest rate are the factors that can affect the company's key funding source.

Comprehensive gap analysis is done on monthly basis to evaluate match / mismatch of assets and liabilities. Based on the results, ALCO devise the liquidity management strategy to maintain sufficient liquidity.

36.2.1 Maturities of assets and liabilities

2008

	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	17,179	17,179	-	-	-	-	-	-	-	-
Balances with other banks	2,759,358	1,259,358	1,500,000	-	-	-	-	-	-	-
Lendings to financial institutions	500,000	-	-	500,000	-	-	-		-	-
Investments	8,436,921	9,375	4,097,063	597,916	596,665	1,193,330	180,330	316,941	1,445,301	-
Advances	3,358,935	695,421	184,211	91,645	225,458	306,287	727,236	597,590	516,087	15,000
Other assets	162,751	2,185	160,566	-	-	-	-	-	-	-
Operating fixed assets	107,138	-	-	-	6,961	6,961	6,961	12,700	10,508	63,047
Deferred tax assets	126,230	-	-	-	-	126,230	-	-	-	-
	15,468,512	1,983,518	5,941,840	1,189,561	829,084	1,632,808	914,527	927,231	1,971,896	78,047
Liabilities										
Borrowings from financial institutions	6,370,782	3,351,731	1,033,422	33,852	64,076	400,000	1,250,000	231,047	-	6,654
Deposits and other accounts	37,500	15,000	20,000	-	-	2,500	-	-	-	-
Other liabilities	750,649	-	43,383	-	488,905	-	108,491	94,480	15,390	-
	7,158,931	3,366,731	1,096,805	33,852	552,981	402,500	1,358,491	325,527	15,390	6,654
Net assets	8,309,581	(1,383,213)	4,845,035	1,155,709	276,103	1,230,308	(443,964)	601,704	1,956,506	71,393
Share capital	6,000,000									
Reserves	6,447,712									
Accumulated loss	(4,079,185)									
Deficit on revaluation of 'available-for-sale' securities – net of tax	(58,946)									
	8,309,581									

2007

	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	24,849	24,849	-	-	-	-	-	-	-	-
Balances with other banks	5,349,009	2,799,009	2,550,000	-	-	-	-	-	-	-
Lendings to financial institutions	6,591,584	4,769,582	1,822,002	-	-	-	-	-	-	-
Investments	8,074,324	13,463	248,528	1,438,718	1,447,846	2,888,666	212,370	389,400	1,435,333	-
Advances	4,080,121	226,010	178,139	473,985	494,209	1,027,347	805,980	761,803	100,323	12,325
Other assets	164,141	-	164,141	-	-	-	-	-	-	-
Operating fixed assets	121,588	-	-	-	7,444	7,441	7,441	12,396	-	86,866
	24,405,616	7,832,913	4,962,810	1,912,703	1,949,499	3,923,454	1,025,791	1,163,599	1,535,656	99,191
Liabilities										
Borrowings from financial institutions	8,644,000	3,450,210	-	1,506,489	500,000	1,050,587	572,629	1,461,156	102,929	-
Deposits and other accounts	1,947,500	415,000	1,530,000	-	-	-	2,500	-	-	-
Deferred tax liability	178,166	-	-	-	-	178,166	-	-	-	-
Other liabilities	644,190	4,697	153,034	56,916	285,992	59,928	50,861	19,829	12,933	-
	11,413,856	3,869,907	1,683,034	1,563,405	785,992	1,288,681	625,990	1,480,985	115,862	-
Net assets	12,991,760	3,963,006	3,279,776	349,298	1,163,507	2,634,773	399,801	(317,386)	1,419,794	99,191
Share capital	6,000,000									
Reserves	5,791,271									
Un-appropriated profit	1,159,325									
Surplus on revaluation of 'available-for-sale' securities – net of tax	41,164									
	12,991,760									

36.3 Market risk

It is the risk that the value of on and off - balance sheet positions of a financial institution will be adversely affected by movements in market variables, such as interest rates, foreign exchange rates, equity prices and credit spreads.

PKIC is exposed to interest risk and equity price risk. Market Risk at PKIC is managed by the Risk Management Function which makes sure that exposure in Money Market and Equity Market adheres with the risk tolerance level and matches with overall business goals set by Board of Directors (BOD), Risk Management Committee (RMC) and Asset Liability Committee (ALCO).

Market Risk pertaining to the Trading Book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. The trading book includes equity securities classified as "Held for Trading". These positions are actively managed by the capital market department.

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

- Available for Sale Securities
- Held to Maturity Securities
- Other Strategic Investment
- Investment in Government Securities, Bonds etc.

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

The company is using Basel-II Standardized approach to calculate risk weighted assets against market risk exposure.

36.3.1 Interest rate risk

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specific period. The company manages its interest rate risk by entering into floating rate agreements with its customers. To discuss the interest rate risk strategy ALCO conducts a meeting on monthly basis. The risk management function carries out stress testing to ascertain the interest rate risk on the balance sheet and also prepares the interest rate risk profile on monthly basis.

	2008											
	Effective yield / interest rate %	Exposed to yield / profit risk										Not exposed to yield / interest rate risk
		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	Above ten years	
		(Rupees in '000)										
On balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks		17,179	-	-	-	-	-	-	-	-	-	17,179
Balances with other banks	19.92	2,759,358	1,255,493	1,500,000	-	-	-	-	-	-	-	3,865
Lending to financial institutions	23.00	500,000	-	-	-	500,000	-	-	-	-	-	-
Investments	13.76	8,436,921	25,063	3,979,123	10,417	33,728	-	-	124,917	-	-	4,263,673
Advances	15.14	3,358,935	695,421	183,678	91,645	225,458	306,287	727,236	596,540	470,414	15,000	47,256
Other assets		149,598	-	-	-	-	-	-	-	-	-	149,598
		15,221,991	1,975,977	5,662,801	102,062	759,186	306,287	727,236	721,457	470,414	15,000	4,481,571
Financial Liabilities												
Borrowings from financial institutions	13.51	6,370,782	3,351,731	1,033,422	33,852	64,076	400,000	1,250,000	231,047	-	6,654	-
Deposits and other accounts	10.09	37,500	15,000	20,000	-	-	2,500	-	-	-	-	-
Other liabilities		274,356	-	-	-	-	-	-	-	-	-	274,356
		6,682,638	3,366,731	1,053,422	33,852	64,076	402,500	1,250,000	231,047	-	6,654	274,356
On balance sheet gap		8,539,353	(1,390,754)	4,609,379	68,210	695,110	(96,213)	(522,764)	490,410	470,414	8,346	4,207,215

	2007											
	Effective yield / interest rate %	Exposed to yield / profit risk										Not exposed to yield / interest rate risk
		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	Above ten years	
		(Rupees in '000)										
On balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks		24,849	-	-	-	-	-	-	-	-	-	24,849
Balances with other banks	10.51	5,349,009	2,796,053	2,550,000	-	-	-	-	-	-	-	2,956
Lendings to financial		-										
institutions	9.45	6,591,584	4,769,582	1,822,002	-	-	-	-	-	-	-	-
Investments	11.61	8,074,324	115,342	78,646	209,554	-	-	-	-	-	-	7,670,782
Advances	11.69	4,080,121	528,732	2,435,268	1,054,269	-	-	-	-	-	-	61,852
Other assets		155,861	-	-	-	-	-	-	-	-	-	155,861
		24,275,748	8,209,709	6,885,916	1,263,823	-	-	-	-	-	-	7,916,300
Financial Liabilities												
Borrowings from financial institutions	9.9	8,644,000	3,950,210	2,750,000	1,506,489	-	50,587	72,629	211,156	102,929	-	-
Deposits and other accounts	9.65	1,947,500	415,000	1,530,000	-	-	-	2,500	-	-	-	-
Other liabilities		397,781	-	-	-	-	-	-	-	-	-	397,781
		10,989,281	4,365,210	4,280,000	1,506,489	-	50,587	75,129	211,156	102,929	-	397,781
On balance sheet gap		13,286,467	3,844,499	2,605,916	(242,666)	-	(50,587)	(75,129)	(211,156)	(102,929)	-	7,518,519

36.3.2 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.

	2008			
	Assets	**Liabilities**	**Off balance sheet items**	**Net currency exposure**
	(Rupees in '000)			
Pakistan Rupees	**15,419,263**	**7,158,931**	**-**	**8,260,332**
United States Dollars	**49,249**	**-**	**-**	**49,249**
	15,468,512	**7,158,931**	**-**	**8,309,581**

	2007			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupees	24,367,622	11,413,856	-	12,953,766
United States Dollars	37,994	-	-	37,994
	24,405,616	11,413,856	-	12,991,760

36.3.3 Equity price risk

It is the risk to earnings or capital that results from adverse changes in the value/price of equity related portfolios.

The Equity Portfolio Strategic Committee (EPSC) approves exposure limits applicable to investments and meets on regular basis to discuss equity investments related strategy. EPSC is responsible for making investments decisions in the capital market and setting limits that are a component of the risk management framework. Portfolio, Sector and Scrip wise limits are assigned by the EPSC to guard against concentration risk and these limits are reviewed and revised periodically. Risk management function ensures compliance of portfolio, sector and scrip wise limits set by EPSC and regulatory authority.

36.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and system of form external events.

The Company is using Basic Indicator Approach to calculate Operational risk weighted assets as per Basel II requirements for capital adequacy calculation.

Pak Kuwait

37. ACCOUNTING ESTIMATES AND JUDGEMENTS

37.1 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 mark-up and principal, expected future cash flows of the business, security position and personal wealth of the directors and owners are taken into account.

37.2 Classification of investments

In classifying investments as 'held-for-trading' the company has determined securities which are acquired with the intention to trade by taking advantage of taking short term market / interest rate movements and are to be sold within 90 days.

In classifying investments as 'held-to-maturity' the company follows the guidance provided in SBP circulars on classifying non derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgement, the company evaluates its intention and ability to hold such investment to maturity.

The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available-for-sale'.

37.3 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 judgement, the management considers among other factors, the decline in market price below cost by 30% as significant and if the decline in market price persists for 9 months as prolonged.

37.4 Valuation of equity instruments

On 26 August 2008 a floor was placed on the Karachi Stock Exchange Index and the trading volume reduced significantly. The floor was removed effective 15 December 2008, but due to lock mechanism in place, there were lower locks on a sale of shares and in certain shares the trading has not commenced. The equity securities have been valued at prices quoted on the KSE on December 31, 2008 without any adjustment as allowed by the State Bank of Pakistan BSD Circular Letter No. 2 dated January 27, 2009.

37.5 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 as described in note 18 and the appeals of the department pending at various levels of authorities.

37.6 Gratuity

The company has adopted certain actuarial assumptions as disclosed in note 29.1.1 to the financial statements for determining present value of defined benefit obligations and fair value of plan assets, based on actuarial advice. Any change in the assumptions from actual results would change the amount of unrecognised gains and losses.

Pak Kuwait

38. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the company in a meeting held subsequent to year end have decided to transfer Rs.274.837 million from contingencies reserves and Rs. 2,884.053 million from marketable and government securities reserves to accumulated loss. Accordingly, the accumulated loss would be reduced to Rs. 920.295 million after the transfer.

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on March 05, 2009.

40. GENERAL

The JCR-VIS Credit Rating Company Limited has maintained long term credit rating of AAA (Triple A) and the short term rating of A1+(A one plus) for the company. The Pakistan Credit Rating Agency (PACRA) has made an adjustment in the long-term entity rating to AA+, while maintained the short term rating at A1+ (A one plus).

Chief Executive	**Director**

PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

ANNEXURE I

QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Notes 8.3.2 to the financial statements

Sr. No.	Name of Security	2008 Total Market Value	2008 Rating	2007 Total Market Value	2007 Rating
		(Rupees in '000)		(Rupees in '000)	
	PKIC STRATEGIC PORTFOLIO				
1	MEEZAN BANK LIMITED *	3,174,290	A+/A1	4,365,781	A+/A1
	TOTAL	**3,174,290**		4,365,781	
	PKIC GENERAL PORTFOLIO				
	FINANCIAL SECTOR				
2	SAMBA BANK LIMITED (FORMERLY CRESCENT COMMERCIAL BANK LTD.)	22,211	A/A1	87,911	A/A1
3	NIB BANK LIMITED	49,613	AA-/A1+	86,373	A+/A1
4	NATIONAL BANK OF PAKISTAN	50,122	AAA/A1+	249,038	AAA/A1+
5	ASKARI BANK LIMITED	34,829	AA/A1+	209,475	AA/A1+
6	NIB BANK LIMITED (FORMERLY PICIC COMMERCIAL BANK LIMITED)	-		191,329	A+/A1
7	BANK ALFALAH LIMITED	5,019	AA/A1+	187,950	AA/A1+
8	JS BANK LIMITED	22,466	A-/A2	71,089	A-/A2
9	BANKISLAMI PAKISTAN LIMITED	60,358	A-/A2	66,531	A-/A2
10	FAYSAL BANK LIMITED	-		63,967	AA/A1+
11	THE BANK OF PUNJAB	8	AA-/A1+	62,442	AA/A1+
12	ORIX INVESTMENT BANK PAKISTAN LIMITED	9,093	A-/A2	56,356	A-/A2
13	BANK AL-HABIB LIMITED	24,973	AA/A1+	40,329	AA/A1+
14	SAUDI PAK COMMERCIAL BANK LIMITED	10,614	A-/A3	25,650	BBB+/A3
15	BANKISLAMI PAKISTAN LIMITED (R)	-		20,791	A-/A2
16	MYBANK LIMITED	5,707	A/A1	11,783	A/A1
17	HABIB METROPOLITAN BANK LIMITED	5,103	AA+/A1+	10,749	A1+/A1+
18	STANDARD CHARTERED MODARABA	5,378	AA+/A1+	9,910	AA+/A1+
19	STANDARD CHARTERED LEASING LIMITED	1,892	A(P)	9,730	A(P)
20	AMZ VENTURES LIMITED - CLASS 'A'	1,283	Unrated	8,983	Unrated
21	PUNJAB MODARABA FIRST	1,873	A/A1	7,396	A/A1
22	EQUITY MODARABA FIRST	1,548	Unrated	6,035	Unrated
23	CRESCENT STANDARD INVESTMENT BANK LIMITED	3,959	Unrated	3,959	Unrated
24	SME LEASING LIMITED	3,375	A-/A2	2,475	A-/A2
25	BANK OF KHYBER	-		256	BBB+/A-2
26	DADABHOY LEASING COMPANY LIMITED	13	Unrated	13	Unrated
27	MCB BANK LIMITED	25,162	AA+/A1+	-	
28	CENTURY INSURANCE LIMITED	8,629	A	-	
29	ARIF HABIB SECURITIES LTD	21,056	AA/A1	-	
30	UNITED BANK LIMITED	12,919	AA+/A1+	-	
31	JAHANGHIR SIDDIQUI & CO.	6,290	AA+/A1+	-	
	TOTAL	**393,493**		1,490,520	

ANNEXURE I

Sr. No.	Name of Security	2008 Total Market Value	2008 Rating	2007 Total Market Value	2007 Rating
		(Rupees in '000)		(Rupees in '000)	
	TEXTILE SECTOR				
32	KOHINOOR TEXTILE MILLS LIMITED	40,809	Unrated	165,684	Unrated
33	CHENAB LIMITED	15,901	Unrated	75,161	Unrated
34	NISHAT (CHUNIAN) LIMITED	13,296	Unrated	46,250	Unrated
35	GADOON TEXTILE MILLS LIMITED	13,825	Unrated	21,559	Unrated
36	SURAJ COTTON MILLS LIMITED	13,567	Unrated	15,754	Unrated
37	PROSPERITY WEAVING MILLS LIMITED	9,200	Unrated	14,374	Unrated
38	SAIF TEXTILE MILLS LIMITED	8,465	BBB+/A3	11,984	A-/A2
39	DIN TEXTILE MILLS LIMITED	5,120	Unrated	5,342	Unrated
40	ELLCOT SPINNING MILLS LIMITED	3,312	Unrated	3,917	Unrated
41	GHAZI FABRICS INTERNATIONAL LIMITED	3,310	Unrated	1,853	Unrated
42	GULISTAN SPINNING MILLS LIMITED	2,057	Unrated	1,816	Unrated
43	NAGINA COTTON MILLS LIMITED	1,023	Unrated	1,023	Unrated
44	MIAN TEXTILE INDUSTRIES LIMITED	188	Unrated	559	Unrated
45	ARTISTIC DENIM MILLS LIMITED	16,000	Unrated	-	
	TOTAL	**146,073**		365,276	
	CEMENT SECTOR				
46	DEWAN CEMENT LIMITED	25,115	BB/B	136,348	A/A1
47	KOHAT CEMENT COMPANY LIMITED	45,775	BBB-/A3	130,568	A-/A2
48	MAPLE LEAF CEMENT FACTORY LIMITED	57,974	BBB-/A1	271,491	A/A1
49	PAKISTAN CEMENT COMPANY LIMITED	52,631	Unrated	187,497	Unrated
50	D.G.KHAN CEMENT COMPANY LIMITED	24,461	Unrated	61,555	Unrated
51	FAUJI CEMENT COMPANY LIMITED	46,325	Unrated	61,001	Unrated
52	LUCKY CEMENT LIMITED	14,072	Unrated	909	Unrated
53	AL-ABBAS CEMENT INDUSTRIES LIMITED	3,000	Unrated	41,292	Unrated
54	FLYING CEMENT COMPANY LIMITED	8,392	Unrated	31,289	Unrated
55	CHERAT CEMENT COMPANY LIMITED	5,905	Unrated	25,708	Unrated
56	ATTOCK CEMENT PAKISTAN LIMITED	18,817	Unrated	-	
	TOTAL	**302,467**		947,658	
	FUEL & ENERGY SECTOR				
57	BOSICOR PAKISTAN LIMITED	-		89,027	Unrated
58	PAKISTAN PETROLEUM LIMITED	90,206	Unrated	267,301	Unrated
59	OIL & GAS DEVELOPMENT COMPANY LIMITED	32,858	AAA/A1+	114,349	AAA/A-1
60	PAKISTAN OILFIELDS LIMITED	45,856	Unrated	184,204	Unrated
61	SUI SOUTHERN GAS COMPANY LIMITED	108,542	AA-/A1+	270,065	AA-/A1+
62	KARACHI ELECTRIC SUPPLY CORPORATION LIMITED	32,239	Unrated	78,150	Unrated
63	JAPAN POWER GENERATION LIMITED	20,285	Unrated	77,699	Unrated
64	ATTOCK PETROLEUM LIMITED	-		57,019	Unrated
65	SUI NORTHERN GAS PIPELINES LIMITED	18,196	AA/A1+	53,986	AA/A1+

Pak Kuwait

ANNEXURE I

Sr. No.	Name of Security	2008 Total Market Value	2008 Rating	2007 Total Market Value	2007 Rating
		(Rupees in '000)		(Rupees in '000)	
66	THE HUB POWER COMPANY LIMITED	46,370	Unrated	50,051	Unrated
67	NATIONAL REFINERY LIMITED	22,052	AAA/A1+	44,490	AAA/A1+
68	SOUTHERN ELECTRIC POWER COMPANY LIMITED	-		4,575	Unrated
69	PAKISTAN STATE OIL COMPANY LIMITED	236	AAA/A1+	664	AAA/A1+
	TOTAL	**416,840**		1,291,580	
	AUTO & ALLIED SECTOR				
70	DEWAN FAROOQUE MOTORS LIMITED	2,412	Unrated	15,600	A/A2
71	AGRIAUTOS INDUSTRIES	18,641	Unrated	-	
72	THE GENERAL TYRE & RUBBER COMPANY OF PAKISTAN LIMITED *	278,453	Unrated	447,874	Unrated
	TOTAL	**299,506**		463,474	
	TRANSPORT SECTOR				
73	PAKISTAN NATIONAL SHIPPING CORPORATION LIMITED	17,868	Unrated	24,988	Unrated
	TOTAL	**17,868**		24,988	
	TECHNOLOGY & COMMUNICATION SECTOR				
74	PAKISTAN TELECOMMUNICATION COMPANY LIMITED (A)	52,371	Unrated	105,157	Unrated
75	PAKISTAN INTERNATIONAL CONTAINER TERMINAL LIMITED	-		45,760	A-/A2
76	TELECARD LIMITED	6,219	Unrated	33,905	Unrated
77	TRG PAKISTAN LIMITED	9,500	BBB+/A2	16,800	BBB+/A2
78	EYE TELEVISION NETWORK	24,283	Unrated	-	
79	SOUTHERN NETWORKS LIMITED	-		-	
	TOTAL	**92,373**		201,622	
	CHEMICAL & PHARMACEUTICAL SECTOR				
80	FAUJI FERTILIZER COMPANY LIMITED	23,944	Unrated	119,664	Unrated
81	FAUJI FERTILIZER BIN QASIM LIMITED	90,866	Unrated	116,158	Unrated
82	PAKISTAN PTA LIMITED	29,007	Unrated	115,594	Unrated
83	DEWAN SALMAN FIBRE LIMITED	-		24,705	Unrated
84	NIMIR INDUSTRIAL CHEMICALS LIMITED	-		4,400	Unrated
85	ENGRO CHEMICAL PAKISTAN LIMITED	-		-	
	TOTAL	**143,817**		380,521	
	OTHER SECTOR				
86	CENTURY PAPER & BOARD MILLS LIMITED	51,620	A-/A2	149,814	A-/A2
87	CRESCENT STEEL & ALLIED PRODUCTS LIMITED	48,289	A+/A1	118,338	A+/A1
88	PAK ELEKTRON LIMITED	16,181	A/A1	42,094	A/A1
89	SIDDIQSONS TIN PLATE LIMITED	3,815	Unrated	13,925	Unrated
90	PACE (PAKISTAN) LIMITED	-		9,138	A+/A1
91	DADABHOY PADUBE LIMITED	200	Unrated	200	Unrated
92	TRI-PACK FILM LIMITED	31,160	A+/A1	-	
93	INTERNATIONAL INDUSTRIES	298	Unrated	-	
	TOTAL	**151,563**		333,509	

Pak Kuwait

ANNEXURE I

Sr. No.	Name of Security	2008 Total Market Value	2008 Rating	2007 Total Market Value	2007 Rating
		(Rupees in '000)		(Rupees in '000)	
	INVESTMENT IN MUTUAL FUNDS				
94	AL MEEZAN MUTUAL FUND LIMITED*	92,082	4-Star	263,546	4-Star
95	MEEZAN BALANCED FUND *	78,510	5-Star	92,885	5-Star
96	AKD INDEX TRACKER FUND	-		55,153	AM3+
97	PICIC GROWTH FUND	17,333	MFR 2 STAR	78,422	MFR 2 STAR
98	PAK OMAN ADVANTAGE FUND	37,600	AA-(f)	41,250	AA-(f)
99	MEEZAN ISLAMIC INCOME FUND *	33,892	A(f)	32,704	Unrated
100	HBL STOCK FUND	-		10,240	Unrated
101	PAKISTAN STRATEGIC ALLOCATION FUND	2,280	4-Star	9,100	4-Star
102	FIRST DAWOOD MUTUAL FUND	2,250	4-Star	9,002	4-Star
103	UNITED COMPOSITE ISLAMIC FUND	-		5,907	AM2-
104	AMZ PLUS STOCK FUND	-		5,665	AM3+
105	BMA PRINCIPAL GUARANTEED FUND	-		4,715	Unrated
106	ATLAS FUND OF FUNDS	2,625	Unrated	4,410	5-Star
107	MCB DYNAMIC FUND	284,422	Unrated	-	
108	KASB LIQUID FUND	175,881	Unrated	-	
109	NAMCO BALANCED FUND	46,623	Unrated	41,196	Unrated
110	UNITED MONEY MARKET FUND	-		27,706	4-Star
111	HBL INCOME FUND	-		26,832	Unrated
112	BMA CHUNDRIGAR ROAD SAVINGS FUND	10,537	A(f)	25,855	Unrated
113	HBL MULTI ASSET FUND	13,040	AM3	20,078	5-Star
114	AKD INCOME FUND	-		10,885	Unrated
115	BOP ADVANTAGE PLUS FUND	9,895	A(f)	10,166	A(f)
116	INTERSECURITIES ISLAMIC FUND	-		10,000	Unrated
117	ATLAS ISLAMIC FUND	3,956	Unrated	5,387	Unrated
118	FIRST HABIB INCOME FUND	5,523	Unrated	5,317	Unrated
119	ASKARI ASSET ALLOCATION FUND	-		5,015	Unrated
120	PAKISTAN INTERNATIONAL ELEMENT ISLAMIC FUND	-		-	
	TOTAL	**816,449**		801,436	
	PREFERENCE SHARES				
121	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	50,000	Unrated	50,000	Unrated
122	PAKISTAN INTERNATIONAL CONTAINER TERMINAL LIMITED (PREFERENCE) 10%	20,000	Unrated	23,750	Unrated
123	NAGINA COTTON MILLS LIMITED. (REDEEMABLE PREFERENCE. SHARES) 13%	-		14,652	Unrated
124	CHENAB LIMITED - NON VOTING CUMULATIVE PREFERENCE SHARES 9.25%	12,255	Unrated	10,605	Unrated
125	SECURITY LEASING CORPORATION LIMITED (PREFERENCE SHARES CLASS 'A') 9.1%	6,893	Unrated	6,825	Unrated
126	D.G.KHAN CEMENT COMPANY LIMITED (R.C.PREFERENCE SHARES) 10%	-		-	
	PREFERENCE SHARES TOTAL	**89,148**		105,832	
	GRAND TOTAL	**6,043,887**		10,772,197	

* Investment in listed associates have a cost of Rs. 1,377 million (2007: 1,451)

PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

As Referred to in Notes 8.3.2 to the financial statements

ANNEXURE I

QUALITY OF AVAILABLE FOR SALE SECURITIES

Sr. No.	Name of TFCs	2008		2007	
		Market Value	Rating	Market Value	Rating
		(Rupees in '000)		(Rupees in '000)	
	Listed Term Finance Certificates				
1	**STANDARD CHARTERED BANK (PAKISTAN) LIMITED (21-12-2002)** 20,000 (2007 : 20,000) Certificate of Rs. 5,000 each Mark up : 11.80% (PIB 5 Years rate + 2.25% with Floor 11.00 % , Cap 15.50%) Redemption : Half year Installments commencing from Dec - 2002 Maturity : June, 2008	-	-	33,359	AAA
2	**CRESENT STANDARD INVESTMENT BANK LIMITED (08-7-2003)** 5,000 (2007 : 5,000) Certificate of Rs. 5000 each Mark up : 11.50% (SBP Discount + 2.00% with Floor 10.50 % , Cap 13.50%) Redemption : Half yearly Installments commencing from July 2003 Maturity : June, 2007	-	-	9,967	Unrated
3	**STANDARD CHARTERED BANK (PAKISTAN) LIMITED (20-01-2004)** 18,587 (2007 : 18,587) Certificate of Rs. 5,000 each Mark up : 10. 6416% (PIB 5 Years rate +0.75% with Floor 5.00 % , Cap 10.75%) Redemption : Half Yearly Installments commencing from Jan - 2004 Maturity : Dec, 2010	87,170	AAA	92,499	AAA
4	**TRUST LEASING & INVESTMENT BANK LIMITED (17-7-2004)** 1,251 (2007 : 1,251) Certificate of Rs. 5,000 each Mark up : 10.00% (KIBOR 6-Month (s) Ask Rate + 3.00% with Floor 6.00 %, Cap 10.00%) Redemption : Half yearly Installments commencing from Jan - 2005 Maturity : July , 2009	1,247	A	2,494	AA
5	**ROYAL BANK OF SCOTLAND LTD.(FORMERLY ABN AMRO BANK (PAKISTAN) LIMITED (10-02-2005)** 4,000 (2007 : 4,000) Certificate of Rs. 5,000 each Mark up : 12.21% (KIBOR 6-Month (s) Ask Rate + 1.90%) Redemption : Half yearly Installments commencing from Feb -2005 Maturity : Dec, 2012	20,957	AA-	21,025	A
6	**ASKARI COMMERCIAL BANK LIMITED (04-02-2005)** 3,000 (2007 : 3,000) Certificate of Rs. 5000 each Mark up : 11.84% (KIBOR 6-Month (s) Ask Rate + 1.50%) Redemption : Half year Installments commencing from Feb - 2005 Maturity : Dec, 2012	15,076	AA-	15,703	AA-
7	**CHANDA OIL & GAS SECURITIZATION COMPANY LIMITED (16-02-2005)** 6,000 (2007 : 6,000) Certificate of Rs. 5,000 each Mark up : 13.00% (KIBOR 3-Month (s) Ask Rate + 3.25% with Floor 8.95 %, Cap 13.00%) Redemption : Quarterly Installments commencing from Feb - 2005 Maturity : Jan - 2012	-	-	22,395	A+
8	**NAIMAT BASAL OIL & GAS SECURITIZATION COMPANY LIMITED (12-04-2005)** 10,000 (2007 : 10,000) certificate of Rs. 5,000 each Mark up : 12.77% (KIBOR 6-Month (s) Ask Rate + 2.50% with Floor 7.50 % , Cap 13.00%) Redemption : Monthly Installments commencing from April - 2005 Maturity : March, 2010	-	-	25,765	A+
	Sub Total	124,450		223,207	

PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

As Referred to in Notes 8.3.2 to the financial statements

ANNEXURE I

QUALITY OF AVAILABLE FOR SALE SECURITIES

Sr. No.	Name of Securities	2008		2007	
		Cost	Rating	Cost	Rating
		(Rupees in '000)		(Rupees in '000)	
	Unlisted Term Finance Certificates				
1	**KOHINOOR TEXTILE MILLS LIMITED** 10,000 (2007 : 10,000) Certificate of Rs. 5,000 each Mark up : 12.01% (KIBOR 6-Month (s) Ask Rate + 2.00%) Redemption : Quarterly Installments commencing from Aug - 2003 Maturity : May - 2008 CEO of the company : Mr. Tariq Saeed Saigol	-	-	6,250	Unrated
2	**CRESCENT STEEL AND ALLIED PRODUCTS LIMITED** 15,000 (2007 : 15,000) Certificate of Rs. 5,000 each Mark up : 9.00 % (GOP M. T- Bills 6 Months + 2.50% with Cap of 9. 00%) Redemption : Half yearly Installments commencing from July - 2004 Maturity : January, 2009 CEO of the company : Mr. Ehsan M. Saleem	9,375	AA-	28,125	Unrated
3	**PAKISTAN MOBILE COMMUNICATIONS (PRIVATE) LIMITED** 20,000 (2007 : 20,000) Certificate of Rs. 5,000 each Mark up : 11.66% (KIBOR 6-Month (s) Ask Rate + 1.60% with Floor 4.95 %, Cap 12. 00%) Redemption : Half yearly Installments commencing from Sep - 2004 Maturity : March, 2009 CEO of the company : Mr. Zohair A. Khalique	20,000	Unrated	60,000	Unrated
4	**DEWAN FAROOQUE SPINNING MILLS LIMITED** 10,000 (2007 : 10,000) Certificate of Rs. 5,000 each Mark up : 13.73% (KIBOR 6-Month (s) Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec, 2009 CEO of the company : Mr. Dewan M. Yousuf Farooqi	18,750	Unrated	25,000	Unrated
5	**DEWAN CEMENT LIMITED** 10,000 (2007 : 10,000) Certificate of Rs. 5,000 each Mark up : 12.56% (KIBOR 6-Month (s) Ask Rate + 2.50%) Redemption : Half year Installments commencing from Jan - 2006 Maturity : Jan - 2012 CEO of the company : Mr. Dewan M. Yousuf Farooqi	-	-	20,926	A
6	**NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED** 10,000 Certificate of Rs. 5,000 each Mark up : 12.74% (KIBOR 3-Month (s) Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : July, 2011 CEO of the company : Mr. Mian Pervez Akhtar	45,833	D	50,000	A-
	Sub Total	93,958		190,301	

PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

ANNEXURE II

PARTICULARS OF INVESTMENT HELD IN SHARES OF LISTED COMPANIES

Sr. No.	Name of Company	2008 Total Share	2007 Total Share	2008 Cost	2008 Impairment	2008 Cost after Impairment	2007 Cost	2007 Impairment	2007 Cost after Impairment
				(Rupees in '000)			(Rupees in '000)		
	AVAILABLE FOR SALE PORTFOLIO								
	PKIC STRATEGIC PORTFOLIO								
1	MEEZAN BANK LIMITED	147,778,846	113,396,906	1,002,679	-	1,002,679	1,002,679	-	1,002,679
	TOTAL	**147,778,846**	113,396,906	1,002,679	-	**1,002,679**	1,002,679	-	1,002,679
	PKIC GENERAL PORTFOLIO								
	FINANCIAL SECTOR								
2	SAMBA BANK (CRESCENT COMMERCIAL BANK LIMITED)	4,496,250	4,196,250	69,900	47,689	22,212	63,736	-	63,736
3	NIB BANK LIMITED	10,623,865	3,953,000	179,419	129,806	49,613	82,243	-	82,243
4	NATIONAL BANK OF PAKISTAN	996,061	1,072,747	222,538	172,416	50,122	265,315	-	265,315
5	ASKARI BANK LIMITED	2,390,445	2,100,000	175,175	140,346	34,829	207,753	-	207,753
6	NIB BANK LIMITED (RIGHT)	-	4,449,500	-	-	-	155,095	-	155,095
7	BANK ALFALAH LIMITED	300,000	3,500,000	15,895	10,876	5,019	149,438	-	149,438
8	ARIF HABIB SECURITIES	500,625	-	71,931	50,875	21,056	-	-	-
8	JS BANK LIMITED	3,914,000	3,253,500	64,346	41,880	22,466	45,723	-	45,723
9	BANKISLAMI PAKISTAN LIMITED	8,325,240	4,106,850	133,122	72,763	60,358	58,166	-	58,166
10	FAYSAL BANK LIMITED	-	969,926	-	-	-	54,248	-	54,248
11	THE BANK OF PUNJAB	587	638,470	44	36	8	59,271	-	59,271
12	ORIX INVESTMENT BANK PAKISTAN LIMITED	5,445,000	5,445,000	51,438	42,346	9,093	51,439	-	51,439
13	BANK AL-HABIB LIMITED	1,004,120	522,400	54,912	29,940	24,972	35,145	-	35,145
14	SAUDI PAK COMMERCIAL BANK LIMITED	2,118,600	1,000,000	39,472	28,858	10,614	25,270	-	25,270
15	BANKISLAMI PAKISTAN LIMITED (R)	-	1,283,390	-	-	-	12,834	-	12,834
16	MYBANK LIMITED	492,000	492,000	13,371	7,663	5,707	13,371	-	13,371
17	HABIB METROPOLITAN BANK LIMITED	193,800	151,500	12,485	7,383	5,103	11,779	-	11,779
18	STANDARD CHARTERED MODARABA	789,678	789,678	11,432	6,054	5,378	11,432	-	11,432
19	STANDARD CHARTERED LEASING LIMITED	1,081,135	1,081,135	11,136	9,244	1,892	11,136	-	11,136
20	AMZ VENTURES LIMITED - CLASS 'A'	1,833,000	1,833,000	7,699	6,416	1,283	7,699	-	7,699
21	PUNJAB MODARABA FIRST	960,500	960,500	8,164	6,291	1,873	8,164	-	8,164
22	EQUITY MODARABA FIRST	1,312,000	1,312,000	4,920	3,372	1,548	4,920	-	4,920
23	CRESCENT STANDARD INVESTMENT BANK LIMITED	954,000	954,000	4,770	-	4,770	4,770	-	4,770
24	SME LEASING LIMITED	225,000	225,000	2,475	-	2,475	2,475	-	2,475
25	BANK OF KHYBER	-	16,500	-	-	-	244	-	244
26	DADABHOY LEASING COMPANY LIMITED	10,750	10,750	13	-	13	13	-	13
27	MCB BANK LIMITED	200,000	-	83,693	58,533	25,162	-	-	-
28	UNITED BANK LIMITED	350,000	-	40,763	27,845	12,919	-	-	-
29	CENTURY INSURANCE LIMITED	704,400	-	33,229	24,600	8,629	-	-	-
30	JAHANGIR SIDDIQUI & COMPANY	120,322	-	25,740	19,450	6,290	-	-	-
31	STANDARD CHARTERED LEASING LIMITED (RIGHT)	1,621,702	-	-	-	-	-	-	-
	TOTAL	**50,963,080**	44,317,096	1,338,082	944,679	**393,406**	1,341,679	-	1,341,679
	TEXTILE SECTOR								
32	KOHINOOR TEXTILE MILLS LIMITED	8,161,751	8,161,751	209,736	168,927	40,809	209,736	-	209,736
33	CHENAB LIMITED	6,681,000	6,681,000	105,140	89,239	15,900	105,140	-	105,140
34	NISHAT (CHUNIAN) LIMITED	1,375,000	1,250,000	52,262	38,966	13,296	52,262	-	52,262

ANNEXURE II

Sr. No.	Name of Company	2008 Total Share	2007 Total Share	2008 Cost	2008 Impairment	2008 Cost after Impairment	2007 Cost	2007 Impairment	2007 Cost after Impairment
				(Rupees in '000)			(Rupees in '000)		
35	GADOON TEXTILE MILLS LIMITED	294,800	371,700	19,593	-	19,593	24,703	-	24,703
36	SURAJ COTTON MILLS LIMITED	328,900	328,900	12,712	-	12,712	15,670	2,958	12,712
37	PROSPERITY WEAVING MILLS LIMITED	1,149,940	1,149,940	15,754	7,187	8,567	19,871	4,117	15,754
38	SAIF TEXTILE MILLS LIMITED	891,000	891,000	11,984	3,520	8,465	18,586	6,602	11,984
39	DIN TEXTILE MILLS LIMITED	222,600	222,600	5,676	-	5,676	8,810	3,134	5,676
40	ELLCOT SPINNING MILLS LIMITED	148,200	163,200	2,875	-	2,875	3,166	-	3,166
41	GHAZI FABRICS INTERNATIONAL LIMITED	494,000	494,000	3,211	-	3,211	3,211	-	3,211
42	GULISTAN SPINNING MILLS LIMITED	286,946	261,360	1,423	-	1,423	1,426	-	1,426
43	NAGINA COTTON MILLS LIMITED	66,000	66,000	1,241	218	1,023	1,241	-	1,241
44	MIAN TEXTILE INDUSTRIES LIMITED	211,000	211,000	949	762	188	2,223	1,274	949
45	ARTISTIC DENIM MILLS LIMITED	500,000	-	31,002	15,002	16,000	-	-	-
46	NISHAT CHUNIAN (RIGHT)	687,500	-		-	-	-	-	-
	TOTAL	**21,498,637**	20,252,451	473,558	323,821	**149,738**	466,045	18,085	447,960
	CEMENT SECTOR								
1	DEWAN CEMENT LIMITED	8,288,625	8,288,625	131,745	106,630	25,115	131,745	-	131,745
2	KOHAT CEMENT COMPANY LIMITED	2,799,698	2,545,180	100,740	54,965	45,775	100,740	-	100,740
3	MAPLE LEAF CEMENT FACTORY LIMITED	14,140,156	14,140,156	275,934	217,960	57,973	275,935	-	275,935
4	PAKISTAN CEMENT COMAPNY LIMITED	16,447,075	16,447,075	207,152	154,522	52,630	207,152	-	207,152
5	D.G.KHAN CEMENT COMPANY LIMITED	1,150,000	650,000	129,481	105,020	24,461	72,103	-	72,103
6	FAUJI CEMENT COMPANY LIMITED	9,856,483	4,094,000	168,817	122,491	46,326	76,617	-	76,617
7	ATTOCK CEMENT PAKISTAN LTD	499,400	-	57,809	38,991	18,817	-	-	
8	LUCKY CEMENT LIMITED	450,000	7,800	54,783	40,712	14,071	642	-	642
9	AL-ABBAS CEMENT INDUSTRIES LIMITED	779,100	2,716,600	10,124	7,124	3,000	35,300	-	35,300
10	FLYING CEMENT COMPANY LIMITED	2,425,500	2,425,500	37,817	29,425	8,392	37,817	-	37,817
11	CHERAT CEMENT COMPANY LIMITED	517,565	647,565	21,220	15,315	5,905	26,550	-	26,550
12	FAUJI CEMENT COMPANY LIMITED (R)	-	3,561,780		-	-	-	-	-
	TOTAL	**57,353,602**	55,524,281	1,195,622	893,155	**302,466**	964,601	-	964,601
	FUEL & ENERGY SECTOR								
13	OIL & GAS DEVELOPMENT COMPANY LIMITED	657,300	957,300	83,699	50,840	32,859	122,075	-	122,075
14	BOSICOR PAKISTAN LIMITED	-	4,169,900		-	-	64,578	-	64,578
15	SUI SOUTHERN GAS COMPANY LIMITED	10,327,500	10,327,500	295,399	186,859	108,543	295,399	-	295,399
16	PAKISTAN PETROLEUM LIMITED	896,500	1,090,800	198,193	107,987	90,206	254,206	-	254,206
17	PAKISTAN OILFIELDS LIMITED	447,420	550,850	102,431	56,575	45,856	187,835	-	187,835
18	KARACHI ELECTRIC SUPPLY CORPORATION LIMITED	15,574,500	14,745,500	112,575	80,336	32,240	108,326	-	108,326
19	JAPAN POWER GENERATION LIMITED	11,862,500	11,862,500	78,293	58,008	20,285	78,293	-	78,293
20	ATTOCK PETROLEUM LIMITED	-	100,200		-	-	50,574	-	50,574
21	SUI NORTHERN GAS PIPELINES LIMITED	847,880	823,580	55,995	37,799	18,196	54,891	-	54,891
22	THE HUB POWER COMPANY LIMITED	3,291,000	1,641,000	103,268	56,898	46,370	50,145	-	50,145
23	NATIONAL REFINERY LIMITED	231,740	123,240	89,583	67,531	22,052	50,928	-	50,928
24	SOUTHERN ELECTRIC POWER COMPANY LIMITED	-	816,950		-	-	4,861	-	4,861
25	PAKISTAN STATE OIL COMPANY LIMITED	1,632	1,632	484	248	236	484	-	484
	TOTAL	**44,137,972**	47,210,952	1,119,920	703,081	**416,842**	1,322,596	-	1,322,596
	AUTO & ALLIED SECTOR								
26	AGRIAUTOS INDUSTRIES LTD	603,840	-	48,285	29,644	18,641	-	-	-
27	DEWAN FAROOQUE MOTORS LIMITED	1,200,000	1,200,000	18,600	16,188	2,412	18,600	-	18,600
28	THE GENERAL TYRE & RUBBER COMPANY OF PAKISTAN LIMITED	16,774,292	16,774,292	173,480	-	173,480	173,480	-	173,480
	TOTAL	**18,578,132**	17,974,292	240,365	45,832	**194,533**	192,080	-	192,080
	TRANSPORT SECTOR								
29	PAKISTAN NATIONAL SHIPPING CORPORATION	350,000	250,000	36,245	18,377	17,868	26,625	-	26,625
	TOTAL	**350,000**	250,000	36,245	18,377	**17,868**	26,625	-	26,625

ANNEXURE II

Sr. No.	Name of Company	2008	2007	2008			2007		
		Total Share		Cost	Impairment	Cost after Impairment	Cost	Impairment	Cost after Impairment
				(Rupees in '000)			(Rupees in '000)		
	TECHNOLOGY & COMMUNICATION SECTOR								
30	EYE TELEVISION NETWORK	709,000	-	51,604	27,321	24,283	-	-	-
31	PAKISTAN TELECOMMUNICATION COMPANY LIMITED (A)	3,100,744	2,500,744	146,674	94,303	52,371	122,762	-	122,762
32	PAKISTAN INTERNATIONAL CONTAINER TERMINAL LIMITED	-	650,000	-	-	-	42,422	-	42,422
33	TELECARD LIMITED	3,125,000	3,125,000	39,798	33,579	6,219	39,799	-	39,799
34	TRG PAKISTAN LIMITED - CLASS 'A'	5,337,000	1,200,000	62,535	53,035	9,500	16,672	-	16,672
	TOTAL	**12,271,744**	7,475,744	300,611	208,238	**92,373**	221,655	-	221,655
	CHEMICAL & PHARMACEUTICAL SECTOR								
35	FAUJI FERTILIZER COMPANY LIMITED	407,694	1,007,694	49,645	25,701	23,944	122,707	-	122,707
36	FAUJI FERTILIZER BIN QASIM LIMITED	7,043,845	2,762,345	285,790	194,924	90,866	103,551	-	103,551
37	PAKISTAN PTA LIMITED	18,243,500	22,890,000	92,129	63,123	29,006	171,155	55,561	115,594
38	DEWAN SALMAN FIBRE LIMITED	-	3,294,000	-	-	-	25,199	-	25,199
39	NIMIR INDUSTRIAL CHEMICALS LIMITED	-	1,000,000	-	-	-	5,494	-	5,494
	TOTAL	**25,695,039**	30,954,039	427,564	283,748	**143,816**	428,106	55,561	372,545
	OTHER SECTOR								
40	TRI-PACK FILM LTD	250,000	-	65,965	34,805	31,160		-	-
41	CENTURY PAPER & BOARD MILLS LIMITED	1,789,250	1,967,350	98,824	47,204	51,620	108,661	-	108,661
42	CRESCENT STEEL & ALLIED PRODUCTS LIMITED	2,835,550	1,214,973	205,027	156,738	48,289	82,403	-	82,403
43	PAK ELEKTRON LIMITED	712,200	625,000	50,757	34,576	16,181	44,212	-	44,212
44	SIDDIQSONS TIN PLATE LIMITED	500,000	500,000	17,976	14,161	3,815	17,976	-	17,976
45	INTERNATIONAL IND. LTD	6,480	-	545	247	298		-	-
46	PACE (PAKISTAN) LIMITED	-	250,000	-	-	-	7,384	-	7,384
47	DADABHOY PADUBE LIMITED	100,000	100,000	200	-	200	200	-	200
48	INTERNATIONAL IND. LTD (RIGHT)	1,350	-	-	-	-		-	-
	TOTAL	**6,194,830**	4,657,323	439,294	287,731	**151,563**	260,836	-	260,836
	MUTUAL FUNDS								
49	AL MEEZAN MUTUAL FUND LIMITED	16,895,690	20,751,690	109,544	17,463	92,081	134,545	-	134,545
50	MEEZAN BALANCED FUND	11,057,791	11,057,791	110,578	32,068	78,510	110,578	-	110,578
51	AKD INDEX TRACKER FUND	-	4,159,350	-	-	-	41,594	-	41,594
52	PICIC GROWTH FUND	3,100,650	2,751,650	95,580	78,247	17,333	85,936	-	85,936
53	PAK OMAN ADVANTAGE FUND	5,000,000	5,000,000	50,000	12,400	37,600	50,000	-	50,000
54	MEEZAN ISLAMIC INCOME FUND	702,139	626,384	30,000	-	30,000	30,000	-	30,000
55	HBL STOCK FUND	-	100,000	-	-	-	10,000	-	10,000
56	PAKISTAN STRATEGIC ALLOCATION FUND	1,000,000	1,000,000	10,000	7,720	2,280	10,000	-	10,000
57	FIRST DAWOOD MUTUAL FUND	1,041,500	1,161,500	6,613	4,364	2,250	7,375	-	7,375
58	UNITED COMPOSITE ISLAMIC FUND	-	54,952	-	-	-	5,000	-	5,000
59	AMZ PLUS STOCK FUND	-	53,000	-	-	-	5,000	-	5,000
60	BMA PRINCIPAL GUARANTEED FUND	-	520,990	-	-	-	4,915	-	4,915
61	ATLAS FUND OF FUNDS	525,000	525,000	5,000	2,375	2,625	5,000	-	5,000
62	MCB DYNAMIC FUND	2,881,974	-	300,000	-	300,000		-	-
63	KASB LIQUID FUND	1,980,198	-	200,000	-	200,000		-	-
64	NAMCO BALANCED FUND	4,933,667	4,933,667	49,336	-	49,336	49,337	-	49,337
65	UNITED MONEY MARKET FUND	-	264,601	-	-	-	25,000	-	25,000
66	HBL INCOME FUND	-	256,619	-	-	-	25,000	-	25,000
67	BMA CHUNDRIGAR ROAD SAVINGS FUND	1,088,494	2,510,803	10,065	-	10,065	25,000	-	25,000
68	HBL MULTI ASSET FUND	200,000	200,000	20,000	-	20,000	20,000	-	20,000
69	AKD INCOME FUND	-	206,352	-	-	-	10,000	-	10,000
70	PAK OMAN BANK OF PUNJAB ADVANTAGE PLUS FUND	212,305	200,000	10,000	-	10,000	10,000	-	10,000
71	INTERSECURITIES ISLAMIC FUND	-	100,000	-	-	-	10,000	-	10,000
72	ATLAS ISLAMIC FUND	10,483	10,298	5,000	-	5,000	5,000	-	5,000
73	FIRST HABIB INCOME FUND	56,901	50,750	5,000	-	5,000	5,000	-	5,000
74	ASKARI ASSET ALLOCATION FUND	-	50,991	-	-	-	5,000	-	5,000
	TOTAL	**50,686,792**	56,546,388	1,016,716	154,637	**862,079**	689,280	-	689,280

ANNEXURE II

Sr. No.	Name of Company	2008	2007	2008			2007		
		Total Share		Cost	Impairment	Cost after Impairment	Cost	Impairment	Cost after Impairment
				(Rupees in '000)			(Rupees in '000)		
	PREFERENCE SHARES								
75	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	5,000,000	5,000,000	50,000	-	50,000	50,000	-	50,000
76	PAKISTAN INTERNATIONAL CONTAINER TERMINAL LIMITED (PREFERENCE) 10%	2,500,000	2,500,000	25,000	-	25,000	25,000	-	25,000
77	NAGINA COTTON MILLS LIMITED (REDEEMABLE PREFERENCE SHARES) 13%	-	2,790,800	-	-	-	22,124	-	22,124
78	CHENAB LIMITED - NON VOTING CUMULATIVE PREFERENCE SHARES 9.25%	1,500,000	1,500,000	13,460	-	13,460	13,460	-	13,460
79	SECURITY LEASING CORPORATION LIMITED (PREF.SHARES) 9.1%	750,000	750,000	7,543	-	7,543	7,543	-	7,543
	PREFERENCE SHARES TOTAL	**9,750,000**	12,540,800	96,003	-	**96,003**	118,127	-	118,127
	TOTAL STRAGETIC AND AVAILABLE FOR SALE PORTFOLIO	**445,258,674**	411,100,272	7,686,660	3,863,298	**3,823,368**	7,034,308	73,646	6,960,662
	HELD FOR TRADING PORTFOLIO								
	FINANCIAL SECTOR								
1	MCB BANK LIMITED	220,600	-	84,452	-	84,452	-	-	-
2	NATIONAL BANK OF PAKISTAN LIMITED	50,000	-	6,058	-	6,058	-	-	-
3	HABIB BANK LIMITED	100,000	-	22,876	-	22,876	-	-	-
4	JAHANGIR SIDDIQUI & COMPANY	223,456	-	39,075	-	39,075	-	-	-
5	THE BANK OF PUNJAB	1,300,000	-	74,271	-	74,271	-	-	-
6	NIB BANK LIMITED	1,441,500	-	28,340	-	28,340	-	-	-
7	EFU GENERAL INSURANCE COMPANY	3,750	-	2,342	-	2,342	-	-	-
	TOTAL	**3,339,306**	-	257,414	-	**257,412**	-	-	-
	CEMENT SECTOR								
8	D.G.KHAN CEMENT COMPANY LIMITED	1,000,000	350,000	104,567	-	104,567	41,145	-	41,145
9	LUCKY CEMENT LIMITED	100,000	500,000	7,011	-	7,011	67,850	-	67,850
	TOTAL	**1,100,000**	850,000	111,578	-	**111,578**	108,995	-	108,995
	FUEL & ENERGY SECTOR								
10	OIL & GAS DEVELOPMENT COMPANY LIMITED	150,000	1,096,700	16,774	-	16,774	148,256	-	148,256
11	BOSICOR PAKISTAN LIMITED	500,000	-	10,651	-	10,651	-	-	-
12	PAKISTAN PETROLEUM LIMITED	104,610	-	20,127	-	20,127	-	-	-
	TOTAL	**754,610**	1,096,700	47,552	-	**47,552**	148,256	-	148,256
	TECHNOLOGY & COMMUNICATION SECTOR								
13	PAKISTAN TELECOMMUNICATION LIMITED (A)	127,100	-	5,248	-	5,248	-	-	-
	TOTAL	**127,100**	-	5,248	-	**5,248**	-	-	-
	TOTAL - HELD FOR TRADING PORTFOLIO	**5,321,016**	1,946,700	421,792	-	**421,790**	257,251	-	257,251

PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

ANNEXURE II

As Referred to in Notes 8.3.2 to the financial statements
PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

Sr. No.	Name of TFCs	NUMBER OF TFCs 2008	NUMBER OF TFCs 2007	COST (Rupees in '000) 2008	COST (Rupees in '000) 2007
	Particulars of investments held in listed term finance certificates (TFCs)				
1	**STANDARD CHARTERED BANK (PAKISTAN) LIMITED (21-12-2002)** 20,000 (2007 : 20,000) Certificate of Rs. 5,000 each Mark up : 11. 80% (PIB 5 Years rate + 2. 25% with Floor 11. 00 %, Cap 15. 50%) Redemption : Half year Installments commencing from Dec - 2002 Maturity : June, 2008	-	20,000	-	32,947
2	**CRESENT STANDARD INVESTMENT BANK LIMITED (08-7-2003)** 5,000 (2007 : 5,000) Certificate of Rs. 5000 each Mark up : 11. 50% (SBP Discount + 2.00% with Floor 10. 50 %, Cap 13. 50%) Redemption : Half yearly Installments commencing from July 2003 Maturity : June, 2007	-	5,000	-	9,967
3	**STANDARD CHARTERED BANK (PAKISTAN) LIMITED (20-01-2004)** 18,587 (2007 : 18,587) Certificate of Rs. 5,000 each Mark up : 10. 6416% (PIB 5 Years rate +0.75% with Floor 5.00 %, Cap 10.75%) Redemption : Half Yearly Installments commencing from Jan - 2004 Maturity : Dec, 2010	**18,587**	18,587	**88,139**	92,805
4	**TRUST LEASING & INVESTMENT BANK LIMITED (17-7-2004)** 1,251 (2007 : 1,251) Certificate of Rs. 5,000 each Mark up : 10. 00% (KIBOR 6-Month (s) Ask Rate + 3. 00% with Floor 6. 00 %, Cap 10. 00%) Redemption : Half yearly Installments commencing from Jan - 2005 Maturity : July, 2009	**1,251**	1,251	**1,251**	2,502
5	**ABN AMRO BANK (PAKISTAN) LIMITED (10-02-2005)** 4,000 (2007 : 4,000) Certificate of Rs. 5,000 each Mark up : 12. 21% (KIBOR 6-Month (s) Ask Rate + 1. 90%) Redemption : Half yearly Installments commencing from Feb -2005 Maturity : Dec, 2012	**4,000**	4,000	**19,972**	19,980
6	**ASKARI COMMERCIAL BANK LIMITED (04-02-2005)** 3,000 (2007 : 3,000) Certificate of Rs. 5000 each Mark up : 11. 84% (KIBOR 6-Month (s) Ask Rate + 1. 50%) Redemption : Half year Installments commencing from Feb - 2005 Maturity : Dec, 2012	**3,000**	3,000	**14,979**	14,986
7	**CHANDA OIL & GAS SECURITIZATION COMPANY LIMITED (16-02-2005)** 6,000 (2007 : 6,000) Certificate of Rs. 5,000 each Mark up : 13. 00% (KIBOR 3-Month (s) Ask Rate + 3. 25% with Floor 8. 95 %, Cap 13. 00%) Redemption : Quarterly Installments commencing from Feb - 2005 Maturity : Jan - 2012	-	6,000	-	21,600
8	**NAIMAT BASAL OIL & GAS SECURITIZATION COMPANY LIMITED (12-04-2005)** 10,000 (2007 : 10,000) certificate of Rs. 5,000 each Mark up : 12.77% (KIBOR 6-Month (s) Ask Rate + 2. 50% with Floor 7. 50 %, Cap 13. 00%) Redemption : Monthly Installments commencing from April- 2005 Maturity : March, 2010	-	10,000	-	25,149
	TOTAL	**26,838**	67,838	**124,341**	219,936

PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

ANNEXURE II

As Referred to in Notes 8.3.2 to the financial statements
PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

Sr. No.	Name of TFCs	NUMBER OF TFCs 2008	NUMBER OF TFCs 2007	COST (Rupees in '000) 2008	COST (Rupees in '000) 2007
	Particulars of investments held in unlisted term finance certificates (TFCs)				
1	**KOHINOOR TEXTILE MILLS LIMITED** 10,000 (2007 : 10,000) Certificate of Rs. 5,000 each Mark up : 12. 01% (KIBOR 6-Month (s) Ask Rate + 2. 00%) Redemption : Quarterly Installments commencing from Aug - 2003 Maturity : May - 2008	-	10,000	-	6,250
2	**CRESCENT STEEL AND ALLIED PRODUCTS LIMITED** 15,000 (2007 : 15,000) Certificate of Rs. 5,000 each Mark up : 9. 00 % (GOP M. T- Bills 6 Months + 2. 50% with Cap of 9. 00%) Redemption : Half yearly Installments commencing from July - 2004 Maturity : January, 2009	**15,000**	15,000	**9,375**	28,125
3	**PAKISTAN MOBILE COMMUNICATIONS (PRIVATE) LIMITED** 20,000 (2007 : 20,000) Certificate of Rs. 5,000 each Mark up : 11. 66% (KIBOR 6-Month (s) Ask Rate + 1. 60% with Floor 4.95 %, Cap 12. 00%) Redemption : Half yearly Installments commencing from Sep - 2004 Maturity : March , 2009	**20,000**	20,000	**20,000**	60,000
4	**DEWAN FAROOQUE SPINNING MILLS LIMITED** 10,000 (2007 : 10,000) Certificate of Rs. 5,000 each Mark up : 13.73% (KIBOR 6-Month (s) Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec, 2009	**10,000**	10,000	**18,750**	25,000
5	**DEWAN CEMENT LIMITED** 10,000 (2007 : 10,000) Certificate of Rs. 5,000 each Mark up : 12. 56% (KIBOR 6-Month (s) Ask Rate + 2. 50%) Redemption : Half year Installments commencing from Jan - 2006 Maturity : Jan - 2012	-	10,000	-	20,926
6	**NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED** 10,000 Certificate of Rs. 5,000 each Mark up : 12.74% (KIBOR 3-Month (s) Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : July, 2011	**10,000**	10,000	**45,833**	50,000
	TOTAL	**55,000**	75,000	**93,958**	190,301

Consolidated Financial Statements

For the year ended
December 31, 2008

Auditors' Report to the Members

We have audited the annexed consolidated financial statements of Pakistan Kuwait Investment Company (Private) Limited comprising consolidated balance sheet as at December 31, 2008 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. The financial statements of subsidiary company Pakistan Kuwait Financial Services Limited were reviewed by other firm of chartered accountants whose review report has been submitted to us and our opinion, in so far as it relates to the amount included for such company, is based solely on the report of such auditor.

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

In our opinion the consolidated financial statements present fairly the financial position of Pakistan Kuwait Investment Company (Private) Limited as at December 31, 2008 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.

Date: March 05, 2009
Karachi

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants

Consolidated Balance Sheet
As at December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	5	**17,179**	24,869
Balances with other banks	6	**2,801,102**	5,363,570
Lendings to financial institutions	7	**500,000**	6,591,584
Investments	8	**9,417,329**	9,488,136
Advances	9	**3,358,935**	4,080,121
Other assets	10	**163,113**	165,415
Intangible assets	11	**37,750**	37,750
Operating fixed assets	12	**109,488**	123,938
Deferred tax asset	13	**1,820**	-
		16,406,716	25,875,383
LIABILITIES			
Bills payable		**-**	-
Borrowings from financial institutions	14	**6,370,782**	8,644,000
Deposits and other accounts	15	**37,500**	1,947,500
Subordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liability		**-**	306,692
Other liabilities	16	**752,459**	645,499
		7,160,741	11,543,691
NET ASSETS		**9,245,975**	14,331,692
REPRESENTED BY			
Share capital	17	**6,000,000**	6,000,000
Reserves	17	**6,447,712**	5,791,271
(Accumulated loss) / unappropriated profit		**(3,142,880)**	2,462,154
		9,304,832	14,253,425
(Deficit) / surplus on revaluation of 'available-for-sale' securities - net of tax	18	**(58,857)**	78,267
		9,245,975	14,331,692
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes 1 to 40 and annexures I and II form an integral part of these financial statements.

Chief Executive **Director**

Pak Kuwait

Consolidated Profit And Loss Account

For the year ended December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
Mark-up / return / interest earned	20	**1,160,235**	1,502,583
Mark-up / return / interest expensed	21	**551,191**	894,330
Net mark-up / interest income		**609,044**	608,253
Provision / (reversal of provision) against non-performing advances - net	9.4	**571,642**	(36,067)
Provision against non-performing lending to financial institutions	7.3	**150,000**	-
Provision for diminution / impairment in the value of investments	8.3	**3,884,971**	86,544
		4,606,613	50,477
Net mark-up / interest income after provisions		**(3,997,569)**	557,776
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		**4,933**	10,054
Dividend income		**173,789**	148,772
Gain on sale of securities	22	**241,265**	1,178,509
Income from dealing in foreign currencies		**-**	-
Unrealised (deficit) / surplus on revaluation of 'held for trading' securities		**(266,208)**	22,884
Share in results of associates - net		**(339,629)**	656,198
Other income	23	**32,715**	59,027
Total non mark-up / interest income		**(153,135)**	2,075,444
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	24	**287,796**	401,002
Other charges	25	**50**	55
Total non mark-up / interest expenses		**287,846**	401,057
Extra ordinary / unusual items		**-**	-
(LOSS) / PROFIT BEFORE TAXATION		**(4,438,550)**	2,232,163
Taxation			
- Current	26	**312,759**	296,902
- Prior years		**-**	-
- Deferred	26	**(282,716)**	74,080
		30,043	370,982
(LOSS) / PROFIT AFTER TAXATION		**(4,468,593)**	1,861,181
		(Rupees)	
Basic and diluted (loss) / earnings per share (On share of Rs. 25,000 each)	27	**(18,619)**	7,755

The annexed notes 1 to 40 and annexures I and II form an integral part of these financial statements.

Chief Executive **Director**

Pak Kuwait

Consolidated Cash Flow Statement

For the year ended December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		**(4,438,550)**	2,232,163
Less: Dividend income		**(173,789)**	(148,772)
		(4,612,339)	2,083,391
Adjustments for:			
Depreciation		**15,776**	22,588
Amortisation of premium on 'held-to-maturity' investments		**-**	1,518
Unrealised deficit / (surplus) on revaluation of 'held for trading' securities		**266,208**	(26,696)
Provision / (Reversal of provision) against non-performing advances		**571,642**	(36,067)
Provision against lending to financial institutions		**150,000**	-
Provision for diminution / impairment in the value of investments		**3,884,971**	86,544
Share in results of associates - net		**339,629**	(656,198)
Gain on sale of operating fixed assets		**(3,028)**	(1,135)
		5,225,198	(609,446)
		612,859	1,473,945
Decrease / (increase) in operating assets			
Lendings to financial institutions		**5,941,584**	1,752,490
'Held for trading' securities		**101,670**	615,995
Advances		**149,544**	829,811
Others assets		**(519)**	100,758
		6,192,279	3,299,054
(Decrease) / increase in operating liabilities			
Borrowings from financial institutions		**(2,273,218)**	(3,956,057)
Deposits		**(1,910,000)**	(1,794,000)
Other liabilities (excluding current taxation)		**(121,683)**	(92,419)
		(4,304,901)	(5,842,476)
		2,500,237	(1,069,477)
Income tax paid		**(84,116)**	(88,349)
Net cash flows from operating activities		**2,416,121**	(1,157,826)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in 'available-for-sale' securities / subsidiaries		**(4,684,591)**	(645,019)
Net investment in 'held-to-maturity' securities		**-**	201,518
Dividend received		**176,610**	143,594
Investments in operating fixed assets		**(9,550)**	(21,958)
Sale proceeds from sale of operating fixed assets		**11,252**	4,114
Net cash flows from investing activities		**(4,506,279)**	(317,751)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		**(480,000)**	(364,000)
Net cash flows from financing activities		**(480,000)**	(364,000)
(Decrease) in cash and cash equivalents		**(2,570,158)**	(1,839,577)
Cash and cash equivalents at beginning of the year	28	**5,388,439**	7,228,016
Cash and cash equivalents at end of the year	28	**2,818,281**	5,388,439

The annexed notes 1 to 40 and annexures I and II form an integral part of these financial statements.

Chief Executive **Director**

Consolidated Statement of Changes in Equity

For the year ended December 31, 2008

	Share capital	Reserves: Statutory	Reserves: Tax	Reserves: Revenue	Unappropriated profit/ (Accumulated loss)	Total
	(Rupees in '000)					
Balance as at December 31, 2006	6,000,000	2,998,991	80,045	1,705,333	1,971,875	12,756,244
Profit for the year ended December 31, 2007					1,861,181	1,861,181
Transfer to statutory reserve	-	289,831	-	-	(289,831)	-
Final dividend for the year ended December 31, 2006 @ Rs. 1,516.67 per share approved subsequent to year end	-	-	-	-	(364,000)	(364,000)
Transfer to contingencies reserve	-	-	-	50,686	(50,686)	-
Transfer to marketable and government securities reserve	-	-	-	666,385	(666,385)	-
Balance as at December 31, 2007	6,000,000	3,288,822	80,045	2,422,404	2,462,154	14,253,425
Final dividend for the year ended December 31, 2007 @ Rs.2,000 per share approved subsequent to year end	-	-	-	-	(480,000)	(480,000)
Transfer to contingencies reserve	-	-	-	42,086	(42,086)	-
Transfer to marketable and government securities reserve	-	-	(80,045)	694,400	(614,355)	-
Loss for the year ended December 31, 2008	-	-	-	-	(4,468,593)	(4,468,593)
Balance as at December 31, 2008	**6,000,000**	**3,288,822**	**-**	**3,158,890**	**(3,142,880)**	**9,304,832**

The annexed notes 1 to 40 and annexures I and II 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, 2008

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 Centre, 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 two 100% owned subsidiaries First Choice Securities Limited (FCSL) and Pak Kuwait Financial Services Limited (PKFSL). FCSL is principally engaged in the business of equity brokerage, money markets and foreign exchange brokerage, equity research and corporate financial advisory services. The principal business of PKFSL is to provide Asset Management Services. Both FCSL and PKFSL have not started their operations.

The Group's associates are as follows:

Entity / Fund	Nature of Business	2008	2007
		Percentage holding	
Meezan Bank Limited (MBL)	Scheduled Islamic Commercial Bank engaged in commercial, consumer and investment banking activities	**30.00**	30.00
Plexus (Private) Limited	Business of development and export of IT enabled services and internet solution	**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	**25.45**	25.45
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	**12.28**	15.09

Entity / Fund	Nature of Business	2008	2007
		Percentage holding	
Meezan Islamic Income Fund (MIIF)*	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	**0.79**	0.48
Meezan Balanced Fund (MBF)*	Closed-end scheme established under a trust deed executed between AMIML as the investment advisor and the Central Depository Company of Pakistan Limited (CDC) as the trustee	**9.21**	9.21
National Clearing Company Limited (NCCL)*	Business of clearing and settlement of securities through the National Clearing and Settlement System (NCSS)	**17.65**	17.65

All of the associates are incorporated in Pakistan.
*These have been treated as associates due to company's representation on their Board of Directors.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the State Bank of Pakistan (SBP). In case requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and the directives issued by the SBP shall prevail.

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) and their respective interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC), have not been considered in preparation of these financial statements.

2.1 Forthcoming accounting changes

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below.

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. This change will be affected after directions from regulator.

Revised IAS 23 - Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on the Group's financial statements.

Revised IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Group does not have any operations in Hyperinflationary Economies and therefore the standard is not relevant to Group's operations.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January, 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which require retrospective application, are not expected to have any impact on the Group's financial statements.

Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January, 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on the Group's financial statements.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Group's financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Group's financial statements.

IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April, 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard is not expected to have significant impact on the Group's financial statements other than increase in disclosures.

IFRS 8 - Operating Segments (effective for annual periods beginning on or after 1 January, 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments. This standard will have no effect on the Group's reported total profit or loss or equity.

IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July, 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The IFRIC 13 is not relevant to Group's operations.

IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off- plan', that is, before construction is complete. The amendment is not relevant to the Group's operations.

IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October, 2009) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to the profit or loss. The Interpretation allows an entity that used the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Group's operations.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2009 financial statements. These amendments are unlikely to have an impact on the Group's financial statements.

IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 January, 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not likely to have an effect on Group's financial statements.

IFRIC 17 - Distributions on Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July, 2009) states that when a group distributes non cash assets to its shareholders as dividend the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognized in equity. When the non cash asset is distributed, the difference between the carrying amount as fair value is recognized in the income statement. As the Group does not distribute non cash assets to its shareholders, this interpretation has no impact on the Group's financial statements.

IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-Current Assets Held for Sale and Discounted Operations (effective for annual periods beginning on or after 1 July, 2009) specify that: if an entity is committed to a sale plan involving the loss of control of a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of IFRS 5 are met. Disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation. The amendment is not likely to have an effect on Group's financial statements.

3. BASIS OF PRESENTATION

3.1 Basis of measurement

These financial statements 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.

3.2 Functional and presentation currency

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

3.3 Use of 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 historica 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 readilyl 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. Judgements 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 37.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of Consolidation

4.1.1 Subsidiaries

Subsidiaries are 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 activities. 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 subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases.

4.1.2 Associates

Associates are those entities in which the Group has significant influence, but does not have 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 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.

4.1.3 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.

4.2 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.

4.3 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.

4.4 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 recognised 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.

4.5 Investments

The company classifies its investments other than those in associates as 'Available- for-Sale', 'Held for Trading', '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, categorised as 'Held for Trading' and 'Available-for-Sale' are valued at rates quoted on PKRV (Reuters Page) and market rates of Karachi Stock Exchange as at the balance sheet date respectively. Any surplus or deficit other than impairment arising as a result of revaluation of securities categorised 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 break-up value based on latest available financial statements.

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 is included in income currently.

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

Companies where there are common directors but the company does not have significant influence are classified as "Investment in associated undertakings". These are stated in accordance with their classification either as 'held for trading' or 'available-for-sale' securities.

4.6 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 and any adjustments to any tax payable relating to prior years.

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.

4.7 Intangible assets

Intangible assets comprising of membership card of Karachi Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited are stated at cost less impairment in value, if any . These are not amortised as they are expected to have an indefinite life.

4.8 Operating fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss (if any) 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 assets is included in income currently.

4.9 Staff retirement benefits

Defined benefit plan

The company operates a funded gratuity scheme for all its eligible permanent and contractual 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 expected average working 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.

4.10 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, 2008.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

Pak Kuwait

5. CASH AND BALANCES WITH TREASURY BANKS

	Note	2008	2007
		(Rupees in '000)	
Cash in hand in local currency		**30**	50
With State Bank of Pakistan in local currency current account	5.1	**16,901**	24,755
With National Bank of Pakistan in local currency current account		**248**	64
		17,179	24,869

5.1 This includes the minimum cash reserve required to be maintained with the SBP in accordance with the requirement of BSD Circular No. 04 dated May 22, 2004.

6. BALANCES WITH OTHER BANKS

	Note	2008	2007
		(Rupees in '000)	
In Pakistan			
- current account		**2,971**	5,492
- deposit account	6.1 & 6.2	**2,797,237**	5,357,299
Outside Pakistan			
- current account		**894**	779
- deposit account		**-**	-
		2,801,102	5,363,570

6.1 This includes placements of Rs. 2,700 million (2007: Rs. 5,330 million). The return on these placements ranges between 18.25 (2007: 10.2) and 22.0 (2007: 12.5) percent per annum and the placements mature between 14 days to 92 days (2007: 2 days to 83 days).

6.2 This also includes a placements in foreign currency amounting to US$ 0.591 million (2007: Nil). The expected profit rate on this placement is 2.70 (2007: Nil) percent per annum and is due for maturity on January 01, 2009 (2007: Nil).

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2008	2007
		(Rupees in '000)	
7.1 Repurchase agreement lendings (Reverse Repo)		**-**	6,555,900
Certificates of investment (COIs)			
In local currency	7.2	**650,000**	-
In foreign currency		**-**	35,684
		650,000	35,684
Provision against COI	7.3	**(150,000)**	-
		500,000	6,591,584

7.2 The return on these COIs ranges between 17.9 to 23 percent per annum (2007: Nil) and is due for maturity by April 02, 2009.

Pak Kuwait

7.3 This represents provision against clean lending under COI to an investment bank. The lending was made on September 20, 2008 and matured on December 20, 2008.On maturity the investment bank was unable to repay the lending and the company is in the process of initiating legal proceedings for recovery of the outstanding amount. While the recovery proceedings continue, based on prudence the company has provided the amount.

7.4 Securities held as collateral against lendings to financial institutions

	2008			2007		
	Held by the company	Further given as collateral	Total	Held by the company	Further given as collateral	Total
	(Rupees in '000)					
Market treasury bills	-	-	-	3,054,287	3,451,155	6,505,442
Pakistan investment bonds	-	-	-	50,458	-	50,458
Equity shares of listed companies	-	-	-	-	-	-
	-	-	-	3,104,745	3,451,155	6,555,900

The market value of securities held as collateral amounted to Rs. Nil (2007: Rs. 6,555 million).

8. INVESTMENTS

8.1 Investments by type

	Note	2008			2007		
		Held by the company	Further given as collateral	Total	Held by the company	Further given as collateral	Total
		(Rupees in '000)					
Held for trading securities							
Shares of listed companies		**421,790**	**-**	**421,790**	257,251	-	257,251
Available-for-sale securities							
Market treasury bills		**605,632**	**3,349,317**	**3,954,949**	-	-	-
Shares of listed companies		**6,238,617**	**-**	**6,238,617**	5,465,470	-	5,465,470
Shares of unlisted companies		**151,546**	**-**	**151,546**	143,089	-	143,089
Listed preference shares		**96,003**	**-**	**96,003**	118,127	-	118,127
Listed term finance certificates		**124,341**	**-**	**124,341**	219,936	-	219,936
Unlisted term finance certificates		**93,958**	**-**	**93,958**	190,301	-	190,301
		7,310,097	**3,349,317**	**10,659,414**	6,136,923	-	6,136,923
Associates		**2,721,695**	**-**	**2,721,695**	3,206,565	-	3,206,565
Total investments - at cost		**10,453,582**	**3,349,317**	**13,802,899**	9,600,739	-	9,600,739
Less: Provision for diminution / impairment in the value of investments	8.3 & 37.3	**(4,026,046)**	**-**	**(4,026,046)**	(141,075)	-	(141,075)
Total investments - net of provisions		**6,427,536**	**3,349,317**	**9,776,853**	9,459,664	-	9,459,664
(Deficit) on revaluation of 'held for trading' securities		**(301,064)**	**-**	**(301,064)**	(34,856)	-	(34,856)
(Deficit) / surplus on revaluation of 'available-for-sale' securities		**(59,621)**	**1,161**	**(58,460)**	63,328	-	63,328
Total investments		**6,066,851**	**3,350,478**	**9,417,329**	9,488,136	-	9,488,136

8.2 Investments by segments

		2008	2007
		(Rupees in '000)	
Federal Government Securities			
- Market treasury bills		**3,954,949**	-
Fully paid up Ordinary Shares			
- Listed companies		**6,660,407**	5,417,686
- Unlisted companies		**151,546**	143,089
		6,811,953	5,560,775
Preference Shares			
- Listed companies		**96,003**	118,127
Term Finance Certificates (TFCs)			
- Listed TFCs		**124,341**	219,936
- Unlisted TFCs		**93,958**	190,301
		218,299	410,237
Investment in Associated Undertaking			
- Listed companies		**-**	305,035
Investments in Associates		**2,721,695**	3,206,565
Total investment - at cost		**13,802,899**	9,600,739
Less: Provision for diminution / impairment in the value of investments	8.3 & 37.3	**(4,026,046)**	(141,075)
Total investments - net of provisions		**9,776,853**	9,459,664
(Deficit) on revaluation of 'held for trading' securities		**(301,064)**	(34,856)
(Deficit) / surplus on revaluation of 'available-for-sale' securities		**(58,460)**	63,328
		(359,524)	28,472
Total investments		**9,417,329**	9,488,136

Investments in Meezan Bank Limited (associate) include shares with cost of Rs. 1,003 million market value : Rs. 3,174 million (2007: Cost 1,003 million, market value Rs.4,366 million) which are held as strategic investment in terms of Prudential Regulation applicable to Corporate / Commercial Banking, and is kept in their CDC Account as required by SBP.

The investments also include Faysal Management Services (Private) Limited, Al-Meezan Investment Management Limited and Orix Investment Bank Pakistan Limited which can be sold only with prior permission of Securities and Exchange Commission of Pakistan.

8.3 Particulars of impairment / diminution in the value of investments

	2008	2007
	(Rupees in '000)	
Opening balance	**141,075**	54,531
Charge for the year	**3,895,411**	86,544
Reversals	**(10,440)**	-
	3,884,971	86,544
Closing balance	**4,026,046**	141,075

8.3.1 Particulars of provision in respect of type and segment

	2008	2007
'Available-for-sale' securities	**4,026,046**	141,075
Associates	**-**	-
	4,026,046	141,075

8.3.2 Information relating to quality of 'available-for-sale' securities and investments in shares of listed and unlisted companies, redeemable capital required to be disclosed as part of the financial statements under the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006, are given in Annexure "I" and "II", which are an integral part of these financial statements.

8.4 Summary of financial information of associates

Associates	Accounting date	Assets	Liabilities	Equity	Revenue	Profit / (loss)
2008				(Rupees in '000)		
Meezan Bank Limited*	**30-Sep-08**	**76,318,269**	**70,485,991**	**5,832,278**	**737,377**	**237,812**
Plexus (Private) Limited	**31-Dec-08**	**14,000**	**4,029**	**9,971**	**8,423**	**(3,764)**
Pak Kuwait Takaful Company Limited	**31-Dec-08**	**355,965**	**122,065**	**233,900**	**145,361**	**6,992**
Falcon Green Wood (Private) Limited	**30-Jun-08**	**706,750**	**38,006**	**668,744**	**-**	**8,044**
The General Tyre & Rubber Company of Pakistan Limited	**30-Sep-08**	**4,296,638**	**3,132,262**	**1,164,376**	**98,229**	**(57,792)**
Al Meezan Investment Management Limited	**31-Dec-08**	**615,793**	**182,247**	**433,546**	**(170,255)**	**(234,768)**
Al Meezan Mutual Fund Limited	**31-Dec-08**	**778,410**	**29,080**	**749,330**	**(97,029)**	**(990,159)**
Meezan Balanced Fund	**31-Dec-08**	**855,681**	**37,296**	**818,385**	**(465,212)**	**(485,298)**
National Clearing Company of Pakistan Limited	**31-Dec-08**	**5,663,042**	**5,273,673**	**389,369**	**42,896**	**24,484**
Meezan Islamic Income Fund	**31-Dec-08**	**4,286,797**	**16,214**	**4,270,583**	**(32,867)**	**(65,146)**

* Impairment in respect of available-for-sale investments has been adjusted in assets and equity.

	Accounting date	Assets	Liabilities	Equity	Revenue	Profit / (loss)
2007				(Rupees in '000)		
Meezan Bank Limited	30-Sep-07	65,247,205	59,065,414	6,168,946	4,059,890	1,003,589
Plexus (Private) Limited	31-Dec-07	22,963	3,348	19,615	6,581	(1,547)
Pak Kuwait Takaful Company Limited	31-Dec-07	397,840	170,555	227,285	108,597	2,773
Falcon Green Wood (Private) Limited	30-Jun-07	702,455	26,848	675,607	-	(3,365)
The General Tyre & Rubber Company of Pakistan Limited	30-Sep-07	3,797,616	2,554,053	1,243,563	1,947,993	58,834
Al Meezan Investment Management Limited	31-Dec-07	958,719	212,767	745,952	225,677	189,887
Al Meezan Mutual Fund Limited	31-Dec-07	2,051,739	9,753	2,041,986	133,766	631,106
Meezan Balanced Fund	31-Dec-07	1,486,258	17,339	1,468,919	99,436	332,306
National Commodity Exchange Limited	30-Jun-07	900,919	892,413	8,506	87,261	(1,269)
National Clearing Company of Pakistan Limited	31-Dec-07	708,702	388,635	320,067	124,934	103,857
Meezan Islamic Income Fund	31-Dec-07	7,038,191	261,306	6,776,885	214,501	409,748

9. ADVANCES

	Note	2008	2007
		(Rupees in '000)	
In Pakistan			
Advances		**2,685,896**	2,664,259
Net investment in finance leases	9.2	**1,583,220**	1,754,401
		4,269,116	4,418,660
Provision for non-performing advances	9.4	**(910,181)**	(338,539)
Advances net of provisions		**3,358,935**	4,080,121

9.1 Particulars of gross advances

	2008	2007
In local currency	**4,246,521**	4,396,065
In foreign currencies	**22,595**	22,595
	4,269,116	4,418,660
For upto one year	**1,240,050**	164,056
For over one year	**3,029,066**	4,254,604
	4,269,116	4,418,660

9.2 Net investment in finance leases

	2008				2007			
	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	**834,322**	**872,639**	**23,078**	**1,730,039**	563,216	1,299,373	23,399	1,885,988
Residual value	**68,311**	**57,973**	**4,684**	**130,968**	56,049	71,474	-	127,523
Minimum lease payments	**902,633**	**930,612**	**27,762**	**1,861,007**	619,265	1,370,847	23,399	2,013,511
Financial charges for future periods	**137,725**	**139,892**	**170**	**277,787**	124,921	132,182	2,007	259,110
Present value of minimum lease payments	**764,908**	**790,720**	**27,592**	**1,583,220**	494,344	1,238,665	21,392	1,754,401

9.2.1 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 2015 and are subject to finance income at rates ranging between 7.0 (2007: 7.0) and 21.83 (2007: 15.99) percent per annum.

9.2.2 In respect of the aforementioned finance leases the company holds an aggregate sum of Rs. 130.968 million (2007: Rs. 127.759 million) as security deposits on behalf of the lessees which are included under other liabilities (note 15).

9.3 Advances include Rs. 1,278.058 million (2007: Rs 338.539 million) which have been placed under non-performing status as detailed below:

Category of classification	Classified Advances	Provision Required	Provision Held
	2008		
		(Rupees in '000)	
Substandard	**268,773**	**67,193**	**67,193**
Doubtful	**332,594**	**166,297**	**166,297**
Loss	**676,691**	**676,691**	**676,691**
	1,278,058	**910,181**	**910,181**

Category of classification	2007 Classified Advances	2007 Provision Required	2007 Provision Held
	(Rupees in '000)		
Substandard	-	-	-
Doubtful	-	-	-
Loss	338,539	338,539	338,539
	338,539	338,539	338,539

9.4 Particulars of provision against non-performing advances

	2008	2007
	(Rupees in '000)	
Opening balance	**338,539**	374,606
Charge for the year	**607,032**	-
Reversal	**(35,390)**	(36,067)
	571,642	(36,067)
Closing balance	**910,181**	338,539

	2008	2007
9.5 Local currency	**887,586**	315,944
Foreign currency	**22,595**	22,595
	910,181	338,539

9.6 Particulars of loans and advances to directors and associated companies

Debts due by directors, executives and officers of the company or any of them severally or jointly with any other persons

	2008	2007
Balance at beginning of the year	**61,852**	40,716
Loans granted during the year	**-**	42,695
Repayments	**(49,352)**	(21,559)
	(49,352)	21,136
Balance at end of the year	**12,500**	61,852

10. OTHER ASSETS

	Note	2008	2007
		(Rupees in '000)	
Income / mark-up accrued in local currency		**173,567**	179,861
Income / mark-up accrued in foreign currency		**108**	77
Advances, deposits, prepayments and other receivables		**13,153**	8,280
Preliminary expenses		**-**	1,165
Central excise duty		**2,077**	2,077
Others		**362**	109
		189,267	191,569
Provision held against other assets	10.1	**(26,154)**	(26,154)
		163,113	165,415

10.1 Provision against other assets

	2008	2007
	(Rupees in '000)	
Opening balance	**26,154**	26,154
Charge for the year	**-**	-
Closing balance	**26,154**	26,154

11. INTANGIBLE ASSETS - Cost of membership card

	2008	2007
Karachi Stock Exchange (Guarantee) Limited	**34,750**	34,750
National Commodity Exchange Limited	**3,000**	3,000
	37,750	37,750

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

12. OPERATING FIXED ASSETS

	Note	2008	2007
Capital work-in-progress	12.1	**2,350**	2,350
Property and equipment	12.2	**107,138**	121,588
		109,488	123,938

12.1 Capital work-in-progress

	2008	2007
Advance for purchase of room	**2,350**	2,350

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 in the name of the subsidiary company. The company is pursuing the transfer of room in its name and considers that the fair value of advance is higher than the carrying value.

12.2 Property and equipment

	2008							
	Cost			Depreciation			Net book	Rate of
	As at January 1, 2008	Additions / (disposals)	As at December 31, 2008	As at January 1, 2008	Charge / (disposals)	As at December 31, 2008	value as at December 31, 2008	depreciation %
	(Rupees in '000)							
Leasehold land	100	-	**100**	-	-	**-**	**100**	
Building on lease hold land	112,149	-	**112,149**	25,382	2,804	**28,186**	**83,963**	2.50
Furniture and fixtures	31,324	430 (500)	**31,254**	27,577	2,366 (300)	**29,643**	**1,611**	20.00
Motor vehicles	79,420	8,180 (21,792)	**65,808**	53,830	7,958 (15,033)	**46,755**	**19,053**	20.00
Office equipment	32,871	504 (542)	**32,833**	29,140	2,396 (535)	**31,001**	**1,832**	33.33
Electrical appliances	7,820	437 (3,326)	**4,931**	6,167	252 (2,067)	**4,352**	**579**	20.00
	263,684	9,551 (26,160)	**247,075**	142,096	15,776 (17,935)	**139,937**	**107,138**	

Pak Kuwait

	2007							
	Cost			Depreciation			Net book	Rate of
	As at January 1, 2007	Additions / (disposals)	As at December 31, 2007	As at January 1, 2007	Charge / (disposals)	As at December 31, 2007	value as at December 31, 2007	depreciation %
	(Rupees in '000)							
Leasehold land	100	-	100	-	-	-	100	
Building on lease hold land	112,149	-	112,149	22,578	2,804	25,382	86,767	2.50
Furniture and fixtures	31,243	82	31,325	24,018	3,559	27,577	3,748	20.00
Motor vehicles	72,303	17,217 (10,100)	79,420	48,536	12,475 (7,180)	53,831	25,589	20.00
Office equipment	28,848	4,484 (461)	32,871	26,779	2,822 (461)	29,140	3,731	33.33
Electrical appliances	7,962	176 (318)	7,820	5,497	928 (258)	6,167	1,653	20.00
	252,605	21,959 (10,879)	263,685	127,408	22,588 (7,899)	142,097	121,588	

12.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of:

	(Rupees in '000)
Furniture and fixture	24,718
Motor vehicles	30,194
Office equipment	27,845
Electrical appliances	3,770

12.3 Details of disposals of fixed assets whose original cost or the book value exceeds Rs. 1 million or Rs. 250,000 which ever is less and assets disposed off to the chief executive or to a director or to executives or to any related party, irrespective of the value, are as follows:

Pak Kuwait

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particular of purchaser
	(Rupees in '000)					
Motor vehicles						
Suzuki Cultus	560	560	-	56	Company policy	Inam ur Rahman Khan (Employee)
Honda City	846	169	677	677	-do-	Amer Hussain (Former Employee)
Suzuki Cultus	555	555	-	56	-do-	Farah Akber (Employee)
Toyota Corolla	879	527	352	352	-do-	Shoaib Ali Khan (Former Employee)
Honda City	795	636	159	159	-do-	Khurram Noor (Former Employee)
Honda Civic	1,564	313	1,251	1,550	Negotiation	Salim Yusuf (Former Employee)
Honda City	785	785	-	530	-do-	Iftikhar Ahmed (Former Employee)
Honda City	845	845	-	530	-do-	Shahid Usman (Former Employee)
Honda Civic	1,280	1,280	-	686	-do-	-do-
Toyota Estima	2,652	2,122	530	1,061	Board approved contract	Irfan Siddiqui (Former Employee)
Toyota Crown	2,931	2,931	-	293	-do-	-do-
Land Cruiser Parado	5,350	3,210	2,140	2,140	-do-	Istaqbal Mehdi (Former MD)
Toyota Camry Sedan	2,750	1,100	1,650	1,650	-do-	-do-
Electrical appliances						
Generator	900	540	360	360	Board approved contract	Istaqbal Mehdi (Former MD)
Home Theater	831	498	333	333	-do-	-do-
Hot Water Heating System	460	276	184	184	-do-	-do-
Generator	900	540	360	360	-do-	-do-
Office equipment						
Toshiba Note Book	155	155	-	-	Board approved contract	Istaqbal Mehdi (Former MD)
Computer and related items	100	93	7	7	-do-	-do-
Furniture and fixtures						
Furniture	500	300	200	200	Board approved contract	Istaqbal Mehdi (Former MD)

13. DEFERRED TAX ASSETS / (LIABILITY)

	Balance January 01, 2008	Recognised in profit and loss	Recognised in equity	Balance December 31, 2008
	(Rupees in '000)			
Debit / (credit) balances arising on account of				
Accelerated tax depreciation allowance	5,821	(1,585)	-	4,236
Provision for staff retirement gratuity and compensated absences	3,793	1,436	-	5,229
Other staff benefits	4,970	-	-	4,970
Finance lease arrangements	(282,379)	30,291	-	(252,088)
Share of profit from associates	(124,411)	-	-	(124,411)
Provision against non-performing advances	111,795	252,574	-	364,369
Surplus / (deficit) on revaluation of 'available-for-sale' securities	(26,281)	-	25,796	(485)
	(306,692)	**282,716**	**25,796**	**1,820**

13.1 Deferred tax asset has not been recognised in respect of provision for diminution / impairment in the value of securities amounting to Rs. 3,863 million, as future capital gain against it is exempt from tax.

	Balance January 01, 2007	Recognised in profit and loss	Recognised in equity	Balance December 31, 2007
	(Rupees in '000)			
Debit / (credit) balances arising on account of				
Accelerated tax depreciation allowance	6,130	(309)	-	5,821
Provision for staff retirement gratuity and compensated absences	6,477	(2,684)	-	3,793
Other staff benefits	4,970	-	-	4,970
Finance lease arrangements	(301,161)	18,782	-	(282,379)
Share of profit from associates	(38,272)	(77,247)	(8,892)	(124,411)
Provision against non-performing advances	124,417	(12,622)	-	111,795
Surplus / (deficit) on revaluation of 'available-for-sale' securities	134	-	(26,415)	(26,281)
	(197,305)	(74,080)	(35,307)	(306,692)

14. BORROWINGS FROM FINANCIAL INSTITUTIONS

		2008	2007
		(Rupees in '000)	
In Pakistan		**6,370,782**	8,644,000
14.1 Particulars of borrowings with respect to currencies			
In local currency		**6,370,782**	8,644,000
14.2 Details of borrowings secured / unsecured			
Secured			
Repurchase agreement borrowings	14.2.1	**3,351,634**	3,450,210
Term finance certificates (TFCs)	14.2.2	**1,650,000**	1,750,000
Borrowings from SBP under LTF-EOP	14.2.3	**369,148**	443,790
Unsecured			
Term finance certificates (TFCs)	14.2.4	**1,000,000**	3,000,000
		6,370,782	8,644,000

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 range between 11.00 (2007:9.25) percent per annum and 14.90 (2007: 9.55) percent per annum with maturity ranging from two days (2007: three days) to six days (2007: one 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 mark-up is payable on quarterly basis and the principal is repayable in five equal semi annual instalments 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 65 (2007: 65) basis points. As at December 31, 2008 the effective rate ranges between 15.81 and 16.15 (2007: 11.00 to 11.27) 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.

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.

The sanctioned limit was Rs. 1,000 million. The outstanding balance under swap arrangement amounts to Rs 369.148 million as at December 31, 2008 (2007: Rs 443.790 million).

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 85 (2007: 85 to 170) basis points over the cut-off yield of the last successful auction of six month T bills.
As at December 2008 the effective rate is 12.34 (December 31, 2007: 9.99 to 10.75) percent per annum.

15. DEPOSITS AND OTHER ACCOUNTS

	2008	2007
	(Rupees in '000)	
Certificates of investment (COIs) / deposits		
Financial institutions	**-**	1,875,000
Others	**37,500**	72,500
	37,500	1,947,500

The profit rates on these COIs range between 9.75 (2007: 9.45) and 14.03 (2007:10.25) percent per annum. The COIs are due for maturity between January 19, 2009 and March 22, 2010 (2007: January 28, 2008 to March 22, 2010). Included in COIs is an amount of Rs. 35 million (2007: Rs.1,945 million) payable within twelve months. All COIs / deposits are in local currency.

16. OTHER LIABILITIES

		2008	2007
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		**66,979**	119,580
Accrued liabilities		**65,835**	134,826
Retention money payable		**22**	1,737
Taxation		**470,901**	242,258
Staff retirement gratuity	30.1.3	**5,393**	4,151
Security deposits against finance lease	9.2.2	**130,968**	127,759
Employees' compensated absences		**9,291**	6,429
Payable on account of purchase of marketable securities		**-**	3,345
Other liabilities		**3,070**	5,414
		752,459	645,499

17. SHARE CAPITAL

17.1 Authorised Share Capital

2008	2007		2008	2007
(Number of shares)			(Rupees in '000)	
400,000	400,000	Ordinary shares of Rs. 25,000 each	**10,000,000**	10,000,000

17.2 Issued, Subscribed and Paid-up Share Capital

2008	2007		2008	2007
(Number of shares)				
25,950	25,950	Ordinary shares of Rs. 25,000 each issued for cash	**648,750**	648,750
214,050	214,050	Ordinary shares of Rs. 25,000 each issued as bonus shares	**5,351,250**	5,351,250
240,000	240,000		**6,000,000**	6,000,000

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 (2007: 120,000) ordinary shares of the company as at December 31, 2008.

17.3 Reserves

		2008	2007
		(Rupees in '000)	
Capital reserves	17.3.1	**3,288,822**	3,368,867
Revenue reserves	17.3.2	**3,158,890**	2,422,404
		6,447,712	5,791,271

17.3.1 Capital reserves

		2008	2007
Statutory reserve	17.3.1.1		
At beginning of the year		**3,288,822**	2,998,991
Add: Transfer during the year		**-**	289,831
		3,288,822	3,288,822
Special reserve	17.3.1.2		
At beginning of the year		**80,045**	80,045
Less: Transfer to marketable and government securities reserve		**(80,045)**	-
		-	80,045
		3,288,822	3,368,867

17.3.1.1 Statutory reserve

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 and after that a sum not less than 5% of profit after tax shall be credited to the statutory reserve. Due to loss during the year the transfer during the year is Nil (2007: Rs.289.831 million).

17.3.1.2 Special reserve

This was created under the Income Tax Ordinance, 1979 (now repealed) and has been transferred to marketable and government securities reserves.

17.3.2 Revenue reserves

		2008	2007
		(Rupees in '000)	
Contingencies reserve	17.3.2.1		
At beginning of the year		**232,751**	182,065
Add: Transfer during the year		**42,086**	50,686
		274,837	232,751
Marketable and government securities reserve	17.3.2.2		
At beginning of the year		**2,189,653**	1,523,268
Add: Transfer during the year		**614,355**	666,385
Add: Transfer from special reserve		**80,045**	-
		2,884,053	2,189,653
		3,158,890	2,422,404

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. (DEFICIT) / SURPLUS ON REVALUATION OF 'AVAILABLE-FOR-SALE' SECURITIES-NET OF TAX

	2008	2007
	(Rupees in '000)	
Federal and provincial government securities	**902**	-
Quoted shares	**(59,867)**	39,107
Other securities	**108**	2,127
Share of surplus on revaluation of securities held by associates	**-**	37,033
	(58,857)	78,267

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 'Capital 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 a 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 of 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 the case will be decided in its favour and the company will not be liable to taxes on capital gains on the basis used by the department.

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

		2008	2007
		(Rupees in '000)	
Direct credit substitute – guarantee issued		**1,550**	9,846

19.3 Other commitments

Underwriting commitment		**-**	71,000
Undisbursed sanctions for financial assistance in the form of:			
- equity participation	19.3.1	**1,135,100**	191,220
- loans and advances		**200,936**	532,400
		1,336,036	794,620

19.3.1 This amount includes commitments to related parties.

20. MARK - UP / RETURN / INTEREST EARNED

On loans and advances	**387,178**	527,749
On investments in:		
- 'Available-for-sale' securities	**111,658**	71,560
- 'Held-to-maturity' securities	**-**	1,777
On deposits with financial institutions	**407,774**	412,974
On securities purchased under resale agreements	**253,625**	488,523
	1,160,235	1,502,583

21. MARK-UP / RETURN / INTEREST EXPENSED

Deposits / borrowings from financial institutions	**486,850**	728,848
Securities sold under repurchase agreements	**63,716**	164,693
Other short term borrowings	**625**	789
	551,191	894,330

22. GAIN / (LOSS) ON SALE OF SECURITIES

Federal Government Securities		
- Market treasury bills	**2**	53
- Pakistan investment bonds	**-**	61
Shares - listed securities	**240,213**	1,167,857
Shares - unquoted securities	**1,050**	10,538
	241,265	1,178,509

23. OTHER INCOME

Profit on sale of operating fixed assets	**3,028**	1,135
Others	**29,687**	57,892
	32,715	59,027

24. ADMINISTRATIVE EXPENSES

		2008	2007
		(Rupees in '000)	
Salaries, allowances and employees' benefits		**118,360**	170,653
Directors' remuneration (including remuneration of Chief Executive)		**38,124**	51,874
Provision for gratuity	30.1.4	**6,972**	9,053
Employer's contribution to the provident fund		**5,785**	5,173
Travelling and conveyance		**9,074**	14,938
Rent and rates		**9,129**	8,642
Utilities		**3,168**	2,716
Communication		**7,409**	7,720
Professional training and staff welfare		**537**	1,288
Advertisements, periodicals and membership dues		**5,826**	7,217
Printing and stationery		**2,615**	2,262
Depreciation	12.2	**15,776**	22,588
Auditors' remuneration	24.1	**5,092**	2,121
Legal, consultancy and other professional services		**20,764**	21,742
Repairs and maintenance		**16,260**	13,575
Motor vehicle expenses		**8,989**	7,372
Insurance		**2,758**	2,574
Donations		**-**	50
Entertainment		**1,516**	1,419
Bank charges		**221**	196
Miscellaneous		**9,421**	47,829
		287,796	401,002

24.1 Auditors' remuneration

Audit fee	**1,035**	926
Fee for half yearly review	**415**	364
Special certifications and sundry advisory services	**3,351**	659
Out of pocket expenses	**291**	172
	5,092	2,121

25. OTHER CHARGES

Penalties imposed by the State Bank of Pakistan	**50**	55

26. TAXATION

	2008	2007
	(Rupees in '000)	
For the year		
- Current	**312,759**	296,902
- Deferred	**(282,716)**	74,080
	30,043	370,982

26.1 Relationship between tax expense and accounting profit

(Loss) / profit before taxation	**(4,438,550)**	2,232,163
Tax at the applicable rate of 35% (2007: 35%)	**(1,553,493)**	781,257
Net tax effect on income taxed at reduced rates	**(43,447)**	(99,398)
Net tax effect of expenses not subject to tax	**1,602,398**	(304,929)
Others	**24,585**	(5,948)
	30,043	370,982

27. BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

(Loss) / profit for the year	**(4,468,593)**	1,861,181
	(Number in '000)	
Weighted average number of ordinary shares	**240**	240
	(Rupees)	
Basic (loss) / earnings per share	**(18,619)**	7,755

27.1 There were no convertible diluted potential ordinary shares outstanding as on December 31, 2008 and December 31, 2007.

28. CASH AND CASH EQUIVALENTS

	(Rupees in '000)	
Cash and balances with treasury banks	**17,179**	24,869
Balances with other banks	**2,801,102**	5,363,570
	2,818,281	5,388,439

29. STAFF STRENGTH

	(Number)	
Permanent	**59**	58
Temporary / on contractual basis	**17**	16
Own staff strength at the end of the year	**76**	74
Outsourced	**32**	35
Total staff strength	**108**	109

30. DEFINED BENEFIT PLAN

30.1 Staff retirement gratuity

30.1.1 Principal actuarial assumptions

	2008	2007
	(% per annum)	
Discount rate	**15**	10
Expected rate of increase in salaries	**15**	9
Expected rate of return on investments	**15**	10
Normal retirement age	**60 years**	60 years

30.1.2 Reconciliation of payable to defined benefit plan

		(Rupees in '000)	
Present value of defined benefit obligations	30.1.5	**40,136**	27,370
Fair value of plan assets	30.1.6	**(9,620)**	(7,198)
		30,516	20,172
Unrecognised actuarial losses		**(25,123)**	(16,021)
		5,393	4,151

30.1.3 Movement in liability

Opening balance		**4,151**	23,915
Expense charged in the current year	30.1.4	**6,972**	9,053
Company's contribution to gratuity fund		**(5,730)**	(28,817)
Closing balance		**5,393**	4,151

30.1.4 Gratuity charge for the year

Current service cost	**3,864**	4,357
Interest cost	**2,790**	4,518
Expected return on plan assets	**(789)**	(663)
Actuarial loss amortised	**1,107**	841
	6,972	9,053

30.1.5 Reconciliation of present value of defined benefit obligation

Opening balance of defined benefit obligation	**27,370**	44,720
Current service cost	**3,864**	4,357
Interest cost	**2,790**	4,518
Actuarial benefits paid during the year	**(4,223)**	(28,472)
Actuarial gain on obligation	**10,335**	2,247
Closing balance of defined benefit obligation	**40,136**	27,370

30.1.6 Reconciliation of fair value of plan assets

	2008	2007
	(Rupees in '000)	
Opening fair value of plan assets	7,198	6,244
Expected return on plan assets during the year	789	663
Actual contributions made by the employer	5,730	28,816
Actual benefits paid during the year	(4,223)	(28,472)
Actuarial gain / (loss) on plan assets	126	(53)
Closing fair value of plan assets	9,620	7,198

Actual return on plan assets is 9.5% as at December 31, 2008.

30.1.7 Historical information of defined benefit plan

	Present value of the defined benefit plan	Fair value of the plan assets	Deficit in the plan	Gain / (loss) on plan liabilities due to experience	Gain / (loss) on plan assets due to experience
	(Rupees in '000)				
2008	40,136	9,620	(30,516)	(10,335)	126
2007	27,370	7,198	(20,172)	(2,247)	(53)
2006	44,720	6,243	(38,477)	(3,461)	(221)
2005	35,320	2,427	(32,893)	(4,351)	(593)
2004	33,354	7,153	(26,201)	427	513

30.1.8 Break up of investments

	2008	2007
	%	
Bank balances	40	4
Musharika deposits	60	96
	100	100

30.1.9 The expected gratuity expense for the year ending December 31, 2009 works out to be Rs.10.930 million.

30.1.10 The Company operates an approved funded contributory provident fund for all its permanent employees to which monthly contributions are made both by the Company (at 10 % of basic salary), and by the employees (at the rate of 10 % - 30 %) of basic salary.

31. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	(Rupees in '000)					
Fee	-	-	3,530	2,380	-	-
Managerial remuneration	19,395	33,304	-	-	55,228	78,963
Charge for defined benefit plan	652	656	-	-	3,393	2,270
Contribution to defined contribution plan	782	787	-	-	4,409	2,352
Rent and house maintenance	4,130	3,637	-	-	24,852	15,595
Utilities	142	175	-	-	5,523	3,465
Medical	198	715	-	-	4,009	2,826
Others	12,896	6,778	-	5,775	-	-
	38,195	46,052	3,530	8,155	97,414	105,471
No. of persons	2	1	5	5	44	30

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

31.2 The compensation charges for 2008 includes remuneration and retirement benefits of outgoing chief executive till November 25, 2008.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

32.1 On balance sheet financial instruments

	2008		2007	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
Financial Assets				
- Cash balances with treasury banks	17,179	17,179	24,869	24,869
- Balances with other banks	2,801,102	2,801,102	5,363,570	5,363,570
- Lendings to financial institutions	500,000	500,000	6,591,584	6,591,584
- Investments	9,417,329	11,631,599	9,488,136	13,239,613
- Advances	3,358,935	3,358,935	4,080,121	4,080,121
- Other assets	149,960	149,960	157,135	157,135
	16,244,505	18,458,775	25,705,415	29,456,892
Financial Liabilities				
- Borrowings from financial institutions	6,370,782	6,370,782	8,644,000	8,644,000
- Deposits and other accounts	37,500	37,500	1,947,500	1,947,500
- Other liabilities	276,144	276,144	645,499	645,499
	6,684,426	6,684,426	11,236,999	11,236,999

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 follows:

	2008					
	Corporate Finance	Treasury Banking	Investment	Capital Markets	Others	Total
	(Rupees in '000)					
Total income - gross	351,165	786,727	3,697	116,682	15,037	1,273,308
Total mark-up / return / interest expense	(433,073)	(118,118)	-	-	-	(551,191)
Segment provision / impairment / unrealised losses	(642,845)	(150,000)	-	(4,079,976)	-	(4,872,821)
	(1,075,918)	(268,118)	-	(4,079,976)	-	(5,424,012)
Net operating income	(724,753)	518,609	3,697	(3,963,294)	15,037	(4,150,704)
Administrative expenses and other charges						(287,846)
Profit before taxation						(4,438,550)
Segment assets - net	4,066,535	7,732,843	-	4,247,881	359,457	16,406,716
Segment non-performing loans	1,278,058	-	-	-	-	1,278,058
Segment provision required and held	910,181	-	-	-	-	910,181
Segment liabilities	3,019,148	3,389,134	-	-	752,459	7,160,741
Segment return on net assets (ROA) %	9.81	12.74	-	6.92	3.21	-
Segment cost of funds (%)	10.96	8.79	-	-	-	-

	2007					
	Corporate Finance	Treasury Banking	Investment	Capital Markets	Others	Total
	(Rupees in '000)					
Total income - gross	688,197	915,464	7,690	1,888,748	55,044	3,555,143
Total mark-up / return / interest expense	(529,617)	(364,713)	-	-	-	(894,330)
Segment provision / impairment / unrealised gains	23,169	(3,812)	-	(46,950)	-	(27,593)
	(506,448)	(368,525)	-	(46,950)	-	(921,923)
Net operating income	181,749	546,939	7,690	1,841,798	55,044	2,633,220
Administrative expenses and other charges						(401,057)
Profit before taxation						2,232,163
Segment assets - net	5,001,546	11,965,412	-	8,519,430	388,995	25,875,383
Segment non-performing loans/financings	338,539	-	-	-	-	338,539
Segment provision required and held	338,539	-	-	-	-	338,539
Segment liabilities	5,193,790	5,397,710	-	-	927,904	11,519,404
Segment return on net assets (ROA) %	11.01	9.56	-	23.26	10.72	-
Segment cost of funds (%)	10.16	9.50	-	-	-	-

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

34. RELATED PARTY TRANSACTIONS

The company has related party relationship with its associates, associated undertakings, subsidiary companies, employee benefit plans, key management personnel and its directors.

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.

	2008	2007
	(Rupees in '000)	
Expenses charged to a related party	10,491	10,212
Expenses charged by		
- associates	3,058	1,902
- other related party	13,703	10,956
Dividend income from		
- associates	27,954	69,885
- other related parties	-	16,779
Placement / COI with a related party		
Balance as at January 1	35,684	149,381
Additions during the year	(47,205)	(114,850)
Exchange gain	11,521	1,153
	(35,684)	(113,697)
Balance as at December 31	-	35,684
Mark-up earned on placement with an associate	1,206	6,464
Mark-up receivable on placement / COI / leases & loans and advances		
- with associates	49	179
- other related parties	-	3,790
Mark-up earned on loans and advances		
- associates	4,238	7,206
- other related parties	-	16,191
Loans and advances to key management personnel		
Balance as at January 1	14,618	9,126
Disbursement during the year	-	19,643
Recovery during the year	(10,864)	(14,151)
	(10,864)	5,492
Balance as at December 31	3,754	14,618
Advances to associates / other related parties	12,500	197,534
Mark-up expense on COI of a related party	869	188
Bank balances with an associate	6,906	9,886
Mark-up payable to other related party	97	6
Investments in associates		
- associates	2,721,695	3,206,565
- other related parties	500	314,684
Commitments for investment in equity of / loan to associates	1,135,100	191,220
Contribution made to provident fund	5,785	5,173
Contribution made to gratuity fund	6,972	7,057

Pak Kuwait

Key management personnel

Key management personnel include the Managing Director, Deputy General Manager, Senior Executive Vice Presidents, Chief Financial Officer and the Company Secretary. Their salaries and other benefits amount to Rs. 51.990 million (2007: Rs. 73.928 million) and staff retirement benefits amount to Rs. 3.176 million (2007: Rs. 3.259 million).

35. CAPITAL ADEQUACY

35.1 The company's objectives when managing its capital are:

a) To comply with the capital requirements set by the State Bank of Pakistan;

b) To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

c) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regularly by the company's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the State Bank of Pakistan. In implementing current capital requirements, SBP requires to maintain a prescribed ratio of 9% total capital to total risk-weighted assets on standalone as well as on consolidated basis using the Standardized approach of Basel-II.

The Company maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company regulatory capital is analyzed in following tiers:

- Tier 1 Capital, which includes fully paid up capital, general reserves as disclosed in the financial statements and un-appropriated profits, etc., after deductions for deficit on revaluation of available for sale investments and 50% deduction for investments in the equity of subsidiary companies and significant minority investment entities engaged in banking and financial activities.

- Tier 2 Capital, which includes reserve on revaluation of equity investments upto a maximum of 45% of the balance after 50% deduction for investments in the equity of subsidiary companies and significant minority investments in entities engaged in banking and financial activities.

According to SBP guidelines on Internal Capital Adequacy Assessment Process (ICAAP), the Company also intends to implement ICAAP. The company will develop policies and methodologies to monitor and manage risk covered in Pillar-II of Basel II and to meet the challenges of ICAAP.

Pak Kuwait

35.2 Capital adequacy ratio

	2008	2007
	(Rupees in '000)	
CAP 1		
Tier 1 Capital		
Fully paid-up capital	**6,000,000**	6,000,000
General Reserves as disclosed on the balance sheet	**6,447,712**	5,791,271
(Accumulated loss) /Un-appropriated profit	**(3,142,880)**	2,462,154
Sub-Total	**9,304,832**	14,253,425
Deductions:		
Deficit on account of revaluation of investments held AFS category	**58,857**	-
Other deductions (50% of the amount as calculated on CAP 2)	**1,225,921**	1,336,675
Sub-Total	**1,284,778**	1,336,675
Total eligible Tier 1 Capital	**8,020,054**	12,916,750
Supplementary Capital		
Tier 2 Capital	**-**	-
Deductions		
Other deductions (50% of the amount as calculated on CAP 2)	**1,255,921**	1,336,675
Total deductions	**1,255,921**	1,336,675
Total supplementary capital eligible for capital adequacy ratio	**(1,225,921)**	(1,336,675)
(Maximum upto 100% of Total eligible Tier 1 capital)		
Total eligible capital	**6,794,133**	11,580,075

Risk weighted exposures	Risk Weighted Assets	
	2008	2007
	(Rupees in '000)	
Credit risk		
Other sovereigns, GOP, PG, SBP other than PKR	**-**	-
PSE's	**-**	-
Banks	**575,925**	1,655,683
Corporates	**3,026,186**	6,228,558
Retail portfolio	**1,187**	1,791
Secured by residential property	**15,985**	20,812
Past due loans	**332,600**	500
Listed equity investments	**330,704**	645,207
Unlisted equity investments	**210,193**	133,874
Investments in fixed assets	**149,588**	161,688
Other assets	**51,034**	9,555
	4,693,402	8,857,668
Credit risk on off balance sheet		
Non market related	**1,336,268**	788,717
Market related	**-**	1,620
	1,336,268	790,337
Equity position risk	**5,015,955**	11,584,802
Operational risk	**1,494,289**	2,363,974
	12,539,914	23,596,781
Capital adequacy ratios		
Total eligible regulatory capital	**6,794,133**	11,580,075
Total risk weighted assets	**12,539,914**	23,596,781
TOTAL CAPITAL ADEQUACY RATIO	**54.18%**	49.07%

35.3 Types of exposures and ECAI's used

Exposures	JCR-VIS	PACRA
PSE's		
Banks	4	4
Corporates	4	4
Sovereigns and GOP other than PKR		

35.4 Credit exposures subject to standardised approach

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net amount
		--------------------	(Rupees in '000)	--------------------
GOP	1	50,447	-	50,447
Banks	2,3	6,958	-	6,958
Corporates	1	532,777	-	532,777
	2	145,429	-	145,429
	Unrated	5,644,544	-	5,644,544
		6,380,155	-	6,380,155

36. RISK MANAGEMENT

Risk taking is central to all financing activities. The Company evaluates business opportunities in terms of the risk-reward relationship. The risk that company takes are reasonable, controlled within its financial resources and credit competence.

The following key principles form part of our approach to risk management:

- The Board through its subcommittee reviews and approves risk policies and tolerance limit whenever required.
- Various committees at functional level oversee the implementation of risk management policies.
- Market and Liquidity Risk are managed by a well-represented Asset Liability Committee (ALCO). And the Credit Committee oversees Credit Risk.
- The Risk Management function acts independently.

The risk management framework is based on prudent risk, measurement monitoring and management process which are closely aligned with all activities so as to ensure that risks are kept with an acceptable level.

36.1 Credit risk

Credit Risk is the risk of loss due to the failure of a borrower to meet its credit obligations in accordance with agreed contract terms. Company's Credit process is guided by centrally established credit policies, rules and guidelines continuing to close to the market approach with aim to maintain a well-diversified portfolio of credit risk who produces a reliable and consistent return.

Company has a system of checks and balances in place around the extension of credit that are:

- an independent risk management function.
- multiple credit approvers
- an internal audit function

Silent features of risk approval process as follows:

- Every extension of credit to any counter party requires approval by pre-defined level of authority.
- All business groups must apply consistent standards in arriving at their credit decisions.
- Every material change to a credit facility requires approval at the appropriate / pre-defined level.

The company is using Basel II standardized approach to calculate risk weighted assets against credit risk.

The company performs stress testing on its credit portfolio according to SBP stress testing guidelines.

The disbursement , administration and monitoring of credit facilities is managed by Credit Administration Department (CAD) linked to various business units.

The company monitors its credit portfolio on continuing basis. Procedures are in place to identify at an early stage, credit exposure for which there may be a risk of loss.

36.1.1 Segment by class of business

	2008					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agriculture, forestry, hunting and fishing	**114,286**	**2.67**	-	-	-	-
Textile	**1,778,679**	**41.66**	-	-	-	-
Chemical and pharmaceutical	**216,274**	**5.07**	-	-	**6,443**	**0.48**
Cement	**107,783**	**2.52**	-	-	-	-
Sugar	**259,375**	**6.08**	-	-	-	-
Footwear and leather garments	**160,380**	**3.76**	**35,000**	**93.33**	-	-
Automobile and transportation equipment	**40,760**	**0.95**	-	-	-	-
Electronics and electrical appliances	**14,164**	**0.33**	-	-	-	-
Construction	**395,747**	**9.27**	-	-	**16,220**	**1.21**
Transport, storage and communication	**271,354**	**6.36**	-	-	-	-
Financial and Insurance	**48,790**	**1.14**	-	-	**1,118,880**	**83.65**
Power	**250,000**	**5.86**	-	-	**1,550**	**0.12**
Services	**87,500**	**2.05**	-	-	**52,069**	**3.89**
Individuals	**49,928**	**1.17**	-	-	-	-
Others	**474,096**	**11.11**	**2,500**	**6.67**	**142,424**	**10.65**
	4,269,116	**100.00**	**37,500**	**100.00**	**1,337,586**	**100.00**

	2007					
	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agriculture, forestry, hunting and fishing	160,000	3.62	-	-	-	-
Textile	2,025,159	45.83	-	-	186,450	23.17
Chemical and pharmaceutical	103,659	2.35	-	-	56,443	7.02
Cement	215,271	4.87	-	-	59,846	7.44
Sugar	386,875	8.76	-	-	-	-
Footwear and leather garments	125,240	2.83	35,000	1.80	9,507	1.18
Automobile and transportation equipment	51,250	1.16	35,000	1.80	-	-
Electronics and electrical appliances	38,198	0.86	-	-	30,000	3.73
Construction	482,995	10.93	-	-	16,220	2.02
Transport, storage and communication	78,962	1.79	-	-	-	-
Financial and Insurance	8,333	0.19	1,875,000	96.27	196,000	24.36
Services	153,571	3.48	-	-	150,000	18.65
Individuals	64,538	1.46	-	-	-	-
Others	524,609	11.87	2,500	0.13	100,000	12.43
	4,418,660	100.00	1,947,500	100.00	804,466	100.00

36.1.2 Segment by sector

2008

	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	-	-	35,000	93.33	-	-
Private	4,269,116	100.00	2,500	6.67	1,337,586	100.00
	4,269,116	100.00	37,500	100.00	1,337,586	100.00

2007

	Advances		Deposits		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / government	-	-	35,000	1.80	-	-
Private	4,418,660	100.00	1,912,500	98.20	804,466	100.00
	4,418,660	100.00	1,947,500	100.00	804,466	100.00

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

	2008		2007	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Rupees in '000)			
Public / government	-	-	-	-
Private	1,278,058	910,181	338,539	338,539
	1,278,058	910,181	338,539	338,539

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

	2008		2007	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Rupees in '000)			
Textile	799,144	431,268	71,190	71,190
Construction	169,110	169,110	196,071	196,071
Others	309,804	309,803	71,278	71,278
	1,278,058	910,181	338,539	338,539

36.2 Liquidity risk

Liquidity Risk is the risk that the company is unable to fund its current obligations and operations in the most cost effective manner.

To limit this risk the company maintains statutory deposits with the central bank. In addition, ALCO is the forum to oversee liquidity management. The company's key funding source is the inter-bank money market. Change in government monetary policy and market expectations of interest rate are the factors that can affect the company's key funding source. Comprehensive gap analysis is done on monthly basis to evaluate match / mismatch of assets and liabilities. Based on the results, ALCO devise the liquidity management strategy to maintain sufficient liquidity.

36.2.1 Maturities of assets and liabilities

2008

	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
Assets	(Rupees in '000)									
Cash and balances with treasury banks	17,179	17,179	-	-	-	-	-	-	-	-
Balances with other banks	2,801,102	1,203,845	1,597,257	-	-	-	-	-	-	-
Lendings to financial institutions	500,000	-	-	500,000	-	-	-		-	-
Investments	9,417,329	9,375	4,099,850	599,440	742,562	472,556	472,556	597,473	2,132,992	290,525
Advances	3,358,935	695,421	184,211	91,645	225,458	306,287	727,236	597,590	516,087	15,000
Intangible assets	37,750	-	-	-	-	-	-	-	-	37,750
Other assets	163,113	2,374	160,739	-	-	-	-	-	-	-
Operating fixed assets	109,488	-	-	-	6,961	6,961	6,961	12,700	10,508	65,397
Deferred tax assets	1,820	-	-	-	-	1,820	-	-	-	-
	16,406,716	1,928,194	6,042,057	1,191,085	974,981	787,624	1,206,753	1,207,763	2,659,587	408,672
Liabilities										
Borrowings from financial institutions	6,370,782	3,351,731	1,033,422	33,852	64,076	400,000	1,250,000	231,047	-	6,654
Deposits and other accounts	37,500	15,000	20,000	-	-	2,500	-	-	-	-
Other liabilities	752,459	1,001	225,273	22	466,808	-	44,672	-	14,683	-
	7,160,741	3,367,732	1,278,695	33,874	530,884	402,500	1,294,672	231,047	14,683	6,654
Net assets	9,245,975	(1,439,538)	4,763,362	1,157,211	444,097	385,124	(87,919)	976,716	2,644,904	402,018
Share capital	6,000,000									
Reserves	6,447,712									
Accumulated loss	(3,142,880)									
Deficit on revaluation of 'available-for-sale' securities – net of tax	(58,857)									
	9,245,975									

2007

	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
Assets	(Rupees in '000)									
Cash and balances with treasury banks	24,869	24,869	-	-	-	-	-	-	-	-
Balances with other banks	5,363,570	2,813,570	2,550,000	-	-	-	-	-	-	-
Lendings to financial institutions	6,591,584	4,769,582	1,822,002	-	-	-	-	-	-	-
Investments	9,488,136	13,464	248,528	1,333,857	1,342,985	2,678,945	733,400	900,047	2,236,910	-
Advances	4,080,121	226,010	178,139	473,985	494,209	1,027,347	805,980	761,803	100,323	12,325
Other assets	165,415	-	165,415	-	-	-	-	-	-	-
Intangible assets	37,750	-	-	-	-	-	-	-	-	37,750
Operating fixed assets	123,938	-	-	-	7,444	7,441	7,441	14,746	-	86,866
	25,875,383	7,847,495	4,964,084	1,807,842	1,844,638	3,713,733	1,546,821	1,676,596	2,337,233	136,941
Liabilities										
Borrowings from financial institutions	8,644,000	3,450,210	-	1,506,489	500,000	1,050,587	572,629	1,461,156	102,929	-
Deposits and other accounts	1,947,500	415,000	1,530,000	-	-	-	2,500	-	-	-
Deferred tax liability	306,692	24,287	-	-	-	282,405	-	-	-	-
Other liabilities	645,499	4,705	153,345	57,032	286,574	60,050	50,965	19,869	12,959	-
	11,543,691	3,894,202	1,683,345	1,563,521	786,574	1,393,042	626,094	1,481,025	115,888	-
Net assets	14,331,692	3,953,293	3,280,739	244,321	1,058,064	2,320,691	920,727	195,571	2,221,345	136,941
Share capital	6,000,000									
Reserves	5,791,271									
Un-appropriated profit	2,462,154									
Surplus on revaluation of 'available-for-sale' securities – net of tax	78,267									
	14,331,692									

36.3 Market risk

It is the risk that the value of on and off - balance sheet positions of a financial institution will be adversely affected by movements in market variables, such as interest rates, foreign exchange rates, equity prices and credit spreads.

PKIC is exposed to interest risk and equity price risk. Market Risk at PKIC is managed by the Risk Management Function which makes sure that exposure in Money Market and Equity Market adheres with the risk tolerance level and matches with overall business goals set by Board of Directors (BOD), Risk Management Committee (RMC) and Asset Liability Committee (ALCO).

Market Risk pertaining to the Trading Book consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. The trading book includes equity securities classified as "Held for Trading". These positions are actively managed by the capital market department.

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

- Available for Sale Securities
- Held to Maturity Securities
- Other Strategic Investment
- Investment in Government Securities, Bonds etc.

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

The company is using Basel-II Standardized approach to calculate risk weighted assets against market risk exposure.

36.3.1 Interest rate risk

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specific period. The company manages its interest rate risk by entering into floating rate agreements with its customers. To discuss the interest rate risk strategy ALCO conducts a meeting on monthly basis. The risk management function carries out stress testing to ascertain the interest rate risk on the balance sheet and also prepares the interest rate risk profile on monthly basis.

						2008						
	Effective yield / interest rate %	Exposed to yield / profit risk										Not exposed to yield / interest rate risk
		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	Above ten years	
		(Rupees in '000)										
On balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks		17,179	-	-	-	-	-	-	-	-	-	17,179
Balances with other banks	19.92	2,801,102	1,199,980	1,597,257	-	-	-	-	-	-	-	3,865
Lendings to financial institutions	23.00	500,000	-	-	500,000	-	-	-	-		-	-
Investments	13.76	9,417,329	25,063	3,979,123	10,417	33,728	-	-	124,917	-	-	5,244,081
Advances	15.14	3,358,935	695,421	183,678	91,645	225,458	306,287	727,236	596,540	470,414	15,000	47,256
Other assets		149,960	-	-	-	-	-	-	-	-	-	149,960
		16,244,505	1,920,464	5,760,058	602,062	259,186	306,287	727,236	721,457	470,414	15,000	5,462,341
Financial Liabilities												
Borrowings from financial institutions	13.53	6,370,782	3,351,731	1,033,422	33,852	64,076	400,000	1,250,000	231,047	-	6,654	-
Deposits and other accounts	9.81	37,500	12,500	20,000	-	-	-	2,500	-	-	-	2,500
Other liabilities		276,144	-	-	-	-	-	-	-	-	-	276,144
		6,684,426	3,364,231	1,053,422	33,852	64,076	400,000	1,252,500	231,047	-	6,654	278,644
On balance sheet gap		9,560,079	(1,443,767)	4,706,636	568,210	195,110	(93,713)	(525,264)	490,410	470,414	8,346	5,183,697

						2007						
	Effective yield / interest rate %	Exposed to yield / profit risk										Not exposed to yield / interest rate risk
		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	Above ten years	
		(Rupees in '000)										
On balance sheet financial instruments												
Financial Assets												
Cash and balances with treasury banks		24,869	-	-	-	-	-	-	-	-	-	24,869
Balances with other banks	10.51	5,363,570	2,810,614	2,550,000	-	-	-	-	-	-	-	2,956
Lendings to financial institutions	9.45	6,591,584	4,769,582	1,822,002	-	-	-	-	-	-	-	-
Investments	11.61	9,488,136	115,343	78,646	209,554	-	-	-	-	-	-	9,084,593
Advances	11.69	4,080,121	528,732	2,435,268	1,054,269	-	-	-	-	-	-	61,852
Other assets		157,135	-	-	-	-	-	-	-	-	-	157,135
		25,705,415	8,224,271	6,885,916	1,263,823	-	-	-	-	-	-	9,331,405
Financial Liabilities												
Borrowings from financial institutions	9.9	8,644,000	3,950,210	2,750,000	1,506,489	-	50,587	72,629	211,156	102,929	-	-
Deposits and other accounts	9.65	1,947,500	415,000	1,530,000	-	-	-	2,500	-	-	-	-
Other liabilities		645,499	242,258	-	-	-	-	-	-	-	-	403,241
		11,236,999	4,607,468	4,280,000	1,506,489	-	50,587	75,129	211,156	102,929	-	403,241
On balance sheet gap		14,468,416	3,616,803	2,605,916	(242,666)	-	(50,587)	(75,129)	(211,156)	(102,929)	-	8,928,164

Pak Kuwait

36.3.2 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.

	2008			
	Assets	**Liabilities**	**Off balance sheet items**	**Net currency exposure**
	(Rupees in '000)			
Pakistan Rupees	**16,360,170**	**7,160,741**	**-**	**9,199,429**
United States Dollars	**46,546**	**-**	**-**	**46,546**
	16,406,716	**7,160,741**	**-**	**9,245,975**

	2007			
	Assets	Liabilities	Off balance sheet items	Net currency exposure
	(Rupees in '000)			
Pakistan Rupees	25,837,389	11,543,691	-	14,293,698
United States Dollars	37,994	-	-	37,994
	25,875,383	11,543,691	-	14,331,692

36.3.3 Equity price risk

It is the risk to earnings or capital that results from adverse changes in the value/price of equity related portfolios.

The Equity Portfolio Strategic Committee (EPSC) approves exposure limits applicable to investments and meets on regular basis to discuss equity investments related strategy. EPSC is responsible for making investments decisions in the capital market and setting limits that are a component of the risk management framework. Portfolio, Sector and Scrip wise limits are assigned by the EPSC to guard against concentration risk and these limits are reviewed and revised periodically. Risk management function ensures compliance of portfolio, sector and scrip wise limits set by EPSC and regulatory authority.

36.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and system of form external events.

The Company is using Basic Indicator Approach to calculate Operational risk weighted assets as per Basel II requirements for capital adequacy calculation.

37. ACCOUNTING ESTIMATES AND JUDGEMENTS

37.1 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 mark-up and principal, expected future cash flows of the business, security position and personal wealth of the directors and owners are taken into account.

Pak Kuwait

37.2 Classification of investments

In classifying investments as 'held-for-trading' the company has determined securities which are acquired with the intention to trade by taking advantage of taking short term market / interest rate movements and are to be sold within 90 days.

In classifying investments as 'held-to-maturity' the company follows the guidance provided in SBP circulars on classifying non derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgement, the company evaluates its intention and ability to hold such investment to maturity.

The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available-for-sale'.

37.3 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 judgement, the management considers among other factors, the decline in market price below cost by 30% as significant and if the decline in market price persists for 9 months as prolonged.

37.4 Valuation of equity instruments

On 26 August, 2008 a floor was placed on the Karachi Stock Exchange Index and the trading volume reduced significantly. The floor was removed effective 15 December 2008, but due to lock mechanism in place, there were lower locks on a sale of shares and in certain shares the trading has not commenced. The equity securities have been valued at prices quoted on the KSE on December 31, 2008 without any adjustment as allowed by the State Bank of Pakistan BSD Circular Letter No. 2 dated January 27, 2009.

37.5 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 as described in note 19 and the appeals of the department pending at various levels of authorities.

37.6 Gratuity

The company has adopted certain actuarial assumptions as disclosed in note 30.1.1 to the financial statements for determining present value of defined benefit obligations and fair value of plan assets, based on actuarial advice. Any change in the assumptions from actual results would change the amount of unrecognised gains and losses.

38. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the company in a meeting held subsequent to year end have decided to transfer Rs.274.837 million from contingencies reserves and Rs. 2,884.053 million from marketable and government securities reserves to accumulated loss. Accordingly, the accumulated loss would be wiped out and un-appropriated profit would amount to Rs. 16.010 million after the transfer.

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue in the Board of Directors meeting held on 05 March, 2009.

40. GENERAL

The JCR-VIS Credit Rating Company Limited has maintained long term credit rating of AAA (Triple A) and the short term rating of A1+(A one plus) for the company. The Pakistan Credit Rating Agency (PACRA) has made an adjustment in the long-term entity rating to AA+, while maintained the short term rating at A1+ (A one plus).

Chief Executive | **Director**

Pak Kuwait

PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

ANNEXURE I

QUALITY OF AVAILABLE FOR SALE SECURITIES

As Referred to in Notes 8.3.2 to the financial statements

Sr. No.	Name of Security	2008 Total Market Value	2008 Rating	2007 Total Market Value	2007 Rating
		(Rupees in '000)		(Rupees in '000)	
	PKIC STRATEGIC PORTFOLIO				
1	MEEZAN BANK LIMITED *	3,174,290	A+/A1	4,365,781	A+/A1
	TOTAL	**3,174,290**		4,365,781	
	PKIC GENERAL PORTFOLIO				
	FINANCIAL SECTOR				
2	SAMBA BANK LIMITED (FORMERLY CRESCENT COMMERCIAL BANK LTD.)	22,211	A/A1	87,911	A/A1
3	NIB BANK LIMITED	49,613	AA-/A1+	86,373	A+/A1
4	NATIONAL BANK OF PAKISTAN	50,122	AAA/A1+	249,038	AAA/A1+
5	ASKARI BANK LIMITED	34,829	AA/A1+	209,475	AA/A1+
6	NIB BANK LIMITED (FORMERLY PICIC COMMERCIAL BANK LIMITED)	-		191,329	A+/A1
7	BANK ALFALAH LIMITED	5,019	AA/A1+	187,950	AA/A1+
8	JS BANK LIMITED	22,466	A-/A2	71,089	A-/A2
9	BANKISLAMI PAKISTAN LIMITED	60,358	A-/A2	66,531	A-/A2
10	FAYSAL BANK LIMITED	-		63,967	AA/A1+
11	THE BANK OF PUNJAB	8	AA-/A1+	62,442	AA/A1+
12	ORIX INVESTMENT BANK PAKISTAN LIMITED	9,093	A-/A2	56,356	A-/A2
13	BANK AL-HABIB LIMITED	24,973	AA/A1+	40,329	AA/A1+
14	SAUDI PAK COMMERCIAL BANK LIMITED	10,614	A-/A3	25,650	BBB+/A3
15	BANKISLAMI PAKISTAN LIMITED (R)	-		20,791	A-/A2
16	MYBANK LIMITED	5,707	A/A1	11,783	A/A1
17	HABIB METROPOLITAN BANK LIMITED	5,103	AA+/A1+	10,749	A1+/A1+
18	STANDARD CHARTERED MODARABA	5,378	AA+/A1+	9,910	AA+/A1+
19	STANDARD CHARTERED LEASING LIMITED	1,892	A(P)	9,730	A(P)
20	AMZ VENTURES LIMITED - CLASS 'A'	1,283	Unrated	8,982	Unrated
21	PUNJAB MODARABA FIRST	1,873	A/A1	7,396	A/A1
22	EQUITY MODARABA FIRST	1,548	Unrated	6,035	Unrated
23	CRESCENT STANDARD INVESTMENT BANK LIMITED	3,959	Unrated	3,959	Unrated
24	SME LEASING LIMITED	3,375	A-/A2	2,475	A-/A2
25	BANK OF KHYBER	-		256	BBB+/A-2
26	DADABHOY LEASING COMPANY LIMITED	13	Unrated	13	Unrated
27	MCB BANK LIMITED	25,162	AA+/A1+	-	
28	CENTURY INSURANCE LIMITED	8,629	A	-	
29	ARIF HABIB SECURITIES LTD	21,056	AA/A1	-	
30	UNITED BANK LIMITED	12,919	AA+/A1+	-	
31	JAHANGHIR SIDDIQUI & CO.	6,290	AA+/A1+	-	
	TOTAL	**393,493**		1,490,520	

Pak Kuwait

ANNEXURE I

Sr. No.	Name of Security	2008 Total Market Value	2008 Rating	2007 Total Market Value	2007 Rating
		(Rupees in '000)		(Rupees in '000)	
	TEXTILE SECTOR				
32	KOHINOOR TEXTILE MILLS LIMITED	40,809	Unrated	165,684	Unrated
33	CHENAB LIMITED	15,901	Unrated	75,161	Unrated
34	NISHAT (CHUNIAN) LIMITED	13,296	Unrated	46,250	Unrated
35	GADOON TEXTILE MILLS LIMITED	13,825	Unrated	21,559	Unrated
36	SURAJ COTTON MILLS LIMITED	13,567	Unrated	15,754	Unrated
37	PROSPERITY WEAVING MILLS LIMITED	9,200	Unrated	14,374	Unrated
38	SAIF TEXTILE MILLS LIMITED	8,465	BBB+/A3	11,984	A-/A2
39	DIN TEXTILE MILLS LIMITED	5,120	Unrated	5,342	Unrated
40	ELLCOT SPINNING MILLS LIMITED	3,312	Unrated	3,917	Unrated
41	GHAZI FABRICS INTERNATIONAL LIMITED	3,310	Unrated	1,853	Unrated
42	GULISTAN SPINNING MILLS LIMITED	2,057	Unrated	1,816	Unrated
43	NAGINA COTTON MILLS LIMITED	1,023	Unrated	1,023	Unrated
44	MIAN TEXTILE INDUSTRIES LIMITED	188	Unrated	559	Unrated
45	ARTISTIC DENIM MILLS LIMITED	16,000	Unrated	-	
	TOTAL	**146,073**		365,276	
	CEMENT SECTOR				
46	DEWAN CEMENT LIMITED	25,115	BB/B	136,348	A/A1
47	KOHAT CEMENT COMPANY LIMITED	45,775	BBB-/A3	130,568	A-/A2
48	MAPLE LEAF CEMENT FACTORY LIMITED	57,974	BBB-/A1	271,491	A/A1
49	PAKISTAN CEMENT COMPANY LIMITED	52,631	Unrated	187,497	Unrated
50	D.G.KHAN CEMENT COMPANY LIMITED	24,461	Unrated	61,555	Unrated
51	FAUJI CEMENT COMPANY LIMITED	46,325	Unrated	61,001	Unrated
52	LUCKY CEMENT LIMITED	14,072	Unrated	909	Unrated
53	AL-ABBAS CEMENT INDUSTRIES LIMITED	3,000	Unrated	41,292	Unrated
54	FLYING CEMENT COMPANY LIMITED	8,392	Unrated	31,289	Unrated
55	CHERAT CEMENT COMPANY LIMITED	5,905	Unrated	25,708	Unrated
56	ATTOCK CEMENT PAKISTAN LIMITED	18,817	Unrated	-	
	TOTAL	**302,467**		947,658	
	FUEL & ENERGY SECTOR				
57	BOSICOR PAKISTAN LIMITED	-		89,027	Unrated
58	PAKISTAN PETROLEUM LIMITED	90,206	Unrated	267,301	Unrated
59	OIL & GAS DEVELOPMENT COMPANY LIMITED	32,858	AAA/A1+	114,349	AAA/A-1
60	PAKISTAN OILFIELDS LIMITED	45,856	Unrated	184,204	Unrated
61	SUI SOUTHERN GAS COMPANY LIMITED	108,542	AA-/A1+	270,065	AA-/A1+
62	KARACHI ELECTRIC SUPPLY CORPORATION LIMITED	32,239	Unrated	78,150	Unrated
63	JAPAN POWER GENERATION LIMITED	20,285	Unrated	77,699	Unrated
64	ATTOCK PETROLEUM LIMITED	-		57,019	Unrated
65	SUI NORTHERN GAS PIPELINES LIMITED	18,196	AA/A1+	53,986	AA/A1+

ANNEXURE I

Sr. No.	Name of Security	2008 Total Market Value	2008 Rating	2007 Total Market Value	2007 Rating
		(Rupees in '000)		(Rupees in '000)	
66	THE HUB POWER COMPANY LIMITED	46,370	Unrated	50,051	Unrated
67	NATIONAL REFINERY LIMITED	22,052	AAA/A1+	44,490	AAA/A1+
68	SOUTHERN ELECTRIC POWER COMPANY LIMITED	-		4,575	Unrated
69	PAKISTAN STATE OIL COMPANY LIMITED	236	AAA/A1+	664	AAA/A1+
	TOTAL	**416,840**		1,291,580	
	AUTO & ALLIED SECTOR				
70	DEWAN FAROOQUE MOTORS LIMITED	2,412	Unrated	15,600	A/A2
71	AGRIAUTOS INDUSTRIES	18,641	Unrated	-	
72	THE GENERAL TYRE & RUBBER COMPANY OF PAKISTAN LIMITED *	278,453	Unrated	447,874	Unrated
	TOTAL	**299,506**		463,474	
	TRANSPORT SECTOR				
73	PAKISTAN NATIONAL SHIPPING CORPORATION LIMITED	17,868	Unrated	24,988	Unrated
	TOTAL	**17,868**		24,988	
	TECHNOLOGY & COMMUNICATION SECTOR				
74	PAKISTAN TELECOMMUNICATION COMPANY LIMITED (A)	52,371	Unrated	105,157	Unrated
75	PAKISTAN INTERNATIONAL CONTAINER TERMINAL LIMITED	-		45,760	A-/A2
76	TELECARD LIMITED	6,219	Unrated	33,905	Unrated
77	TRG PAKISTAN LIMITED	9,500	BBB+/A2	16,800	BBB+/A2
78	EYE TELEVISION NETWORK	24,283	Unrated	-	
79	SOUTHERN NETWORKS LIMITED	-		-	
	TOTAL	**92,373**		201,622	
	CHEMICAL & PHARMACEUTICAL SECTOR				
80	FAUJI FERTILIZER COMPANY LIMITED	23,944	Unrated	119,664	Unrated
81	FAUJI FERTILIZER BIN QASIM LIMITED	90,866	Unrated	116,158	Unrated
82	PAKISTAN PTA LIMITED	29,007	Unrated	115,594	Unrated
83	DEWAN SALMAN FIBRE LIMITED	-		24,705	Unrated
84	NIMIR INDUSTRIAL CHEMICALS LIMITED	-		4,400	Unrated
85	ENGRO CHEMICAL PAKISTAN LIMITED	-		-	
	TOTAL	**143,817**		380,521	
	OTHER SECTOR				
86	CENTURY PAPER & BOARD MILLS LIMITED	51,620	A-/A2	149,814	A-/A2
87	CRESCENT STEEL & ALLIED PRODUCTS LIMITED	48,289	A+/A1	118,338	A+/A1
88	PAK ELEKTRON LIMITED	16,181	A/A1	42,094	A/A1
89	SIDDIQSONS TIN PLATE LIMITED	3,815	Unrated	13,925	Unrated
90	PACE (PAKISTAN) LIMITED	-		9,138	A+/A1
91	DADABHOY PADUBE LIMITED	200	Unrated	200	Unrated
92	TRI-PACK FILM LIMITED	31,160	A+/A1	-	
93	INTERNATIONAL INDUSTRIES	298	Unrated	-	
	TOTAL	**151,563**		333,509	

ANNEXURE I

Sr. No.	Name of Security	2008 Total Market Value	2008 Rating	2007 Total Market Value	2007 Rating
		(Rupees in '000)		(Rupees in '000)	
	INVESTMENT IN MUTUAL FUNDS				
94	AL MEEZAN MUTUAL FUND LIMITED*	92,082	4-Star	263,546	4-Star
95	MEEZAN BALANCED FUND *	78,510	5-Star	92,885	5-Star
96	AKD INDEX TRACKER FUND	-		55,153	AM3+
97	PICIC GROWTH FUND	17,333	MFR 2 STAR	78,422	MFR 2 STAR
98	PAK OMAN ADVANTAGE FUND	37,600	AA-(f)	41,250	AA-(f)
99	MEEZAN ISLAMIC INCOME FUND *	33,892	A(f)	32,704	Unrated
100	HBL STOCK FUND	-		10,240	Unrated
101	PAKISTAN STRATEGIC ALLOCATION FUND	2,280	4-Star	9,100	4-Star
102	FIRST DAWOOD MUTUAL FUND	2,250	4-Star	9,002	4-Star
103	UNITED COMPOSITE ISLAMIC FUND	-		5,907	AM2-
104	AMZ PLUS STOCK FUND	-		5,665	AM3+
105	BMA PRINCIPAL GUARANTEED FUND	-		4,715	Unrated
106	ATLAS FUND OF FUNDS	2,625	Unrated	4,410	5-Star
107	MCB DYNAMIC FUND	284,422	Unrated	-	
108	KASB LIQUID FUND	175,881	Unrated	-	
109	NAMCO BALANCED FUND	46,623	Unrated	41,196	Unrated
110	UNITED MONEY MARKET FUND	-		27,706	4-Star
111	HBL INCOME FUND	-		26,832	Unrated
112	BMA CHUNDRIGAR ROAD SAVINGS FUND	10,537	A(f)	25,855	Unrated
113	HBL MULTI ASSET FUND	13,040	AM3	20,078	5-Star
114	AKD INCOME FUND	-		10,885	Unrated
115	BOP ADVANTAGE PLUS FUND	9,895	A(f)	10,166	A(f)
116	INTERSECURITIES ISLAMIC FUND	-		10,000	Unrated
117	ATLAS ISLAMIC FUND	3,956	Unrated	5,387	Unrated
118	FIRST HABIB INCOME FUND	5,523	Unrated	5,317	Unrated
119	ASKARI ASSET ALLOCATION FUND	-		5,015	Unrated
120	PAKISTAN INTERNATIONAL ELEMENT ISLAMIC FUND	-		-	
	TOTAL	**816,449**		801,436	
	PREFERENCE SHARES				
121	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	50,000	Unrated	50,000	Unrated
122	PAKISTAN INTERNATIONAL CONTAINER TERMINAL LIMITED (PREFERENCE) 10%	20,000	Unrated	23,750	Unrated
123	NAGINA COTTON MILLS LIMITED. (REDEEMABLE PREFERENCE. SHARES) 13%	-		14,652	Unrated
124	CHENAB LIMITED - NON VOTING CUMULATIVE PREFERENCE SHARES 9.25%	12,255	Unrated	10,605	Unrated
125	SECURITY LEASING CORPORATION LIMITED (PREFERENCE SHARES CLASS 'A') 9.1%	6,893	Unrated	6,825	Unrated
126	D.G.KHAN CEMENT COMPANY LIMITED (R.C.PREFERENCE SHARES) 10%	-		-	
	PREFERENCE SHARES TOTAL	**89,148**		105,832	
	GRAND TOTAL	**6,043,887**		10,772,197	

* Investment in listed associates have a cost of Rs. 1,377 million (2007: 1,451)

PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

As Referred to in Notes 8.3.2 to the financial statements

ANNEXURE I

QUALITY OF AVAILABLE FOR SALE SECURITIES

Sr. No.	Name of TFCs	2008 Market Value	2008 Rating	2007 Market Value	2007 Rating
		(Rupees in '000)		(Rupees in '000)	
	Listed Term Finance Certificates				
1	**STANDARD CHARTERED BANK (PAKISTAN) LIMITED (21-12-2002)** 20,000 (2007 : 20,000) Certificate of Rs. 5,000 each Mark up : 11.80% (PIB 5 Years rate + 2.25% with Floor 11.00 % , Cap 15.50%) Redemption : Half year Installments commencing from Dec - 2002 Maturity : June, 2008	-	-	33,359	AAA
2	**CRESENT STANDARD INVESTMENT BANK LIMITED (08-7-2003)** 5,000 (2007 : 5,000) Certificate of Rs. 5000 each Mark up : 11.50% (SBP Discount + 2.00% with Floor 10.50 % , Cap 13.50%) Redemption : Half yearly Installments commencing from July 2003 Maturity : June, 2007	-	-	9,967	Unrated
3	**STANDARD CHARTERED BANK (PAKISTAN) LIMITED (20-01-2004)** 18,587 (2007 : 18,587) Certificate of Rs. 5,000 each Mark up : 10. 6416% (PIB 5 Years rate +0.75% with Floor 5.00 % , Cap 10.75%) Redemption : Half Yearly Installments commencing from Jan - 2004 Maturity : Dec, 2010	87,170	AAA	92,499	AAA
4	**TRUST LEASING & INVESTMENT BANK LIMITED (17-7-2004)** 1,251 (2007 : 1,251) Certificate of Rs. 5,000 each Mark up : 10.00% (KIBOR 6-Month (s) Ask Rate + 3.00% with Floor 6.00 %, Cap 10.00%) Redemption : Half yearly Installments commencing from Jan - 2005 Maturity : July , 2009	1,247	A	2,494	AA
5	**ROYAL BANK OF SCOTLAND LTD.(FORMERLY ABN AMRO BANK (PAKISTAN) LIMITED (10-02-2005)** 4,000 (2007 : 4,000) Certificate of Rs. 5,000 each Mark up : 12.21% (KIBOR 6-Month (s) Ask Rate + 1.90%) Redemption : Half yearly Installments commencing from Feb -2005 Maturity : Dec, 2012	20,957	AA-	21,025	A
6	**ASKARI COMMERCIAL BANK LIMITED (04-02-2005)** 3,000 (2007 : 3,000) Certificate of Rs. 5000 each Mark up : 11.84% (KIBOR 6-Month (s) Ask Rate + 1.50%) Redemption : Half year Installments commencing from Feb - 2005 Maturity : Dec, 2012	15,076	AA-	15,703	AA-
7	**CHANDA OIL & GAS SECURITIZATION COMPANY LIMITED (16-02-2005)** 6,000 (2007 : 6,000) Certificate of Rs. 5,000 each Mark up : 13.00% (KIBOR 3-Month (s) Ask Rate + 3.25% with Floor 8.95 %, Cap 13.00%) Redemption : Quarterly Installments commencing from Feb - 2005 Maturity : Jan - 2012	-	-	22,395	A+
8	**NAIMAT BASAL OIL & GAS SECURITIZATION COMPANY LIMITED (12-04-2005)** 10,000 (2007 : 10,000) certificate of Rs. 5,000 each Mark up : 12.77% (KIBOR 6-Month (s) Ask Rate + 2.50% with Floor 7.50 % , Cap 13.00%) Redemption : Monthly Installments commencing from April - 2005 Maturity : March, 2010	-	-	25,765	A+
	Sub Total	124,450		223,207	

PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

As Referred to in Notes 8.3.2 to the financial statements

ANNEXURE I

QUALITY OF AVAILABLE FOR SALE SECURITIES

Sr. No.	Name of Securities	2008 Cost	2008 Rating	2007 Cost	2007 Rating
		(Rupees in '000)		(Rupees in '000)	
	Unlisted Term Finance Certificates				
1	**KOHINOOR TEXTILE MILLS LIMITED** 10,000 (2007 : 10,000) Certificate of Rs. 5,000 each Mark up : 12.01% (KIBOR 6-Month (s) Ask Rate + 2.00%) Redemption : Quarterly Installments commencing from Aug - 2003 Maturity : May - 2008 CEO of the company : Mr. Tariq Saeed Saigol	-	-	6,250	Unrated
2	**CRESCENT STEEL AND ALLIED PRODUCTS LIMITED** 15,000 (2007 : 15,000) Certificate of Rs. 5,000 each Mark up : 9.00 % (GOP M. T- Bills 6 Months + 2.50% with Cap of 9. 00%) Redemption : Half yearly Installments commencing from July - 2004 Maturity : January, 2009 CEO of the company : Mr. Ehsan M. Saleem	9,375	AA-	28,125	Unrated
3	**PAKISTAN MOBILE COMMUNICATIONS (PRIVATE) LIMITED** 20,000 (2007 : 20,000) Certificate of Rs. 5,000 each Mark up : 11.66% (KIBOR 6-Month (s) Ask Rate + 1.60% with Floor 4.95 %, Cap 12. 00%) Redemption : Half yearly Installments commencing from Sep - 2004 Maturity : March, 2009 CEO of the company : Mr. Zohair A. Khalique	20,000	Unrated	60,000	Unrated
4	**DEWAN FAROOQUE SPINNING MILLS LIMITED** 10,000 (2007 : 10,000) Certificate of Rs. 5,000 each Mark up : 13.73% (KIBOR 6-Month (s) Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec, 2009 CEO of the company : Mr. Dewan M. Yousuf Farooqi	18,750	Unrated	25,000	Unrated
5	**DEWAN CEMENT LIMITED** 10,000 (2007 : 10,000) Certificate of Rs. 5,000 each Mark up : 12.56% (KIBOR 6-Month (s) Ask Rate + 2.50%) Redemption : Half year Installments commencing from Jan - 2006 Maturity : Jan - 2012 CEO of the company : Mr. Dewan M. Yousuf Farooqi	-	-	20,926	A
6	**NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED** 10,000 Certificate of Rs. 5,000 each Mark up : 12.74% (KIBOR 3-Month (s) Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : July, 2011 CEO of the company : Mr. Mian Pervez Akhtar	45,833	D	50,000	A-
	Sub Total	93,958		190,301	

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PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

ANNEXURE II

PARTICULARS OF INVESTMENT HELD IN SHARES OF LISTED COMPANIES

Sr. No.	Name of Company	2008	2007	2008			2007		
		Total Share		Cost	Impairment	Cost after Impairment	Cost	Impairment	Cost after Impairment
				(Rupees in '000)			(Rupees in '000)		
	AVAILABLE FOR SALE PORTFOLIO								
	PKIC STRATEGIC PORTFOLIO								
1	MEEZAN BANK LIMITED	147,778,846	113,396,906	1,749,684	-	1,749,684	1,850,684	-	1,850,684
	TOTAL	**147,778,846**	113,396,906	1,749,684	-	**1,749,684**	1,850,684	-	1,850,684
	PKIC GENERAL PORTFOLIO								
	FINANCIAL SECTOR								
2	SAMBA BANK (CRESCENT COMMERCIAL BANK LIMITED)	4,496,250	4,196,250	69,900	47,689	22,212	63,736	-	63,736
3	NIB BANK LIMITED	10,623,865	3,953,000	179,419	129,806	49,613	82,243	-	82,243
4	NATIONAL BANK OF PAKISTAN	996,061	1,072,747	222,538	172,416	50,122	265,316	-	265,316
5	ASKARI BANK LIMITED	2,390,445	2,100,000	175,175	140,346	34,829	207,753	-	207,753
6	NIB BANK LIMITED (RIGHT)	-	4,449,500	-	-	-	155,094	-	155,094
7	BANK ALFALAH LIMITED	300,000	3,500,000	15,895	10,876	5,019	149,438	-	149,438
8	ARIF HABIB SECURITIES	500,625	-	71,931	50,875	21,056	-	-	-
8	JS BANK LIMITED	3,914,000	3,253,500	64,346	41,880	22,466	45,723	-	45,723
9	BANKISLAMI PAKISTAN LIMITED	8,325,240	4,106,850	133,122	72,763	60,358	58,166	-	58,166
10	FAYSAL BANK LIMITED	-	969,926	-	-	-	54,248	-	54,248
11	THE BANK OF PUNJAB	587	638,470	44	36	8	59,271	-	59,271
12	ORIX INVESTMENT BANK PAKISTAN LIMITED	5,445,000	5,445,000	51,438	42,346	9,093	51,439	-	51,439
13	BANK AL-HABIB LIMITED	1,004,120	522,400	54,912	29,940	24,972	35,145	-	35,145
14	SAUDI PAK COMMERCIAL BANK LIMITED	2,118,600	1,000,000	39,472	28,858	10,614	25,270	-	25,270
15	BANKISLAMI PAKISTAN LIMITED (R)	-	1,283,390	-	-	-	12,834	-	12,834
16	MYBANK LIMITED	492,000	492,000	13,371	7,663	5,707	13,371	-	13,371
17	HABIB METROPOLITAN BANK LIMITED	193,800	151,500	12,485	7,383	5,103	11,779	-	11,779
18	STANDARD CHARTERED MODARABA	789,678	789,678	11,432	6,054	5,378	11,432	-	11,432
19	STANDARD CHARTERED LEASING LIMITED	1,081,135	1,081,135	11,136	9,244	1,892	11,136	-	11,136
20	AMZ VENTURES LIMITED - CLASS 'A'	1,833,000	1,833,000	7,699	6,416	1,283	7,699	-	7,699
21	PUNJAB MODARABA FIRST	960,500	960,500	8,164	6,291	1,873	8,164	-	8,164
22	EQUITY MODARABA FIRST	1,312,000	1,312,000	4,920	3,372	1,548	4,920	-	4,920
23	CRESCENT STANDARD INVESTMENT BANK LIMITED	954,000	954,000	4,770	-	4,770	4,770	-	4,770
24	SME LEASING LIMITED	225,000	225,000	2,475	-	2,475	2,475	-	2,475
25	BANK OF KHYBER	-	16,500	-	-	-	244	-	244
26	DADABHOY LEASING COMPANY LIMITED	10,750	10,750	13	-	13	13	-	13
27	MCB BANK LIMITED	200,000	-	83,693	58,533	25,162	-	-	-
28	UNITED BANK LIMITED	350,000	-	40,763	27,845	12,919	-	-	-
29	CENTURY INSURANCE LIMITED	704,400	-	33,229	24,600	8,629	-	-	-
30	JAHANGIR SIDDIQUI & COMPANY	120,322	-	25,740	19,450	6,290	-	-	-
31	STANDARD CHARTERED LEASING LIMITED (RIGHT)	1,621,702	-	-	-	-	-	-	-
	TOTAL	**50,963,080**	44,317,096	1,338,082	944,679	**393,406**	1,341,676	-	1,341,676
	TEXTILE SECTOR								
32	KOHINOOR TEXTILE MILLS LIMITED	8,161,751	8,161,751	209,736	168,927	40,809	209,736	-	209,736
33	CHENAB LIMITED	6,681,000	6,681,000	105,140	89,239	15,900	105,140	-	105,140
34	NISHAT (CHUNIAN) LIMITED	1,375,000	1,250,000	52,262	38,966	13,296	52,262	-	52,262

Pak Kuwait

ANNEXURE II

Sr. No.	Name of Company	2008	2007	2008			2007		
		Total Share		Cost	Impairment	Cost after Impairment	Cost	Impairment	Cost after Impairment
				(Rupees in '000)			(Rupees in '000)		
35	GADOON TEXTILE MILLS LIMITED	294,800	371,700	19,593	-	19,593	24,703	-	24,703
36	SURAJ COTTON MILLS LIMITED	328,900	328,900	12,712	-	12,712	15,670	2,958	12,712
37	PROSPERITY WEAVING MILLS LIMITED	1,149,940	1,149,940	15,754	7,187	8,567	19,871	4,117	15,754
38	SAIF TEXTILE MILLS LIMITED	891,000	891,000	11,984	3,520	8,465	18,586	6,602	11,984
39	DIN TEXTILE MILLS LIMITED	222,600	222,600	5,676	-	5,676	8,810	3,134	5,676
40	ELLCOT SPINNING MILLS LIMITED	148,200	163,200	2,875	-	2,875	3,166	-	3,166
41	GHAZI FABRICS INTERNATIONAL LIMITED	494,000	494,000	3,211	-	3,211	3,211	-	3,211
42	GULISTAN SPINNING MILLS LIMITED	286,946	261,360	1,423	-	1,423	1,426	-	1,426
43	NAGINA COTTON MILLS LIMITED	66,000	66,000	1,241	218	1,023	1,241	-	1,241
44	MIAN TEXTILE INDUSTRIES LIMITED	211,000	211,000	949	762	188	2,223	1,274	949
45	ARTISTIC DENIM MILLS LIMITED	500,000	-	31,002	15,002	16,000	-	-	-
46	NISHAT CHUNIAN (RIGHT)	687,500	-		-	-	-	-	-
	TOTAL	**21,498,637**	20,252,451	473,558	323,821	**149,738**	466,045	18,085	447,960
	CEMENT SECTOR								
1	DEWAN CEMENT LIMITED	8,288,625	8,288,625	131,745	106,630	25,115	131,745	-	131,745
2	KOHAT CEMENT COMPANY LIMITED	2,799,698	2,545,180	100,740	54,965	45,775	100,740	-	100,740
3	MAPLE LEAF CEMENT FACTORY LIMITED	14,140,156	14,140,156	275,934	217,960	57,973	275,934	-	275,934
4	PAKISTAN CEMENT COMAPNY LIMITED	16,447,075	16,447,075	207,152	154,522	52,630	207,152	-	207,152
5	D.G.KHAN CEMENT COMPANY LIMITED	1,150,000	650,000	129,481	105,020	24,461	72,103	-	72,103
6	FAUJI CEMENT COMPANY LIMITED	9,856,483	4,094,000	168,817	122,491	46,326	76,617	-	76,617
7	ATTOCK CEMENT PAKISTAN LTD	499,400	-	57,809	38,991	18,817	-	-	
8	LUCKY CEMENT LIMITED	450,000	7,800	54,783	40,712	14,071	642	-	642
9	AL-ABBAS CEMENT INDUSTRIES LIMITED	779,100	2,716,600	10,124	7,124	3,000	35,300	-	35,300
10	FLYING CEMENT COMPANY LIMITED	2,425,500	2,425,500	37,817	29,425	8,392	37,817	-	37,817
11	CHERAT CEMENT COMPANY LIMITED	517,565	647,565	21,220	15,315	5,905	26,550	-	26,550
12	FAUJI CEMENT COMPANY LIMITED (R)	-	3,561,780		-	-	-	-	-
	TOTAL	**57,353,602**	55,524,281	1,195,622	893,155	**302,466**	964,600	-	964,600
	FUEL & ENERGY SECTOR								
13	OIL & GAS DEVELOPMENT COMPANY LIMITED	657,300	957,300	83,699	50,840	32,859	122,075	-	122,075
14	BOSICOR PAKISTAN LIMITED	-	4,169,900		-	-	64,578	-	64,578
15	SUI SOUTHERN GAS COMPANY LIMITED	10,327,500	10,327,500	295,399	186,859	108,543	295,399	-	295,399
16	PAKISTAN PETROLEUM LIMITED	896,500	1,090,800	198,193	107,987	90,206	254,206	-	254,206
17	PAKISTAN OILFIELDS LIMITED	447,420	550,850	102,431	56,575	45,856	187,835	-	187,835
18	KARACHI ELECTRIC SUPPLY CORPORATION LIMITED	15,574,500	14,745,500	112,575	80,336	32,240	108,326	-	108,326
19	JAPAN POWER GENERATION LIMITED	11,862,500	11,862,500	78,293	58,008	20,285	78,293	-	78,293
20	ATTOCK PETROLEUM LIMITED	-	100,200		-	-	50,574	-	50,574
21	SUI NORTHERN GAS PIPELINES LIMITED	847,880	823,580	55,995	37,799	18,196	54,891	-	54,891
22	THE HUB POWER COMPANY LIMITED	3,291,000	1,641,000	103,268	56,898	46,370	50,145	-	50,145
23	NATIONAL REFINERY LIMITED	231,740	123,240	89,583	67,531	22,052	50,928	-	50,928
24	SOUTHERN ELECTRIC POWER COMPANY LIMITED	-	816,950		-	-	4,861	-	4,861
25	PAKISTAN STATE OIL COMPANY LIMITED	1,632	1,632	484	248	236	484	-	484
	TOTAL	**44,137,972**	47,210,952	1,119,920	703,081	**416,842**	1,322,595	-	1,322,595
	AUTO & ALLIED SECTOR								
26	AGRIAUTOS INDUSTRIES LTD	603,840	-	48,285	29,644	18,641	-	-	-
27	DEWAN FAROOQUE MOTORS LIMITED	1,200,000	1,200,000	18,600	16,188	2,412	18,600	-	18,600
28	THE GENERAL TYRE & RUBBER COMPANY OF PAKISTAN LIMITED	16,774,292	16,774,292	326,772	-	326,772	348,944	-	348,944
	TOTAL	**18,578,132**	17,974,292	393,656	45,832	**347,825**	367,545	-	367,545
	TRANSPORT SECTOR								
29	PAKISTAN NATIONAL SHIPPING CORPORATION	350,000	250,000	36,245	18,377	17,868	26,625	-	26,625
	TOTAL	**350,000**	250,000	36,245	18,377	**17,868**	26,625	-	26,625

ANNEXURE II

Sr. No.	Name of Company	2008	2007	2008			2007		
		Total Share		Cost	Impairment	Cost after Impairment	Cost	Impairment	Cost after Impairment
				(Rupees in '000)			(Rupees in '000)		
	TECHNOLOGY & COMMUNICATION SECTOR								
30	EYE TELEVISION NETWORK	709,000	-	51,604	27,321	24,283	-	-	-
31	PAKISTAN TELECOMMUNICATION COMPANY LIMITED (A)	3,100,744	2,500,744	146,674	94,303	52,371	122,763	-	122,763
32	PAKISTAN INTERNATIONAL CONTAINER TERMINAL LIMITED	-	650,000	-	-	-	42,422	-	42,422
33	TELECARD LIMITED	3,125,000	3,125,000	39,798	33,579	6,219	39,799	-	39,799
34	TRG PAKISTAN LIMITED - CLASS 'A'	5,337,000	1,200,000	62,535	53,035	9,500	16,673	-	16,673
	TOTAL	**12,271,744**	7,475,744	300,611	208,238	**92,373**	221,657	-	221,657
	CHEMICAL & PHARMACEUTICAL SECTOR								
35	FAUJI FERTILIZER COMPANY LIMITED	407,694	1,007,694	49,645	25,701	23,944	122,707	-	122,707
36	FAUJI FERTILIZER BIN QASIM LIMITED	7,043,845	2,762,345	285,790	194,924	90,866	103,551	-	103,551
37	PAKISTAN PTA LIMITED	18,243,500	22,890,000	92,129	63,123	29,006	171,093	55,561	115,532
38	DEWAN SALMAN FIBRE LIMITED	-	3,294,000	-	-	-	25,199	-	25,199
39	NIMIR INDUSTRIAL CHEMICALS LIMITED	-	1,000,000	-	-	-	5,494	-	5,494
	TOTAL	**25,695,039**	30,954,039	427,564	283,748	**143,816**	428,044	55,561	372,483
	OTHER SECTOR								
40	TRI-PACK FILM LTD	250,000	-	65,965	34,805	31,160		-	-
41	CENTURY PAPER & BOARD MILLS LIMITED	1,789,250	1,967,350	98,824	47,204	51,620	108,661	-	108,661
42	CRESCENT STEEL & ALLIED PRODUCTS LIMITED	2,835,550	1,214,973	205,027	156,738	48,289	82,403	-	82,403
43	PAK ELEKTRON LIMITED	712,200	625,000	50,757	34,576	16,181	44,212	-	44,212
44	SIDDIQSONS TIN PLATE LIMITED	500,000	500,000	17,976	14,161	3,815	17,976	-	17,976
45	INTERNATIONAL IND. LTD	6,480	-	545	247	298		-	-
46	PACE (PAKISTAN) LIMITED	-	250,000	-	-	-	7,384	-	7,384
47	DADABHOY PADUBE LIMITED	100,000	100,000	200	-	200	200	-	200
48	INTERNATIONAL IND. LTD (RIGHT)	1,350	-	-	-	-		-	-
	TOTAL	**6,194,830**	4,657,323	439,294	287,731	**151,563**	260,836	-	260,836
	MUTUAL FUNDS								
49	AL MEEZAN MUTUAL FUND LIMITED	16,895,690	20,751,690	92,049	-	92,049	308,136	-	308,136
50	MEEZAN BALANCED FUND	11,057,791	11,057,791	75,413	-	75,413	135,287	-	135,287
51	AKD INDEX TRACKER FUND	-	4,159,350	-	-	-	41,594	-	41,594
52	PICIC GROWTH FUND	3,100,650	2,751,650	95,580	78,247	17,333	85,936	-	85,936
53	PAK OMAN ADVANTAGE FUND	5,000,000	5,000,000	50,000	12,400	37,600	50,000	-	50,000
54	MEEZAN ISLAMIC INCOME FUND	702,139	626,384	33,679	-	33,679	32,529	-	32,529
55	HBL STOCK FUND	-	100,000	-	-	-	10,000	-	10,000
56	PAKISTAN STRATEGIC ALLOCATION FUND	1,000,000	1,000,000	10,000	7,720	2,280	10,000	-	10,000
57	FIRST DAWOOD MUTUAL FUND	1,041,500	1,161,500	6,613	4,364	2,250	7,375	-	7,375
58	UNITED COMPOSITE ISLAMIC FUND	-	54,952	-	-	-	5,000	-	5,000
59	AMZ PLUS STOCK FUND	-	53,000	-	-	-	5,000	-	5,000
60	BMA PRINCIPAL GUARANTEED FUND	-	520,990	-	-	-	4,915	-	4,915
61	ATLAS FUND OF FUNDS	525,000	525,000	5,000	2,375	2,625	5,000	-	5,000
62	MCB DYNAMIC FUND	2,881,974	-	300,000	-	300,000		-	-
63	KASB LIQUID FUND	1,980,198	-	200,000	-	200,000		-	-
64	NAMCO BALANCED FUND	4,933,667	4,933,667	49,336	-	49,336	49,401	-	49,401
65	UNITED MONEY MARKET FUND	-	264,601	-	-	-	25,000	-	25,000
66	HBL INCOME FUND	-	256,619	-	-	-	25,000	-	25,000
67	BMA CHUNDRIGAR ROAD SAVINGS FUND	1,088,494	2,510,803	10,065	-	10,065	25,000	-	25,000
68	HBL MULTI ASSET FUND	200,000	200,000	20,000	-	20,000	20,000	-	20,000
69	AKD INCOME FUND	-	206,352	-	-	-	10,000	-	10,000
70	PAK OMAN BANK OF PUNJAB ADVANTAGE PLUS FUND	212,305	200,000	10,000	-	10,000	10,000	-	10,000
71	INTERSECURITIES ISLAMIC FUND	-	100,000	-	-	-	10,000	-	10,000
72	ATLAS ISLAMIC FUND	10,483	10,298	5,000	-	5,000	5,000	-	5,000
73	FIRST HABIB INCOME FUND	56,901	50,750	5,000	-	5,000	5,000	-	5,000
74	ASKARI ASSET ALLOCATION FUND	-	50,991	-	-	-	5,000	-	5,000
	TOTAL	**50,686,792**	56,546,388	967,735	105,106	**862,629**	890,173	890,173	689,344

ANNEXURE II

Sr. No.	Name of Company	2008	2007	2008			2007		
		Total Share		Cost	Impairment	Cost after Impairment	Cost	Impairment	Cost after Impairment
				(Rupees in '000)			(Rupees in '000)		
	PREFERENCE SHARES								
75	MASOOD TEXTILE MILLS LIMITED (CUMULATIVE PREFERENCE SHARES) 12.1%	5,000,000	5,000,000	50,000	-	50,000	50,000	-	50,000
76	PAKISTAN INTERNATIONAL CONTAINER TERMINAL LIMITED (PREFERENCE) 10%	2,500,000	2,500,000	25,000	-	25,000	25,000	-	25,000
77	NAGINA COTTON MILLS LIMITED (REDEEMABLE PREFERENCE SHARES) 13%	-	2,790,800	-	-	-	22,125	-	22,125
78	CHENAB LIMITED - NON VOTING CUMULATIVE PREFERENCE SHARES 9.25%	1,500,000	1,500,000	13,460	-	13,460	13,460	-	13,460
79	SECURITY LEASING CORPORATION LIMITED (PREF.SHARES) 9.1%	750,000	750,000	7,543	-	7,543	7,543	-	7,543
	PREFERENCE SHARES TOTAL	**9,750,000**	12,540,800	96,003	-	**96,003**	118,128	-	118,128
	TOTAL STRAGETIC AND AVAILABLE FOR SALE PORTFOLIO	**445,258,674**	411,100,272	7,686,660	3,863,298	**3,823,366**	7,034,308	73,646	6,960,662
	HELD FOR TRADING PORTFOLIO								
	FINANCIAL SECTOR								
1	MCB BANK LIMITED	220,600	-	84,452	-	84,452	-	-	-
2	NATIONAL BANK OF PAKISTAN LIMITED	50,000	-	6,058	-	6,058	-	-	-
3	HABIB BANK LIMITED	100,000	-	22,876	-	22,876	-	-	-
4	JAHANGIR SIDDIQUI & COMPANY	223,456	-	39,075	-	39,075	-	-	-
5	THE BANK OF PUNJAB	1,300,000	-	74,271	-	74,271	-	-	-
6	NIB BANK LIMITED	1,441,500	-	28,340	-	28,340	-	-	-
7	EFU GENERAL INSURANCE COMPANY	3,750	-	2,342	-	2,342	-	-	-
	TOTAL	**3,339,306**	-	257,414	-	**257,412**	-	-	-
	CEMENT SECTOR								
8	D.G.KHAN CEMENT COMPANY LIMITED	1,000,000	350,000	104,567	-	104,567	41,145	-	41,145
9	LUCKY CEMENT LIMITED	100,000	500,000	7,011	-	7,011	67,850	-	67,850
	TOTAL	**1,100,000**	850,000	111,578	-	**111,578**	108,995	-	108,995
	FUEL & ENERGY SECTOR								
10	OIL & GAS DEVELOPMENT COMPANY LIMITED	150,000	1,096,700	16,774	-	16,774	148,256	-	148,256
11	BOSICOR PAKISTAN LIMITED	500,000	-	10,651	-	10,651	-	-	-
12	PAKISTAN PETROLEUM LIMITED	104,610	-	20,127	-	20,127	-	-	-
	TOTAL	**754,610**	1,096,700	47,552	-	**47,552**	148,256	-	148,256
	TECHNOLOGY & COMMUNICATION SECTOR								
13	PAKISTAN TELECOMMUNICATION LIMITED (A)	127,100	-	5,248	-	5,248	-	-	-
	TOTAL	**127,100**	-	5,248	-	**5,248**	-	-	-
	TOTAL - HELD FOR TRADING PORTFOLIO	**5,321,016**	1,946,700	421,792	-	**421,790**	257,251	-	257,251

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PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

ANNEXURE II

As Referred to in Notes 8.3.2 to the financial statements
PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

Sr. No.	Name of TFCs	NUMBER OF TFCs 2008	NUMBER OF TFCs 2007	COST (Rupees in '000) 2008	COST (Rupees in '000) 2007
	Particulars of investments held in listed term finance certificates (TFCs)				
1	**STANDARD CHARTERED BANK (PAKISTAN) LIMITED (21-12-2002)** 20,000 (2007 : 20,000) Certificate of Rs. 5,000 each Mark up : 11. 80% (PIB 5 Years rate + 2. 25% with Floor 11. 00 %, Cap 15. 50%) Redemption : Half year Installments commencing from Dec - 2002 Maturity : June, 2008	-	20,000	-	32,947
2	**CRESENT STANDARD INVESTMENT BANK LIMITED (08-7-2003)** 5,000 (2007 : 5,000) Certificate of Rs. 5000 each Mark up : 11. 50% (SBP Discount + 2.00% with Floor 10. 50 %, Cap 13. 50%) Redemption : Half yearly Installments commencing from July 2003 Maturity : June, 2007	-	5,000	-	9,967
3	**STANDARD CHARTERED BANK (PAKISTAN) LIMITED (20-01-2004)** 18,587 (2007 : 18,587) Certificate of Rs. 5,000 each Mark up : 10. 6416% (PIB 5 Years rate +0.75% with Floor 5.00 %, Cap 10.75%) Redemption : Half Yearly Installments commencing from Jan - 2004 Maturity : Dec, 2010	**18,587**	18,587	**88,139**	92,805
4	**TRUST LEASING & INVESTMENT BANK LIMITED (17-7-2004)** 1,251 (2007 : 1,251) Certificate of Rs. 5,000 each Mark up : 10. 00% (KIBOR 6-Month (s) Ask Rate + 3. 00% with Floor 6. 00 %, Cap 10. 00%) Redemption : Half yearly Installments commencing from Jan - 2005 Maturity : July, 2009	**1,251**	1,251	**1,251**	2,502
5	**ABN AMRO BANK (PAKISTAN) LIMITED (10-02-2005)** 4,000 (2007 : 4,000) Certificate of Rs. 5,000 each Mark up : 12. 21% (KIBOR 6-Month (s) Ask Rate + 1. 90%) Redemption : Half yearly Installments commencing from Feb -2005 Maturity : Dec, 2012	**4,000**	4,000	**19,972**	19,980
6	**ASKARI COMMERCIAL BANK LIMITED (04-02-2005)** 3,000 (2007 : 3,000) Certificate of Rs. 5000 each Mark up : 11. 84% (KIBOR 6-Month (s) Ask Rate + 1. 50%) Redemption : Half year Installments commencing from Feb - 2005 Maturity : Dec, 2012	**3,000**	3,000	**14,979**	14,986
7	**CHANDA OIL & GAS SECURITIZATION COMPANY LIMITED (16-02-2005)** 6,000 (2007 : 6,000) Certificate of Rs. 5,000 each Mark up : 13. 00% (KIBOR 3-Month (s) Ask Rate + 3. 25% with Floor 8. 95 %, Cap 13. 00%) Redemption : Quarterly Installments commencing from Feb - 2005 Maturity : Jan - 2012	-	6,000	-	21,600
8	**NAIMAT BASAL OIL & GAS SECURITIZATION COMPANY LIMITED (12-04-2005)** 10,000 (2007 : 10,000) certificate of Rs. 5,000 each Mark up : 12.77% (KIBOR 6-Month (s) Ask Rate + 2. 50% with Floor 7. 50 %, Cap 13. 00%) Redemption : Monthly Installments commencing from April- 2005 Maturity : March, 2010	-	10,000	-	25,149
	TOTAL	**26,838**	67,838	**124,341**	219,936

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PAKISTAN KUWAIT INVESTMENT COMPANY (PRIVATE) LIMITED

ANNEXURE II

As Referred to in Notes 8.3.2 to the financial statements
PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

Sr. No.	Name of TFCs	NUMBER OF TFCs 2008	NUMBER OF TFCs 2007	COST (Rupees in '000) 2008	COST (Rupees in '000) 2007
	Particulars of investments held in unlisted term finance certificates (TFCs)				
1	**KOHINOOR TEXTILE MILLS LIMITED** 10,000 (2007 : 10,000) Certificate of Rs. 5,000 each Mark up : 12. 01% (KIBOR 6-Month (s) Ask Rate + 2. 00%) Redemption : Quarterly Installments commencing from Aug - 2003 Maturity : May - 2008	-	10,000	-	6,250
2	**CRESCENT STEEL AND ALLIED PRODUCTS LIMITED** 15,000 (2007 : 15,000) Certificate of Rs. 5,000 each Mark up : 9. 00 % (GOP M. T- Bills 6 Months + 2. 50% with Cap of 9. 00%) Redemption : Half yearly Installments commencing from July - 2004 Maturity : January, 2009	**15,000**	15,000	**9,375**	28,125
3	**PAKISTAN MOBILE COMMUNICATIONS (PRIVATE) LIMITED** 20,000 (2007 : 20,000) Certificate of Rs. 5,000 each Mark up : 11. 66% (KIBOR 6-Month (s) Ask Rate + 1. 60% with Floor 4.95 %, Cap 12. 00%) Redemption : Half yearly Installments commencing from Sep - 2004 Maturity : March , 2009	**20,000**	20,000	**20,000**	60,000
4	**DEWAN FAROOQUE SPINNING MILLS LIMITED** 10,000 (2007 : 10,000) Certificate of Rs. 5,000 each Mark up : 13.73% (KIBOR 6-Month (s) Ask Rate + 3.75%) Redemption : Half yearly Installments commencing from Dec - 2004 Maturity : Dec, 2009	**10,000**	10,000	**18,750**	25,000
5	**DEWAN CEMENT LIMITED** 10,000 (2007 : 10,000) Certificate of Rs. 5,000 each Mark up : 12. 56% (KIBOR 6-Month (s) Ask Rate + 2. 50%) Redemption : Half year Installments commencing from Jan - 2006 Maturity : Jan - 2012	-	10,000	-	20,926
6	**NEW ALLIED ELECTRONICS INDUSTRIES (PRIVATE) LIMITED** 10,000 Certificate of Rs. 5,000 each Mark up : 12.74% (KIBOR 3-Month (s) Ask Rate + 2.75%) Redemption : Quarterly Installments commencing from Aug - 2007 Maturity : July, 2011	**10,000**	10,000	**45,833**	50,000
	TOTAL	**55,000**	75,00 0	**93,958**	190,301

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