# Jahangir Siddiqui & Co. Ltd.
## Annual Report 2007

# Contents

# MISSION

Our mission is to build
the most diversified and the
highest quality financial services
organisation in Pakistan.

# VISION

Our vision is to empower every Pakistani with the right financial solutions.

# Abbreviations

| | |
|---|---|
| AEBL | American Express Bank Ltd. |
| CODs | Certificate of Deposits |
| COIC | Citibank Overseas Investment Corporation Ltd. |
| COIs | Certificate of Investments |
| DSCs | Defence Saving Certificates |
| FRSH | Ford Rhodes Sidat Hyder & Co. |
| GDP | Gross Domestic Product |
| IFRSs | International Financial Reporting Standards |
| IASs | International Accounting Standards |
| IPO | Initial Public Offering |
| JSBL | JS Bank Ltd. |
| JSCL | Jahangir Siddiqui & Company Ltd. |
| JSCML | Jahangir Siddiqui Capital Market Ltd. |
| JSGCL | JS Global Capital Ltd. |
| JSIBL | Jahangir Siddiqui Investment Bank Ltd. |
| JSIL | JS International Ltd. |
| KIBOR | Karachi Inter-bank Offer Rate |
| NBFIs | Non Banking Financial Institutions |
| NBFCs | Non Banking Finance Companies |
| PACRA | The Pakistan Credit Rating Agency Ltd. |
| PIBs | Pakistan Investment Bonds |
| PRE-IPO | Pre-initial Public Offer |
| SBP | State Bank of Pakistan |
| SECP | Securities and Exchange Commission of Pakistan |
| TFCs | Term Finance Certificates |
| UTP | Unit Trust of Pakistan |

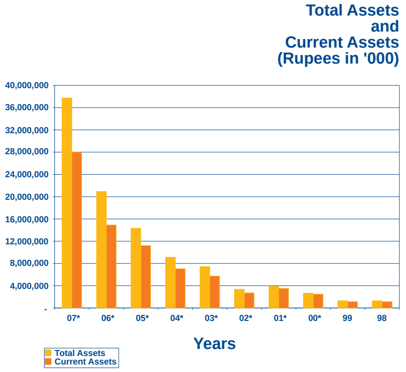
# Company Information

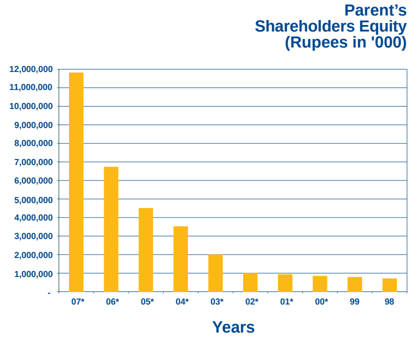
| | | |
|---|---|---|
| Board Of Directors | | |
| | Mazharul Haq Siddiqui | Chairman |
| | Munaf Ibrahim | Chief Executive Officer |
| | Ali J. Siddiqui | Director |
| | Ali Raza Siddiqui | Director |
| | Syed Nizam Ahmed Shah | Independent Director |
| | Chief Justice (R) Mahboob Ahmed | Independent Director |
| | Siraj Ahmed Dadabhoy | Independent Director |
| | Adil Matcheswalla | Independent Director |
| | Nauzer Aspi Dinshaw | Director |
| Audit Committee | | |
| | Syed Nizam Ahmed Shah | Chairman |
| | Ali J. Siddiqui | Member |
| | Ali Raza Siddiqui | Member |
| | Farah Qureshi | Secretary |
| Executive Committee | | |
| | Munaf Ibrahim | |
| | Ali J. Siddiqui | |
| Executive Compensation Committee | | |
| | Syed Nizam Ahmed Shah | |
| | Chief Justice (R) Mahboob Ahmed | |
| Company Secretary | | |
| | Farah Qureshi | |
| Chief Financial Officer | | |
| | Kamran Qadir | |
| Auditors | | |
| | Ford Rhodes Sidat Hyder & Co.<br>Chartered Accountants | |
| Legal Advisors | | |
| | Bawaney & Partners<br>Sayeed & Sayeed | |
| Share Registrar | | |
| | Technology Trade (Pvt.) Ltd.<br>241-C, Block-2, P.E.C.H.S., Karachi | |
| Registered Office | | |
| | 6th Floor, Faysal House<br>Shahra-e-Faisal<br>Karachi-75530, Pakistan | |
| Website | | |
| | www.js.com | |

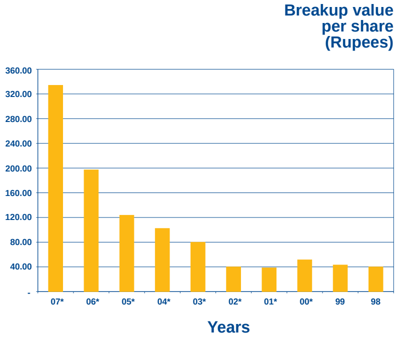
# Financial Highlights

| | 2007* | 2006* | 2005* | 2004* |
|---|---|---|---|---|
| **Operating Results** | | | | |
| Total revenue | 5,394,368 | 4,178,314 | 2,484,566 | 1,488,093 |
| Operating & administrative expenses | 1,412,308 | 901,645 | 576,305 | 342,619 |
| Finance cost | 1,148,906 | 956,090 | 408,953 | 130,623 |
| Profit before taxation | 2,831,041 | 2,320,579 | 1,499,308 | 1,014,851 |
| Profit after taxation ** | 2,250,780 | 1,671,520 | 1,117,087 | 689,133 |
| **Per Ordinary Share (Rupees)** | | | | |
| Earnings per share** | 72.07 | 47.76 | 31.92 | 21.28 |
| Breakup value** | 337.33 | 190.93 | 124.92 | 99.02 |
| **Pay outs** | | | | |
| - Cash (% of Face Value) | 25 | 25 | 25 | 15 |
| - Bonus % | 100 | - | - | - |
| **Assets & Liabilities** | | | | |
| Total assets | 36,959,444 | 20,660,473 | 13,981,781 | 8,901,888 |
| Current assets | 27,803,686 | 15,393,482 | 11,151,938 | 7,197,576 |
| Current liabilities | 17,983,208 | 10,630,715 | 6,714,683 | 3,391,527 |
| **Financial Position** | | | | |
| Equity attributable to equity holders' of the parent | 11,806,535 | 6,682,562 | 4,372,257 | 3,465,569 |
| Ordinary Shares capital | 350,000 | 350,000 | 350,000 | 350,000 |
| Preference Shares Class 'A' | 700,000 | - | - | - |
| Reserves** | 10,756,535 | 6,332,562 | 4,022,257 | 3,115,569 |
| Ordinary Shares outstanding ('000) | 35,000 | 35,000 | 35,000 | 35,000 |
| **Ratios** | | | | |
| Return on Capital Employed | 19.06% | 25.01% | 25.55% | 19.89% |
| Return on Total Assets | 6.09% | 8.09% | 7.99% | 7.74% |
| Current Ratio | 1.55 | 1.45 | 1.66 | 2.12 |
| Interest Cover Ratio | 2.96 | 2.75 | 3.73 | 6.28 |
| Price Earning ratio | 2.58 | 3.26 | 2.90 | 3.70 |

* numbers based on consolidated financial statements.
** excluding minority interests.

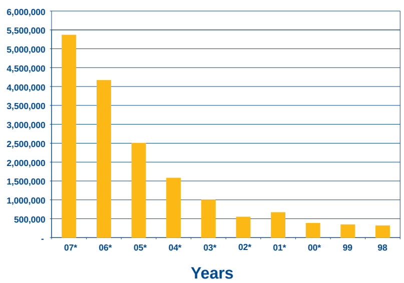


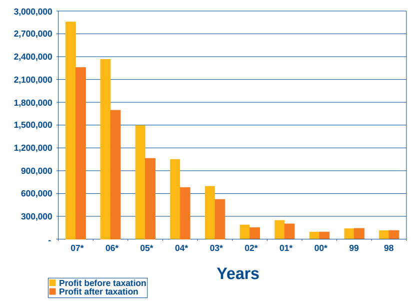



| 2003* | 2002 * | 2001 * | 2000 * | 1999 | 1998 |
|---|---|---|---|---|---|
| 1,095,597 | 436,718 | 532,517 | 304,454 | 274,876 | 252,839 |
| 283,182 | 136,088 | 158,867 | 136,688 | 120,244 | 121,677 |
| 107,266 | 133,610 | 154,553 | 82,598 | 30,289 | 30,229 |
| 705,149 | 167,020 | 219,097 | 85,168 | 124,343 | 100,933 |
| 550,975 | 133,739 | 176,517 | 82,600 | 124,236 | 100,023 |
| 20.32 | 6.24 | 8.65 | 4.05 | 9.14 | 7.80 |
| 78.79 | 38.07 | 34.87 | 44.27 | 41.00 | 36.86 |
| 15 | 22 | 33 | 28 | 50 | 47.5 |
| - | - | 20 | 25 | - | - |
| 6,872,430 | 2,280,797 | 2,794,896 | 1,493,289 | 729,934 | 731,434 |
| 5,657,732 | 1,923,955 | 2,582,403 | 1,397,460 | 648,274 | 647,809 |
| 3,858,721 | 1,108,703 | 1,898,733 | 777,639 | 165,353 | 223,188 |
| 1,969,819 | 951,713 | 711,258 | 602,061 | 557,541 | 501,305 |
| 250,000 | 250,000 | 204,000 | 136,000 | 136,000 | 136,000 |
| - | - | - | - | - | - |
| 1,719,819 | 701,713 | 507,258 | 466,061 | 421,541 | 365,305 |
| 25,000 | 25,000 | 20,400 | 13,600 | 13,600 | 13,600 |
| 27.97% | 14.05% | 24.82% | 13.72% | 22.28% | 19.95% |
| 8.02% | 5.86% | 6.32% | 5.53% | 17.02% | 13.67% |
| 1.47 | 1.74 | 1.36 | 1.80 | 3.92 | 2.90 |
| 6.14 | 2.00 | 2.14 | 2.00 | 5.10 | 4.31 |
| 3.54 | 4.09 | 3.94 | 8.64 | 3.28 | 3.85 |

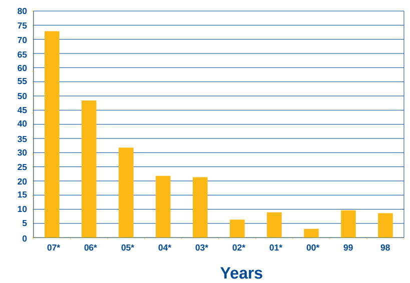
Total Revenue
(Rupees in '000)




Profit Before Taxation
and
Profit After Taxation
(Rupees in '000)




Earnings Per Share
(Rupees)



# DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholder,

We are pleased to present the audited financial statements and results of operations for Jahangir Siddiqui & Co. Ltd. ("JSCL" or the "Company") along with consolidated financial statements of Jahangir Siddiqui & Co. Ltd. (the "Holding Company") and its subsidiaries for the financial year ending June 30, 2007[1].

During the Year, JSCL continued to consolidate its position as Pakistan's fastest growing financial services business.

## The Economy

Pakistan reported yet another year of strong economic growth with overall GDP increasing by 7%. The services sector, which accounts for 53% of GDP, is credited with being the largest contributor to 2007's economic performance. Per capita income during the Year increased by 11% to approximately US $ 933.0.

The impressive 8% growth in the services sector was led by continued out performance in the telecommunications sector. The downside, of course, is that growth and investment in this sector has a limited impact on Pakistan's export competitiveness.

In the agricultural sector, a bumper wheat crop and strong livestock growth led to a 5% increase in output despite cotton production coming in below target.

The textile sector as a whole continued to come under pressure from global competition and has experienced minimal growth. However, there remain pockets of growth in selected textile sub-sectors, such as denim; JSCL has a significant investment in one such business, and it continues to report strong performance.

Weakness in textile exports and the large oil import bill were the major contributors to a widened trade deficit of US $13.5 billion in 2007. However, a 26% increase in foreign remittances kept the current account deficit at approximately US $ 7.8 billion (5.4% of GDP). Substantial foreign exchange inflows during the Year of US $ 8.4 billion in the form of foreign investment made up for the current account deficit; foreign exchange reserves increased to US $ 15.6 billion from US $ 13.0 billion the prior Year.

The expansionary fiscal stance of the government coupled with rising foreign inflows complicated inflation management. The State Bank of Pakistan ("SBP") has a difficult task ahead to limit inflation without tempering economic growth. This year, it has achieved its inflation limiting goals by reducing surplus liquidity in the banking system. While the SBP has successfully stabilised inflation, food price inflation remains an area that will require further management.

## Equity Markets

2007 turned out to be yet another strong year for Pakistan's equity markets. The Karachi Stock Exchange ("KSE") was one of the best performing markets in the region. Unlike previous years, 2007 witnessed significant foreign funds' inflows into the local markets on the back of substantial liquidity flows in general into Asian emerging markets.

The KSE-100 Index registered a 38% gain during the Year compared to a 34% gain in 2006. This took the average 5-year annualised return of the Index to 48%.

Banks have now taken over as the largest listed sector with a 31% weight in market capitalisation versus 21% at the beginning of 2007. Partly as a consequence of this, the weight of the E&P sector declined to 19% from 29% at the beginning of the Year.

[1] As most companies, in addition to the Government of Pakistan, operate on a financial calender that ends June 30th, unless otherwise specified, all references to the "Year" are to the fiscal year ending June 30th, 2007.

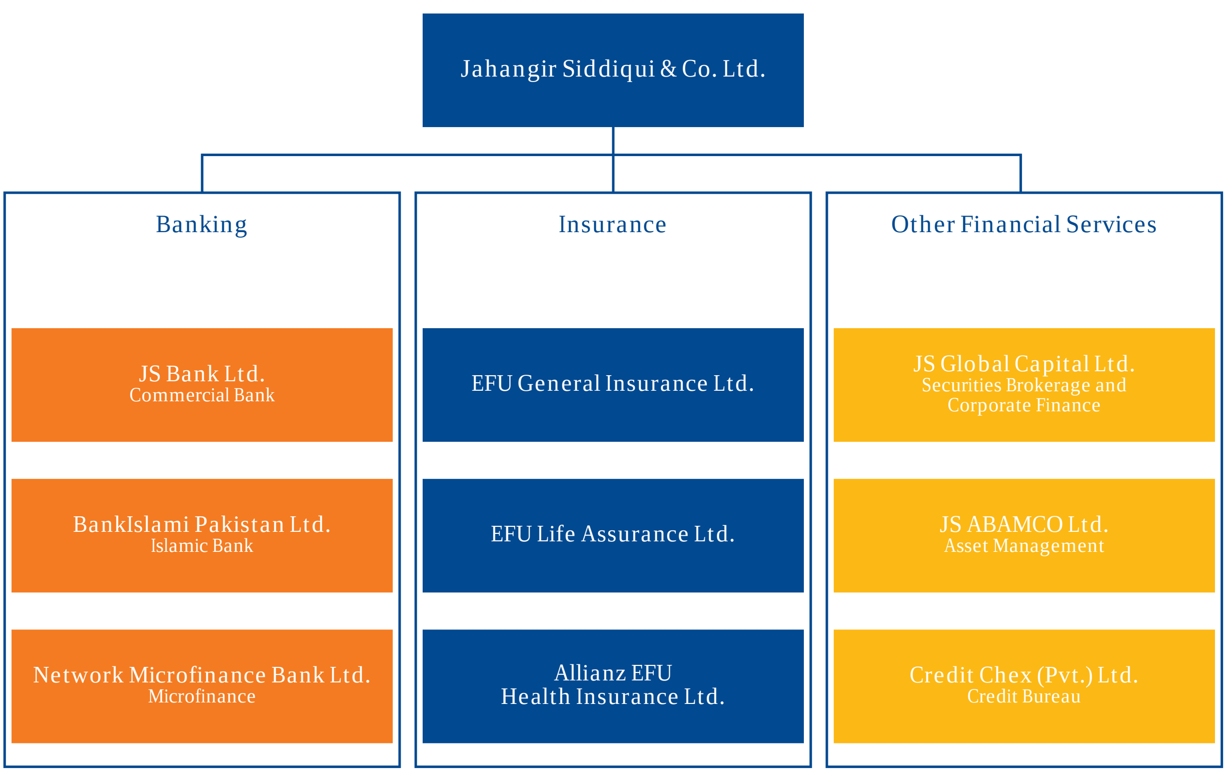
2007 proved to be a better year than 2006 in terms of new listings and the amount of capital raised. During the Year, thirteen new companies were listed on the stock exchange, compared to nine companies in 2006. As a result, Rs. 6.5 billion (US $ 108.3 million[2] ) was raised this Year compared to Rs. 3.6 billion (US $ 60.0 million) in the prior Year from domestic markets. More significantly, three Pakistani companies raised a total of US $ 1.5 billion via Global Depository Receipts ("GDRs") issued on the London Stock Exchange.

## Debt Markets

A total of eleven listed Term Finance Certificates (corporate bonds) were issued during the Year. The total amount issued was above Rs. 11.6 billion (US $ 193.3 million) compared to eight issues that raised Rs. 10.1 billion (US $ 168.3 million) in the prior Year. The growing mutual fund and insurance industries are fuelling demand for corporate bonds and we expect the coming year to be a very strong year for bond issuances.

## Business Overview

JSCL is a financial services Holding Company, that also makes long term investments in growing public companies in Pakistan and engages in principal trading activities. Our financial services business comprises investments in companies in three operating areas: banking, insurance and other financial services.




[2]An exchange rate of Rs. 60.0 per US $ is assumed throughout this document.

## Performance of Key Investments

# Banking

### JS Bank Ltd.

Our most notable transaction this Year was the acquisition of the Pakistan branches of American Express Bank Ltd. We then merged these assets with our own bank, Jahangir Siddiqui Investment Bank Ltd., and listed the combined entity, under the name of JS Bank Ltd., on the Karachi Stock Exchange.

JS Bank Ltd. is a young, growing bank that is increasing its branch network, growing assets, and expanding the services that it offers.

### BankIslami Pakistan Ltd.

Our investment in BankIslami Pakistan Ltd. continues to perform well, while the rapid branch expansion plan continues and deposit mobilisation accelerates.

# Insurance

For the calendar year 2006 EFU General Insurance Ltd., EFU Life Assurance Ltd. and Allianz EFU Health Insurance Ltd. booked combined revenues of Rs. 12.2 billion (US $ 203.3 million), continuing their leadership as Pakistan's largest insurance group. EFU General Insurance Ltd. consolidated its number one position in the general insurance sector as the industry leader in terms of premium income and therefore market share in the general insurance business.

# Non Bank Financial Services

### JS Global Capital Ltd.

During the Year, pursuant to subscription and shareholders' agreements signed between JS Global Capital Ltd. (formerly Jahangir Siddiqui Capital Markets Ltd.) ("JSGCL") and Global Investment House K.S.C.C., Kuwait ("Global"), JSGCL issued 10,009,700 Ordinary Shares at a subscription price of Rs. 217 per share (for total proceeds of Rs. 2.2 billion or US $ 36.2 million) to Global. This transaction resulted in a change of status of JSGCL from a subsidiary to an associate of JSCL as Global and JSCL each hold 43.5% of the equity of JSGCL.

As a result of the investment from Global, to our knowledge, JSGCL is the largest securities firm by regulatory capital, cementing its position as the leading equity and fixed income broker for the Pakistan market. JSGCL, a separate listed entity, continued to grow during the Year and has posted strong results in its primary business of securities brokerage. It has also gained market share and enhanced its financial results.

### JS ABAMCO Ltd.

Our asset management subsidiary, JS ABAMCO Ltd., continued on its growth trajectory with approximately Rs. 29.0 billion(US $ 483.3 million) in assets under management at the end of the Year. In 2007, JS ABAMCO Ltd. was successfully listed on the KSE and its oversubscribed secondary offering raised Rs. 1.3 billion (US $ 21.0 million).

JS ABAMCO Ltd. also obtained an investment banking license and will enter the investment banking business (effectively a restricted wholesale banking business) during the Year.

This Year, JS ABAMCO Ltd. floated two new funds, the UTP-Capital Protected Fund and UTP-Capital Protected Fund II. Additionally, JS ABAMCO Ltd., Standard Chartered Bank (Pakistan) Ltd. and EFU Life Assurance Ltd. are working together to offer a series of pension products of which JS ABAMCO will be the pension fund manager.

## Overseas Subsidiaries

### JS International Ltd. and JS International LLP

JS International Ltd. ("JSIL") is a wholly-owned subsidiary of JSCL registered in the Cayman Islands. JSIL has been established as a holding company for JSCLs business interests outside Pakistan.

JS International LLP was formed in 2006 as a wholly owned subsidiary of JSIL.

Both JS International Ltd. and JS International LLP are responsible for internationalising JSCL businesses. For example, with regard to JS ABAMCO Ltd., JSIL is structuring and setting up offshore incorporated mutual funds to feed into JS ABAMCO's Pakistan mutual funds and establishing distribution relationships to sell those funds internationally.

## Other holdings

Our investment in Azgard 9 Ltd. ("Azgard 9") has performed admirably after its acquisition of Pak American Fertilizers Ltd. ("Pak American Fertilizers") for Rs. 16.1 billion (US $ 268.5 million). After the acquisition, which was the largest leveraged buy-out by a domestic organisation in Pakistan, Azgard 9 has derived significant operational efficiency from the plant and continues to expand production capacity.

Our holding in Eye Television Network Ltd. has also performed well after the start of its second channel, Masala, and the rapid growth in the company's revenue and profitability. The flagship channel, Hum, continued to be highly ranked in all metropolitan markets by Gallup.

In 2008, Eye Television Network Ltd., which is also a separately listed company on the KSE, will continue to expand its portfolio of channels and programming.

## Financial Results

The Company's after tax profit from continuing operations increased substantially in the current Year to Rs. 2.2 billion (US $ 37.3 million). The increase was led by capital gains from principal trading activities. Overall revenues from continuing operations amounted to Rs. 3.4 billion (US $ 56.0 million) as compared to Rs. 1.8 billion (US $ 30.7 million) during 2006. Operating expenses relating to continuing operations amounted to Rs. 523.0 million (US $ 8.7 million) as compared to Rs. 316.0 million (US $ 5.3 million) last Year.

## Results of Operations

The financial results for the year ended June 30, 2007 are summarized below:

| | | (Rupees in ' 000) |
|---|---|---|
| Profit before taxation from Continuing Operations | | 2,257,853 |
| Less: Taxation | | |
| Current | 18,901 | |
| Prior | (56) | |
| | | 18,845 |
| Profit for the year from continuing operations | | 2,239,008 |
| Loss for the year from discontinued operations | | (6,227) |
| Profit after taxation | | 2,232,781 |

The basic earning per share from continuing operations is Rs. 63.16
The diluted earning per share from continuing operations is 53.31
The basic and diluted loss from discontinued operations is Rs. 0.18 per share

The fixed income operations of the Company have been discontinued. Accordingly, fixed income operations of the Company are reported as discontinued operations in the financial statements.

The Directors are pleased to propose the following appropriations out of the free reserves of the Company.

## Dividends

The Directors are pleased to recommend:

### Cash Dividends:

1. A Cash Dividend @ 25% i.e. Rs. 2.5 per Ordinary Share of the Company subject to approval of shareholders.

2. A Cash Dividend for the year ended June 30, 2007 at 7% per annum per Preference Share subject to approval of shareholders.

### Bonus Shares:

In addition to the cash dividend, Directors recommend the issue of fully paid Bonus Shares in the ratio of one Ordinary Share for every one Ordinary Share held i.e. 100%, subject to shareholders approval. For this purpose a sum of Rs. 350.0 million will be allocated from the free reserves of the Company and applied to the issuance of 35.0 million fully paid Ordinary Shares.

## Net Asset Value of Underlying Holdings

A key measure of our business performance is the underlying net asset value of our investment holdings.

The net asset value of the Company as at June 30, 2007 was Rs. 8.27 billion (US $ 138.0 million) or Rs. 197.08 (US $ 6.2 ) per share on a fully diluted basis.

As at June 30, 2007, the unrealised gain on our listed investment portfolio stood at Rs. 16.03 billion (US $ 267.2 million) or Rs. 381.6 (US $ 6.4) per share on a fully diluted basis. This amount is in excess of the reported book value of the Company. Further details are available in the notes to the financial statements.

## Corporate and Financial Reporting Framework

The Directors confirm compliance with the corporate and financial reporting framework of the SECP Code of Corporate Governance for the following:

- The financial statements present fairly the state of affairs of the Company, the results of its operations, Cash Flow Statement and Statement of Changes in Equity;
- Proper books of accounts of the Company have been maintained;
- Accounting policies as stated in the notes to the accounts have been consistently applied;
- International Financial Reporting Standards as applicable in Pakistan and the Companies Ordinance, 1984 as stated in the notes attached with the accounts, have been followed in preparation of the financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- The Company is financially sound and is a going concern; and
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.

No material payment is outstanding on account of taxes, duties, levies and charges.

The statement of key operating and financial data of last ten years appears on Page 06.

The Company operates an approved contributory provident fund for all its employees eligible to the scheme. The audited financial statements for the year ending June 30, 2007 indicate that the value of investments of the fund are Rs. 15.30 million (US $ 0.26 million).

Seven meetings of the Board of Directors were held during the Year.

The attendance of Directors at Board meetings were as follows:

| Name of Director | Meetings Eligibility | Meetings Attended |
|---|---|---|
| Mazharul Haq Siddiqui, Chairman | Seven | Seven |
| Munaf Ibrahim, Chief Executive Officer | Seven | Seven |
| Ali J. Siddiqui, Director | Seven | Six |
| Ali Raza Siddiqui, Director | Seven | Seven |
| Syed Nizam Ahmed Shah, Director | Seven | Five |
| Chief Justice (R) Mahboob Ahmed, Director | Seven | Seven |
| Siraj Ahmed Dadabhoy, Director | Seven | Five |
| Adil Matcheswalla, Director | Six | Five |
| Nauzer Aspi Dinshaw, Director | Seven | Seven |

## Management's Discussion of Financial Responsibility

The Company's management is responsible for preparing the financial statements and related notes contained in the Annual Report.

The consolidated financial statements and notes are prepared in accordance with generally accepted accounting principles in Pakistan. Other financial data included in the Annual Report are consistent with the data in the financial statements.

The Company's accounting policies are integral to understanding the results reported. Accounting policies are described in detail in the notes to the financial statements. The Company's most complex accounting policies require management's judgment to ascertain the valuation of assets and liabilities. The Company has established detailed policies and control procedures that are intended to ensure that valuation methods are fair, well controlled and applied consistently.

The Audit Committee of the Board of Directors is responsible for monitoring the integrity of the Company's financial statements, control systems and the independence and performance of its internal and independent auditors. The Audit Committee is comprised of three Directors and operates under terms of reference approved by the Board.

## Credit Rating

The Directors are pleased to inform you that The Pakistan Credit Rating Agency Ltd. (PACRA) has maintained the long term rating of the Company at "AA+" (Double A plus) and a short term rating of "A1+" (A one plus) respectively during the financial year. The long-term rating denotes a very low expectation of credit risk and indicates a very strong capacity for timely payment of financial commitments. The short term rating indicates that obligations are supported by the highest capacity for timely repayment.

## Auditors

The present auditors, Messrs Ford Rhodes Sidat Hyder & Co. Chartered Accountants (a member firm of Ernst & Young Global Ltd.), retire and being eligible, offer themselves to be re-appointed as the Company's auditors for the coming Year.

A resolution to appoint the auditors of the Company for the coming Year will be proposed at the Annual General Meeting.

## Pattern of Shareholding

The Statement of Pattern of Shareholding as on June 30, 2007 appears on Page 129 for Ordinary Shares and on page 132 for Preference Shares including the transactions carried out by Directors, Chief Executive Officer, Chief Financial Officer, the Company Secretary and their spouses and minor children.

## Acknowledgement

We express our gratitude to our clients and business partners for their continued patronage of the Company and to our management and employees for their dedication and hard work.

We would also like to acknowledge the Securities and Exchange Commission of Pakistan, the State Bank of Pakistan and the Central Board of Revenue for their efforts to strengthen the financial markets and implement measures to safeguard investor rights.

For and on behalf of the
Board of Directors

Mazharul Haq Siddiqui
Chairman

Karachi: August 11, 2007

# BOARD OF DIRECTORS

## Chairman, Mazharul Haq Siddiqui

Mr. Siddiqui is one of Pakistan's senior most civil servants and an eminent educationist. He has held many senior positions in the Government of Pakistan. He joined Income Tax Department in 1957 and served in various capacities including the Commissioner of Income Tax. He served the Provincial Governments as Secretary Education, Finance and Service and General Administration. He has served the Federal Government as Secretary in Establishment, Economic Affairs, Education, Management Services, Economic Affairs Statistics and Youth Affairs Divisions.

He was Vice Chancellor, Sindh University for a period of four years (1984-88) and at present, on rejoining Sindh University in 2001, he continues to be its Vice Chancellor. He has also held the position of Chairman, National Insurance Corporation and Member, Federal Public Services Commission.

## Chief Executive Officer, Munaf Ibrahim

Mr. Ibrahim is a Fellow member of Institute of Chartered Accountants Pakistan and the Institution of Cost & Management Accountants of Pakistan.

Mr. Ibrahim currently serves as a Director on the Board of Network Micro Finance Bank Ltd., Siddiqui Foundation, Attock Petroleum Ltd. and Al-Abbas Sugar Mills Ltd.

Previously he has also served on the Board of JS Bank Ltd., JS ABAMCO Ltd., EFU Life Assurance Ltd., Jahangir Siddiqui Investment Bank Ltd. and BSJS Balanced Fund Ltd.

## Ali J. Siddiqui

Mr. Siddiqui is the Managing Partner of JS Private Equity, Pakistan's largest private equity firm. From 2002-2003 he was an Executive Director of JS ABAMCO, Pakistan's largest private sector mutual fund manager. Prior to JS Group, Mr. Siddiqui was a Director with Crosby, the investment and merchant bank, and was based in Hong Kong. Prior to Crosby, he was an Associate with Techpacific Capital where he was part of a team that managed over US $ 400 million in private equity and venture funds investing in Asia-Pacific.

Mr. Siddiqui holds a B.A. in Economics from Cornell University. He is a member of the Board of Directors of a number of large private sector companies in Pakistan including Azgard 9 Ltd., Airblue Ltd., Pakistan International Container Terminal Ltd. and chairs the Board of Pak American Fertilizers Ltd. In addition, he is involved with a number of charitable and sustainable development organisations and is a Director of the Siddiqui Foundation and the Acumen Fund (Pakistan).

## Ali Raza Siddiqui

Mr. Siddiqui is an Executive Director of JS ABAMCO Ltd., he also serves as a Director on the Board of BankIslami Pakistan Ltd. Previously, he was Assistant Vice President at AIM Investments in Houston, a wholly-owned subsidiary of INVESCO Plc. At AIM, Mr. Siddiqui was part of a 5-person team responsible for the management of US $ 60 billion in fixed income assets.

He holds a Bachelors Degree from Cornell University, USA, with double majors in Economics and Government.

## Syed Nizam Ahmed Shah

Mr. Shah has over 40 years of professional experience in the fields of Industrial Management and Finance. He has held key positions in British American Tobacco ("BAT") and was Chairman of BAT's Pakistan business, Pakistan Tobacco Company.

His current directorships include the Hub Power Company Ltd., Pakistan International Container Terminal Ltd., Public Procurement Regulatory Authority of Government of Pakistan, Hascombe Storage (Pvt.) Ltd. and Telecard Ltd.

In the past, he has also served as Director on the Boards of Philips Electrical Industries of Pakistan, National Development Finance Corporation, Habib Bank Ltd., Oil & Gas Development Corporation, ANZ Grindlays Bank Pakistan, Commercial Union Assurance and Pakistan Civil Aviation Authority. He had also been appointed as Chairman of Regional Development Finance Corporation, Prime Ministers Committee for review of Independent Power Projects, Task Force for review and recommendations for the Financial and Corporate restructuring of Oil & Gas Development Corporation, Sui Southern Gas Co. Ltd. and Sui Northern Gas Pipeline Ltd. Mr. Shah has also served as the Executive Vice Chairman of the Hub Power Company Ltd.

## Chief Justice (R) Mahboob Ahmed

Justice Mahboob Ahmed has been an eminent and well respected lawyer and practiced as an Advocate of the High Court and the Supreme Court of Pakistan for over 20 years.

He was the Counsel to all statutory corporations, a number of insurance companies as well as large foreign and local companies. He has served as Chief Justice Lahore High Court and Chief Justice of the Federal Shariat Court. He has also acted as Governor of Punjab province.

Currently Justice Mahboob Ahmed serves as Chairman on the Boards of East West Insurance Ltd., Metropolitan Insurance Ltd. and BankIslami Pakistan Ltd. He is also a Director on the Board of Azgard 9 Ltd.

Justice Mahboob Ahmed takes active part in social welfare and philanthropic activities as the President of the Muslim Education Conference, Member of Managing Committee of Gulab Devi Hospital, Member Governing Body of Liaquat National Hospital, Chairman Board of Management Fatimah Jinnah Medical College/Sir Ganga Ram Hospital, Founding Member of Heart Association of Lahore and Pakistan Society for Cancer Control. He has also been the Vice Chairman of the Executive Committee of Hilal-e-Ahmar, Chairman of Red Crescent and Punjab Chapter of Al-Shifa Eye Trust Hospital.

## Siraj Ahmed Dadabhoy

Mr. Dadabhoy is a principal and CEO of DCD America, with over 15 years of experience in finance and real estate investment. In addition to sharing responsibility for overall investment strategy, he focuses on US real estate opportunities.

Mr. Dadabhoy is qualified CPA and graduated from Indiana University with a BS in Accounting and Finance.

## Adil Matcheswalla

Mr. Matcheswalla joined JSCL in 1993 as an Assistant Operations Manager in the Capital Markets Division and progressed to lead the Equity Sales and Operations Division as Vice President. He was appointed Executive Director at JS Investment Bank Ltd. in 1999.

At present, he is the Chief Executive Officer for Speed (Pvt.) Ltd., the distributor for Nike in Pakistan. He also chairs the Board of JS Global Capital Ltd.

Mr. Matcheswalla holds a double degree in Finance and Economics from Boston University and a Graduate Honours Programme from Brown University.

## Nauzer Aspi Dinshaw

Mr. Dinshaw holds a BSc in Monetary Economics from the London School of Economics.

He has worked for Mann Judd (later Touche Ross) from 1973 to 1977 and with BCCI from 1977 to 1991. Joined Dallah Albaraka Group in January 1993 as Head of Credit and Marketing and continues with them in an executive role.

He has been a Director at JSCL since 1997.

## Compositions of Different Committees of the Board of Directors

## Audit Committee

| | |
|---|---|
| Syed Nizam Ahmed Shah | Chairman |
| Ali J. Siddiqui | Member |
| Ali Raza Siddiqui | Member |

## Attendance of Audit Committee Meetings

Four meetings of the Audit Committee of the Board of Directors were held during the financial year 2006-2007. The attendance of members at Audit Committee meetings was as follows:

| Name | Meetings Eligibility | Meetings Attended |
|---|---|---|
| Syed Nizam Ahmed Shah, Chairman | Four | Four |
| Ali J. Siddiqui, Member | Four | Four |
| Ali Raza Siddiqui, Member | Three | Two |

## Terms of Reference of the Audit Committee

The Board of Directors of JSCL has determined the terms of reference of the Audit Committee. The Audit Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters.

The terms of reference of the Audit Committee of JSCL shall also include the following:

(a) Determination of appropriate measures to safeguard the Company's assets;

(b) Review of preliminary announcements of results prior to publication;

(c) Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:

- Major judgmental areas;
- Significant adjustments resulting from the audit;
- The going-concern assumption;
- Any changes in accounting policies and practices;
- Compliance with applicable accounting standards; and
- Compliance with Listing Regulations and other statutory and regulatory requirements.

(d) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight ;

(e) Review of management letter issued by external auditors and management's response thereto;

(f) Ensuring coordination between the internal and external auditors of the Company;

(g) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

(h) Consideration of major findings of internal investigations and management's response thereto;

(i) Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

(j) Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;

(k) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body;

(l) Determination of compliance with relevant statutory requirements;

(m) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

(n) Consideration of any other issue or matter as may be assigned by the Board of Directors.

## Executive Committee

Munaf Ibrahim

Ali J. Siddiqui

## Terms of reference of the Executive Committee

(a) The Executive Committee is appointed by the Board of Directors and includes the Chief Executive Officer as a member.

(b) The Executive Committee shall convene whenever required to evaluate and recommend to management and the Board the approval of new lines of business, underwriting, major additions/ deletions in trading portfolio, changes in investment portfolio, and new transactions in accordance with the Risk Management Guidelines, the Statement of Investment and Operating Policy (SIOP) and other internal guidelines.

(c) The Executive Committee will review the Company's adherence to the Policy Statement and, if needed, make recommendations to the Board of Directors for changes as a result of new developments.

(d) The Executive Committee will regularly review the Company's operations based on monthly operating reports (to include a summary of the Company's net capital position based on market value) prepared and submitted by the Chief Financial Officer or other person nominated by the Board of Directors in comparison with the annual budget, and present to the Board for its review at its next regularly scheduled meeting any shortfalls or significant changes in the conditions (financial or otherwise), operations, prospects or business plan of the Company.

(e) The Executive Committee will implement, or as appropriate, will delegate to the Chief Executive Officer to implement, the Company's quarterly capital expenditures budget as reviewed and approved by the Board of Directors.

## Executive Compensation Committee

Syed Nizam Ahmed Shah

Chief Justice (R) Mahboob Ahmed

## Charter of the Executive Compensation Committee

## Purpose

The Executive Compensation Committee (the "Committee") shall discharge the Board's responsibilities relating to compensation of the Company's executives. The Committee shall have overall responsibility for approving and evaluating the compensation plans, policies and programs of the Company. To that end, the Committee shall have the responsibility, power and authority to set the compensation and benefits of officers and senior executives, determine distributions and grant awards under and administer the Company's various stock option and other incentive plans, and assume responsibility for all matters related to all of the foregoing.

## Committee Membership

The Committee shall report to the Board. The members of the Committee shall be appointed and replaced by the Board.

## Compensation Policy

The JSCL executive compensation program is designed to attract, motivate, reward and retain superior management talent.

The Executive Compensation Committee places heavy emphasis on pay for performance. The Committee believes substantial portions of total compensation should be at risk. Likewise, outstanding performance should lead to substantial increase in compensation.

## Committee Duties and Responsibilities

## Compensation of Chief Executive Officer

The Committee shall annually review and approve corporate goals and objectives relevant to CEO's compensation, evaluate the CEO's performance in light of those goals and objectives, and approve the CEO's compensation level based on this evaluation, subject to any employment contract that may be in effect. In determining the long-term incentive component of CEO's compensation, the Committee should consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, the awards given to the CEO in past years, and such other factors as the Committee may consider relevant.

## Compensation of Senior Executives

The Committee shall periodically review and make recommendations to the Board with respect to equity-based compensation, and such other forms of compensation as the Committee may consider appropriate. The Committee shall annually review and approve for the senior executives of the Company (a) the annual base salary, (b) the annual incentive bonus, (c) the long-term incentive award, (d) employment agreements, severance arrangements, and change in control agreements or provisions, in each case as, when and if appropriate, and (e) any supplemental or special benefits. The structure of management compensation should link the interests of management, both individually and as a team, to the interests of shareholders and management compensation packages should be designed to create a commensurate level of risk and opportunity based on business and individual performance. The Committee shall make recommendations to the Board concerning incentive compensation plans and equity-based plans.

## Overall Compensation Structure

In addition to reviewing and setting compensation for management, the Committee should, from time to time, review broadly the overall compensation structure for employees. In doing so, the Committee should bear in mind that incentives are industry dependent and are different for different categories of employees.

## Subcommittees

The Committee may form, and delegate authority to, subcommittees when appropriate.

## Reporting to the Board

The Committee shall make regular reports to the Board.

## Annual Evaluation

The Committee shall conduct an annual evaluation of the Committee's performance as compared to the requirements of its Charter.

## The Committee Charter

The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

## Corporate Social Responsbility

At JSCL we take our responsibility to the communities where we work and live very seriously. The Company assists communities through volunteer endeavors by top management and Directors and through financial support and partnerships with non-profit organisations. Two percent of JSCL's profits are donated to the Siddiqui Foundation. The Foundation has made continuous commitments to a variety of initiatives addressing quality education and health facility needs. In addition, the Siddiqui Foundation has also been actively involved with the earthquake relief efforts in the northern parts of the country and also with flood relief in Balochistan and parts of Sindh.

# Notice of Meeting

Notice is hereby given that the Sixteenth Annual General Meeting of Jahangir Siddiqui & Co. Ltd. will be held at Grand Mercure, Star Avenue, Terminal-1 Jinnah International Airport, Karachi on Saturday, September 29, 2007 at 11:30 a.m. to transact the following business:

## Ordinary Business

1. To confirm the minutes of the Extraordinary General Meeting held on January 16, 2007.

2. To receive and consider the audited financial statements of the Company for the year ended June 30, 2007 together with the Directors' and Auditors' Report thereon.

3. To appoint the Auditors for the ensuing year and fix their remuneration.

4. To approve 7% per annum Cash Dividend out of profits of the Company for the year ended June 30, 2007 to those Class "A" Preference Shareholders whose names appear in the Register as Class "A" Preference Shareholder and as per the entitlement list to be provided by Central Depository Company at the close of business on September 20, 2007, as recommended by the Board of Directors of the Company.

5. To approve 25% Cash Dividend to those Ordinary Shareholders whose names appear as members in the Register of Members as Ordinary Shareholders and as per the entitlement list to be provided by Central Depository Company at the close of business on September 20, 2007, as recommended by the Board of Directors of the Company.

## Special Business

6. To consider and if thought fit to pass the following resolutions with or without modification(s):

### i. Increase in Authorised Capital

RESOLVED that the Authorised Share Capital of the Company be increased FROM Rs. 1,500,000,000/- divided into 150,000,000 shares of Rs. 10/- each, comprising 50,000,000 Ordinary Shares of Rs. 10/- each and 100,000,000 Preference Shares of Rs. 10/-each of different classes TO Rs. 65,000,000,000/- comprising 6,000,000,000 Ordinary Shares of Rs. 10/- each and 500,000,000 Preference Shares of Rs. 10/- each of various classes.

RESOLVED that in the Clause V of the Memorandum of Association and Article 4 of the Articles of Association, the figures and words "Rs. 1,500,000,000 divided into 150,000,000 Shares of Rs. 10/- each" be and are hereby replaced by “Rs. 65,000,000,000/- divided into 6,500,000,000 Shares of Rs. 10/- each,” the figures and words "50,000,000 Shares of Rs. 10/- each" be and are hereby replaced by "6,000,000,000 Shares of Rs. 10/- each" and the figures and words "100,000,000 Shares" be and are hereby replaced by “500,000,000 Shares” respectively.

RESOLVED FURTHER that all legal, corporate and procedural formalities be fulfilled to effectuate the change to the Memorandum of Association and Articles of Association and the Chief Executive Officer and the Company Secretary be and are hereby, jointly and severally authorised to perform, do and fulfill all necessary acts, deeds and formalities and to obtain all Governmental approvals that may be necessary for increasing the authorised capital and the consequent amendments to the Memorandum and Articles of Association of the Company.

RESOLVED FURTHER that a copy of the Special Resolution be filed with the Registrar of Companies along with the complete reprinted Memorandum and Articles of Association amended as set out herein above and all legal and procedural formalities be complied with by the Chief Executive Officer and / or the Company Secretary.

## ii. Amendments in Articles of Association:

To approve the proposed amendments in the Articles of Association:

RESOLVED that the definition of "Authority" in Article 2 of the Articles of Association of the Company be and is hereby deleted.

RESOLVED FURTHER that following definition be and is hereby inserted in Article 2 of Articles of Association of the Company "Commission" means the Securities and Exchange Commission of Pakistan.

RESOLVED FURTHER that the word "Authority" to be replaced with the word "Commission" wherever used in Articles of Association of the Company.

RESOLVED FURTHER that Article 66 of the Articles of Association of the Company be and is hereby altered as follows:

"The first General Meeting of the Company shall be held within eighteen months from the date of its incorporation and thereafter once at least in every calendar year in accordance with provisions of Section 158 and / or any amendments made thereto from time to time."

RESOLVED FURTHER that Article 108 of the Articles of Association of the Company be and is hereby altered as follows:

"Remuneration payable to Directors for attending a Board meeting shall not be less than Rs. 2,500 or such other sum as may be approved by the Directors, subject to the prevailing laws, rules and regulations. A Director, including the Chairman, who performs extra services or a full time Director shall receive such remuneration (whether by way of salary, commission, participation in profits, allowances, perquisites, etc. or partly in one way and partly in another) as the Board of Directors may fix from time to time. The Directors may also pay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of Directors, of Committee of Directors or which he may otherwise incur in or about the business of the Company."

RESOLVED FURTHER that Article 125 of the Articles of Association of the Company be and is hereby altered as follows:

"Except for the matters specified in Section 196 of the Ordinance a resolution in writing circulated to all the Directors and signed by the majority of the Directors for the time being in office, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted. For this purpose, it shall be permissible to circulate the text of the proposed resolution duly signed by the Chairman / Chief Executive Officer and obtain the affirmative or dissenting votes, as the case may be, from all the other Directors thereon, separately by courier or a fax (the signed original whereof shall be sent in due course by mail or courier to the Company for its record) and such resolution shall be effective as soon as the text of the resolution signed by the majority of the Directors with their affirmative votes thereon, shall have been received by the Company by courier or fax."

RESOVED FURTHER that a new Article 129 (23) be inserted as follows:

"To charge fee for inspection of any document or register or for the supply of any copy thereof to a person other than a creditor or member of the Company, however such fee shall not exceed the fees specified in the Sixth Schedule to the Companies Ordinance, 1984, for the inspection of a document or register or for the supply of a certified copy of an extract of any document or register kept by the registrar."

RESOLVED FURTHER that Article 168 of the Articles of Association of the Company be and is hereby altered as follows:

"The Directors shall at some date not later than eighteen months after the incorporation of the Company and subsequently at least in each calendar year lay before the Company in Annual General Meeting the Financial Statements in the case of first accounts for the period since the incorporation of the Company and in any other case since the preceding account, made upto a date not later than the date of meeting as per applicable law, statute or regulatory pronouncements and any changes / amendments made thereto from time to time."

## iii. Bonus Issue

To approve 100% bonus issue to those Ordinary Shareholders who are registered in the books of the Company and the entitlement list to be provided by Central Depository Company at the close of business on September 20, 2007 as recommended by the Board of Directors of the Company and to consider and if thought fit pass the following resolution with or without modification:

RESOLVED that a sum of Rs. 350 million out of the free reserves of the Company be capitalised and applied for issuing 35 million fully paid Ordinary Shares of Rs. 10/- each and allotted as Bonus Shares to be allotted to those members who are holding Ordinary Shares and who are registered in the books of the Company and the entitlement list to be provided by Central Depository Company at the close of business on September 20, 2007 in the proportion of one new Ordinary Share for every one existing Ordinary Share held and that such new Ordinary Shares shall rank pari passu with the existing Ordinary Shares of the Company in future after being issued.

FURTHER RESOLVED as a result of distribution of Bonus Shares all fractions less than one Ordinary Share shall be consolidated and disposed off by the Directors as they may deem appropriate and the proceeds thereof shall be paid proportionately to the respective shareholders.

FURTHER RESOLVED that the Company Secretary be and is hereby authorised to fulfil all other legal, corporate and procedural formalities in connection with the above.

7. Any other business with the permission of the Chair.

Karachi: September 07, 2007

By order of the Board

Farah Qureshi
Company Secretary

(i) The Share Transfer Books of the Company for Ordinary Shares as well as for Preference Shares shall remain closed from September 21, 2007 to September 27, 2007 (both days inclusive).

(ii) Physical transfers and deposit requests under Central Depository System received at the close of business on September 20, 2007 by the Company's Registrar i.e. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Karachi will be treated as being in time for the purpose of entitlement.

(iii) A member of the Company entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her.

(iv) Proxies must be received at the Head Office of the Company not less than 48 hours before the time of the meeting.

(v) Beneficial owners of the physical shares and the shares registered in the name of Central Depository Company of Pakistan Ltd. (CDC) and / or their proxies are required to produce their original Computerised National Identity Card (CNIC) or Passport for identification purpose at the time of attending the meeting. The form of proxy must be submitted with the Company within the stipulated time, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form, along with attested copies of CNIC or the passport of the beneficial owner and the proxy. In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier along with proxy form to the Company).

(vi) Shareholders are requested to notify immediately of any change in their address.

## Statement under Section 160(1)(b) of the Companies Ordinance, 1984.

### Increase in Authorised Capital

At present the Authorised Capital of the Company is Rs. 1,500,000,000 and the Directors believe that there would be ample investment opportunities for the Company. This will require larger capital base going forward and will necessitate further issues of bonus/right shares to position the Company to make such investments.

No prejudice will be caused to the Shareholders or the Creditors of the Company, since the decision is in the best interest of the Company and its Shareholders.

The interest of the Chief Executive Officer /Directors is only limited to the extent of their respective positions as the Chief Executive Officer/Directors/Members of the Company.

## Statement under Section 160(1)(b) of the Companies Ordinance, 1984.

### Amendment in Articles of Association

The proposed Special Resolution seeks to incorporate some formal changes to the Articles of Association of the Company. No prejudice will be caused to the Shareholders or the Creditors of the Company as the Articles are being altered and amendments made only as a matter of formality.

The interest of the Chief Executive Officer /Directors is only limited to the extent of their respective positions as the Chief Executive Officer /Directors/Members of the Company.

# STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

(As required by the Listing Regulations)
This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 37 of Listing Regulations of Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive Directors. At present the Board includes four independent non-executive Directors.

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 a stock exchange, has been declared as a defaulter by that stock exchange.

4. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.

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

6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8. The Board has approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.

9. The Company arranges orientation courses and meetings for its Directors.

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

11. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

12. The Chief Executive Officer, Directors and Executives do not hold any interest in the shares of the Company other than those disclosed in the pattern of shareholding.

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

14. The Board has formed an Audit Committee. It comprises three members, of whom majority are Non-Executive Directors including the Chairman of the Committee.

15. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

16. The Board has set-up an effective internal audit function consisting of a full time Internal Auditor who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

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

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

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

Mazharul Haq Siddiqui
Chairman

Karachi: August 11, 2007

# REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE 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 Jahangir Siddiqui & Co. Ltd. (the "Company") to comply with the Listing Regulations of the Karachi Stock Exchange respectively, where the Company is listed.

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 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 of Corporate Governance.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such 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, for the year ended June 30, 2007.

Karachi: August 11, 2007

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of JAHANGIR SIDDIQUI & COMPANY LTD. as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

 (ii) the expenditure incurred during the year was for the purpose of the company's business; and

 (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deducible at source under the Zakat and Ushr Ordinance. 1960 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi: August 11, 2007

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS

# FINANCIAL STATEMENTS

# Balance Sheet As at June 30, 2007

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property and equipment | 5 | 58,495 | 22,664 |
| Investment properties | 6 | 4,332 | 4,972 |
| Stock exchange membership cards and room | 7 | 12,201 | 12,201 |
| Long term investments | 8 | 6,165,311 | 5,325,048 |
| Long term loans and advance | 9 | 2,605 | 2,550 |
| Long term deposits | | 2,494 | 2,521 |
| | | 6,245,438 | 5,369,956 |
| **Current Assets** | | | |
| Loans and advances | 10 | 323,281 | 118,178 |
| Short term investments | 11 | 7,648,302 | 5,683,207 |
| Trade debts | 12 | 24,593 | - |
| Prepayments, accrued mark-up and other receivables | 13 | 200,517 | 39,715 |
| Fund placements | | - | 242,048 |
| Taxation – net | | - | 8,263 |
| Cash and bank balances | 14 | 1,159,054 | 47,535 |
| | | 9,355,747 | 6,138,946 |
| | | 15,601,185 | 11,508,902 |
| **EQUITY AND LIABILITIES** | | | |
| **Share Capital and Reserves** | | | |
| Share Capital | 15 | 1,050,000 | 350,000 |
| Reserves | 16 | 7,227,328 | 5,031,702 |
| | | 8,277,328 | 5,381,702 |
| **Non-Current Liability** | | | |
| Long term financing | 17 | 3,729,413 | 1,740,628 |
| **Current Liabilities** | | | |
| Trade and other payables | 18 | 1,571,239 | 211,566 |
| Accrued interest / mark-up on borrowings | 19 | 87,946 | 41,905 |
| Short term borrowings | 20 | 1,683,775 | 3,882,801 |
| Current portion of long term financing | | 250,740 | 250,300 |
| Taxation - net | 21 | 744 | - |
| | | 3,594,444 | 4,386,572 |
| Contingency and Commitments | 22 | | |
| | | 15,601,185 | 11,508,902 |

The annexed notes 1 to 39 form an integral part of these financial statements.

Mazharul Haq Siddiqui
Chairman

Munaf Ibrahim
Chief Executive

# Profit and Loss Account For the year ended June 30, 2007

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| CONTINUING OPERATIONS | | | |
| Income | | | |
| Return on investments | 23 | 362,546 | 497,532 |
| Gain on sale of investments - net | 24 | 1,846,959 | 1,078,001 |
| Income from long term loans and fund placements | 25 | 7,552 | 27,673 |
| Fees and commission | 26 | 18,322 | 30,332 |
| Other income | 27 | 80,074 | 18,862 |
| Gain on revaluation of investments carried at fair value through profit and loss account - net | | 1,037,454 | 191,082 |
| | | 3,352,907 | 1,843,482 |
| Expenditure | | | |
| Operating and administrative expenses | 28 | 523,223 | 316,360 |
| Finance cost | 29 | 586,486 | 331,409 |
| (Reversal of provision) / provision for impairment against investments in subsidiaries, associate and joint venture - net | | (14,655) | 84,821 |
| | | 1,095,054 | 732,590 |
| Profit before Taxation | | 2,257,853 | 1,110,892 |
| Taxation | 30 | | |
| Current | | 18,901 | 21,240 |
| Prior | | (56) | - |
| | | 18,845 | 21,240 |
| Profit for the year from Continuing Operations | | 2,239,008 | 1,089,652 |
| DISCONTINUED OPERATION | | | |
| Loss for the year from discontinued operation | 36 | (6,227) | (18,846) |
| NET PROFIT FOR THE YEAR | | 2,232,781 | 1,070,806 |
| | | .......... (Rupees) .......... | |
| EARNINGS / (LOSS) PER SHARE | | | |
| Continuing operations | | | |
| Basic | 31 | 63.16 | 31.13 |
| Diluted | 31 | 53.31 | 31.13 |
| Discontinued operation | | | |
| Basic and diluted | 31 | (0.18) | (0.54) |

The annexed notes 1 to 39 form an integral part of these financial statements.

Mazharul Haq Siddiqui
Chairman

Munaf Ibrahim
Chief Executive

# Cash Flow Statement For the year ended June 30, 2007

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation from continuing operations | 36 | 2,257,853 | 1,110,892 |
| Loss before taxation from discontinued operation | 36 | (6,163) | (18,336) |
| | 36 | 2,251,690 | 1,092,556 |
| Adjustment for non cash charges and other items: | | | |
| Depreciation | | 16,644 | 5,718 |
| Gain on sale of property and equipment | | (51,670) | (1,164) |
| Gain on sale of investment property | | - | (5,901) |
| Amortisation of transaction costs | | 2,777 | 2,029 |
| Interest income from defence saving certificates | | (600) | (508) |
| Gain on revaluation of investments carried at fair value through profit and loss account - net | | (1,037,454) | (187,583) |
| Dividend income | | (309,837) | (493,648) |
| (Reversal of provision) / provision for impairment against investments in subsidiaries, associate and joint venture - net | | (14,655) | 84,821 |
| Finance cost | | 591,757 | 432,418 |
| | | (803,038) | (163,818) |
| Operating profit before working capital changes | | 1,448,652 | 928,738 |
| (Increase) / decrease in operating assets: | | | |
| Loans and advances | | (205,103) | (1,048) |
| Short term investments | | (964,421) | (2,797,061) |
| Trade debts | | (24,593) | 185,762 |
| Long term loans, advance and security deposits | | (28) | 76,447 |
| Fund placements - net | | 242,048 | 1,525,735 |
| Prepayments, accrued mark-up and other receivables | | (7,412) | (18,265) |
| | | (959,509) | (1,028,430) |
| Increase / (decrease) in trade and other payables | | 1,358,977 | (75,227) |
| Net cash generated from / (used in) operations | | 1,848,120 | (174,919) |
| Mark-up paid | | (545,716) | (407,890) |
| Taxes paid | | (9,902) | (23,546) |
| Dividend paid | | (86,804) | (87,298) |
| Net cash inflow / (outflow) from operating activities | | 1,205,698 | (693,653) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure incurred | | (59,394) | (204,294) |
| Proceeds from sale of property and equipment | | 59,229 | 3,509 |
| Proceeds from sale of investment property | | - | 198,000 |
| Dividend received | | 156,447 | 504,356 |
| Investments acquired - net of sale | | (737,883) | (2,388,741) |
| Net cash outflow from investing activities | | (581,601) | (1,887,170) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of Class 'A' preference shares | | 700,000 | - |
| Proceeds from issue of Term Finance Certificates - net | | 1,986,448 | 497,408 |
| Securities sold under repurchase agreements - net | | (900,096) | 165,496 |
| Short sale of government securities - held for trading | | - | (195,313) |
| Net cash inflow from financing activities | | 1,786,352 | 467,591 |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | 2,410,449 | (2,113,232) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | (2,935,170) | (821,938) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 32 | (524,721) | (2,935,170) |

The annexed notes 1 to 39 form an integral part of these financial statements.

Mazharul Haq Siddiqui
Chairman

Munaf Ibrahim
Chief Executive

# Statement of Changes in Equity For the year ended June 30, 2007

| | Issued, subscribed and paid-up capital | | Reserves | | | | |
|---|---|---|---|---|---|---|---|
| | | | Capital | Revenue | | Other | |
| | Ordinary share capital | Preference shares - Class 'A' | Ordinary share premium | General | Unappro-priated profit | Unrealised gain on revaluation of available for sale invest-ments - net | Total |
| | (Rupees in '000) | | | | | | |
| Balance as at July 1, 2005 | 350,000 | - | 475,505 | 1,500,000 | 360,005 | 978,765 | 3,664,275 |
| Net effect of revaluation of available for sale investments to fair value held as at the year end | - | - | - | - | - | 907,451 | 907,451 |
| Effect of reclassification of available for sale investments to investment in associates - quoted | - | - | - | - | - | (173,330) | (173,330) |
| Profit for the year | - | - | - | - | 1,070,806 | - | 1,070,806 |
| Dividend for the year ended June 30, 2005 @ Rs. 2.5 per share | - | - | - | - | (87,500) | - | (87,500) |
| Balance as at June 30, 2006 | 350,000 | - | 475,505 | 1,500,000 | 1,343,311 | 1,712,886 | 5,381,702 |
| Balance as at July 1, 2006 | 350,000 | - | 475,505 | 1,500,000 | 1,343,311 | 1,712,886 | 5,381,702 |
| Net effect of revaluation of available for sale investments to fair value held as at the year end | - | - | - | - | - | 1,406,665 | 1,406,665 |
| Effect of reclassification of available for sale investments to investment in associates - quoted | - | - | - | - | - | (1,356,320) | (1,356,320) |
| Issue of 7% Class 'A' preference shares | - | 700,000 | - | - | - | - | 700,000 |
| Profit for the year | - | - | - | - | 2,232,781 | - | 2,232,781 |
| Transfer to general reserve | - | - | - | 1,000,000 | (1,000,000) | - | - |
| Dividend for the year ended June 30, 2006 @ Rs. 2.5 per share | - | - | - | - | (87,500) | - | (87,500) |
| Balance as at June 30, 2007 | 350,000 | 700,000 | 475,505 | 2,500,000 | 2,488,592 | 1,763,231 | 8,277,328 |

The annexed notes 1 to 39 form an integral part of these financial statements.

Mazharul Haq Siddiqui
Chairman

Munaf Ibrahim
Chief Executive

# Notes To The Financial Statements For The Year Ended June 30, 2007

## 1. THE COMPANY AND ITS OPERATIONS

1.1 Jahangir Siddiqui & Company Ltd. (the "Company") was incorporated under the Companies Ordinance, 1984 (the Ordinance) on May 4, 1991 as a public unquoted company. The Company is presently listed on Karachi Stock Exchange (Guarantee) Ltd. The Company is also a corporate member of Karachi Stock Exchange (Guarantee) Ltd. and Islamabad Stock Exchange (Guarantee) Ltd. During the year, the Company changed its registered office from 14th floor, Chapal Plaza, Hasrat Mohani Road, Karachi to 6th Floor, Faysal House, Main Shahra-e-Faisal, Karachi. The principal activities of the Company are trading of securities, maintaining strategic investments, consultancy services, underwriting, etc.

1.2 During the year, effective December 30, 2006 the Company has discontinued its fixed income operation. Accordingly, fixed income operations of the Company are reported in these financial statements as a discontinued operation. Assets and liabilities of the fixed income operation were at nil value as on June 30, 2007.

## 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the applicable regulations and directives of Securities and Exchange Commission of Pakistan (SECP). Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, or regulations / directives issued by the SECP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said regulations / directives take precedence.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The matters involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in respective notes to the financial statements.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for held for trading and available for sale investments and derivative financial instruments which are stated at fair value.

### 4.2 Accounting standards not yet effective

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendement:

| | |
|---|---|
| IAS- 1 Presentation of Financial Statements - amendments relating to capital disclosures | effective from accounting period beginning on or after January 01, 2007 |

| | |
|---|---|
| IAS- 23 (Revised) Borrowing Costs | effective from accounting period beginning on or after January 01, 2009 |
| IAS- 41 Agriculture | effective from accounting period beginning on or after May 22, 2007 |
| IFRS- 2 Share based Payment | effective from accounting period beginning on or after December 06, 2006 |
| IFRS- 3 Business Combinations | effective for business combinations for which agreement date is on or after December 06, 2006 |
| IFRS- 5 Non-current Assets Held for Sale and Discontinued Operations | effective from accounting period beginning on or after December 06, 2006 |
| IFRS- 6 Exploration for and Evaluation of Mineral Resources | effective from accounting period beginning on or after December 06, 2006 |

In addition, interpretations in relation to certain IFRSs have been issued by the International Accounting Standards Board that are not yet effective

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

### 4.3 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life at the rates specified in note 5 to the financial statements. In respect of additions depreciation is charged from the month in which asset is put to use and on disposal up to the month immediately preceding the deletion.

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

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognised.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized only when it increases the future economic benefit embodied in the item of property and equipment.

Gains and losses on disposal of fixed assets, if any, are taken to income currently.

### 4.4 Investment properties

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life. In respect of additions depreciation is charged from the month in which asset is put to use and on disposal up to the month immediately preceding the deletion.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

### 4.5 Stock exchange membership cards and room

These are stated at cost less impairment, if any. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying value exceeds estimated recoverable amount, these are written down to their estimated recoverable amount.

### 4.6 Investments

The management of the Company determines the appropriate classification of its investments at the time of purchase or increase in holding and classifies / reclassifies its investment as subsidiaries, associates and joint ventures, held for trading, held to maturity and available for sale.

All investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment except in the case of held for trading investments where transaction costs are charged to profit and loss account when incurred.

For investments in government securities, fair value is determined by reference to quotations obtained from PKRV Reuters page. In respect of investments in quoted equity securities, fair value is determined by reference to stock exchange quoted market prices at the close of business. For term finance certificates, fair value is determined by reference to rates issued by the Financial Market Association through Reuters.

Unquoted investments, where active market does not exist and fair value cannot be reasonably calculated, are carried at cost. Provision for impairment in value, if any, is taken to income currently.

#### Subsidiaries, associates and joint ventures

Subsidiary companies are the entities in which the Company directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

Associates are the entities in which the Company directly or indirectly holds or controls shares carrying not less than twenty percent and not more than fifty percent of the voting power or over which it exercises significant influence.

A joint venture is a contractual arrangement in which a venturer has joint control in the economic activities undertaken with the other venturers.

Investments in subsidiaries, associates and joint ventures that are not held exclusively with a view to its disposal in near future are accounted for under the cost method. Such investments are carried in the balance sheet at cost less any impairment in value. Impairment is charged to the profit and loss account.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss.

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains or losses recognised directly in the profit and loss account. Transaction costs are charged to profit and loss account when incurred.

Available for sale

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale. After initial recognition, these are stated at fair values (except for unquoted investments where active market does not exist) with any resulting gains or losses being taken directly to equity until the investment is disposed or impaired. At the time of disposal, the respective surplus or deficit is transferred to income currently.

Held to maturity

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised cost. Provision for impairment in value, if any, is taken to income.

Premiums and discounts on investments are amortised using the effective interest rate method and taken to income from investments.

## 4.7 Derivatives

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

The fair value of unquoted derivatives, if any, is determined by discounted cash flows using appropriate interest rates applicable to the underlying asset.

### 4.8 Securities sold under repurchase / purchased under resale agreements

The Company enters into transactions of repos and reverse repos at contracted rates for a specified period of time as under:

#### (a) Repurchase agreement borrowings

Investments sold subject to a repurchase agreement at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investment securities. Amounts received under these agreements are recorded as securities sold under repurchase agreements. The difference between sale and repurchase price is treated as mark-up/return/interest expense and accrued over the period of the repo agreement using the effective yield method.

#### (b) Repurchase agreement lendings

Investments purchased under agreement to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these agreements are included in fund placements. The difference between purchase and resale price is treated as mark-up/return/interest earned and accrued over the period of the reverse repo agreement using the effective yield method.

### 4.9 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

### 4.10 Financial liabilities - held for trading

Financial liabilities - held for trading include the obligation to deliver securities borrowed by a short seller (i.e., securities sold that are not yet owned).

All financial liabilities - held for trading are initially measured at its cost, which is the fair value of the consideration received for the same. Subsequently, these are remeasured to fair value with any resulting gains or losses recognised directly in the profit and loss account.

### 4.11 Taxation

#### Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or on one-half percent of income under section 113 of Income Tax Ordinance, 2001, which ever is higher.

Deferred

Deferred tax is calculated using the liability method on all temporary differences at the balance sheet date, between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilised.The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

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

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

4.12 Revenue recognition

(a) Return on Defence Saving Certificates (DSCs) have been accounted for using the effective interest rate method.

(b) Income / return on Term Finance Certificates (TFCs), government securities, reverse repurchase transactions, loans and advances and bank deposits is recognised on an accrual basis.

(c) Dividend income on equity investments is recognised, when the right to receive the same is established.

(d) Capital gains or losses on sale of investments are recognised in the period in which they arise.

(e) Underwriting commission is recognised when the agreement is executed. Take-up commission is recognised at the time commitment is fulfilled.

(f) Consultancy and advisory fee, commission on foreign exchange dealings and government securities, etc. are recognised as and when earned.

(g) Rental income from investment properties is recognised on accrual basis.

4.13 Long term finances and loans

All long term finances and loans are initially recognised at cost being the fair value of consideration received together with the associated transaction costs. Subsequently, these are carried at amortised cost using effective interest rate method.

Transaction costs relating to long term finance are being amortised over the period of agreement using the effective interest rate method.

### 4.14 Trade debts and other receivables

These are stated net of provision for impairment, if any. Provision is made against the debts considered doubtful.

### 4.15 Trade and other payables

Trade and other payables are stated at their costs, which is fair value of consideration received.

### 4.16 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand, bank balances and balance with SBP, net of bank overdrafts repayable on demand, if any.

### 4.17 Segment reporting

A business segment is a distinguishable component within the Company that is engaged in providing individual products or services or a group of related products or services and which are subject to risks and returns that are different from those of other business segments.

### 4.18 Staff retirement benefits

Defined contribution plan

The Company operates an approved funded contributory provident fund scheme for all its employees eligible to the scheme. Equal monthly contributions are made by the Company and the employees to the fund at the rate of 10% per annum of basic pay.

### 4.19 Compensated absences

Accrual is made for employees compensated absences on the basis of accumulated leaves and the last drawn pay.

### 4.20 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently (for regular way purchases and sales of financial instruments refer to note 4.22).

### 4.21 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is only offset and the net amount is reported in the balance sheet, when there is a legal enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

### 4.22 Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the Company commits to purchase or sell an asset. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market.

### 4.23 Foreign currency transactions

The financial statements are presented in Pak Rupee, which is the company's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### 4.24 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

# 5. PROPERTY AND EQUIPMENT

## 5.1 Operating assets - owned

| | COST | | | | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2006 | Additions / (disposal) | As at June 30, 2007 | Rate % | As at July 1, 2006 | For the year / (on disposal) | As at June 30, 2007 | As at June 30, 2007 |
| | (Rupees in '000) | | | | (Rupees in '000) | | | |
| June 30, 2007 | | | | | | | | |
| Office premises - leasehold | 17,977 | - | 1,041 | 5 | 10,209 | 780 | 206 | 835 |
| | | (16,936) | | | | (10,783) | | |
| Leasehold improvements | - | 18,147 | 18,147 | 33 | - | 5,489 | 5,489 | 12,658 |
| | | - | | | | | - | |
| Office equipment | 39,184 | 19,077 | 31,052 | 25 | 37,044 | 4,064 | 14,162 | 16,890 |
| | | (27,209) | | | | (26,946) | | |
| Office furniture and fixtures | 7,726 | 12,387 | 15,160 | 10 | 7,398 | 1,231 | 3,908 | 11,252 |
| | | (4,953) | | | | (4,721) | | |
| Motor vehicles | 21,894 | 9,783 | 26,463 | 20 | 9,466 | 4,440 | 9,603 | 16,860 |
| | | (5,214) | | | | (4,303) | | |
| | 86,781 | 59,394 | 91,863 | | 64,117 | 16,004 | 33,368 | 58,495 |
| | | (54,312) | | | | (46,753) | | |

| | COST | | | | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2005 | Additions / (disposal) | As at June 30, 2006 | Rate % | As at July 1, 2006 | For the year / (on disposal) | As at June 30, 2006 | As at June 30, 2006 |
| | (Rupees in '000) | | | | (Rupees in '000) | | | |
| June 30, 2006 | | | | | | | | |
| Office premises - leasehold | 17,977 | - | 17,977 | 5 | 9,282 | 927 | 10,209 | 7,768 |
| Office equipment | 37,946 | 1,238 | 39,184 | 25 | 35,903 | 1,141 | 37,044 | 2,140 |
| Office furniture and fixtures | 7,726 | - | 7,726 | 10 | 7,033 | 365 | 7,398 | 328 |
| Motor vehicles | 16,709 | 10,957 | 21,894 | 20 | 10,247 | 2,646 | 9,466 | 12,428 |
| | | (5,772) | | | | (3,427) | | |
| | 80,358 | 12,195 | 86,781 | | 62,465 | 5,079 | 64,117 | 22,664 |
| | | (5,772) | | | | (3,427) | | |

5.2 Details of disposal of fixed assets having written down value exceeding Rs.50,000 each

| Particulars | Acquisition cost | Accumulated depreciation | Written down value | Sale proceeds | Profit | Mode of disposal | Buyer's particulars |
|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | | |
| Motor Vehicles: | | | | | | | |
| Honda Accord | 1,280 | 576 | 704 | 840 | 136 | Negotiation | Mr. Basir Shamsie<br>DHA Phase II, Karachi |
| Suzuki Cultus | 609 | 548 | 61 | 415 | 354 | Negotiation | JS Global Capital Ltd.<br>(formerly Jahangir Siddiqui Capital Markets Ltd.)<br>6th Floor, Faysal House<br>Shahra-e- Faisal, Karachi |
| Suzuki Cultus | 609 | 558 | 51 | 325 | 274 | Negotiation | Ms. Rehana<br>House No. 1569 / 3, FB Area<br>Karachi |
| Suzuki Motorcycle | 68 | 7 | 61 | 61 | - | Negotiation | Mr. Aamir Alam<br>House No. 158, Sector 5-C/2<br>North Karachi, Karachi |
| Office Equipment: | | | | | | | |
| Note Books | 230 | 65 | 165 | 230 | 65 | Negotiation | JS PE Management Ltd.<br>7th Floor, The Forum<br>G-20, Khayaban-e-Jami<br>Block-9, Clifton, Karachi |
| Office Premises: | | | | | | | |
| Room Nos. 1301-1305<br>Chapal Plaza | 5,616 | 2,226 | 3,390 | 11,750 | 8,360 | Negotiation | Ithaca Capital Ltd.<br>201-202, Crystal Court<br>Main Clifton Road, Block 5<br>Clifton, Karachi |
| Room Nos. 1401-1413<br>Chapal Plaza | 11,320 | 8,557 | 2,763 | 43,941 | 41,178 | Negotiation | Optimus Ltd.<br>14th Floor, Chapal Plaza<br>Hasrat Mohani Road, Karachi |

## 6. INVESTMENT PROPERTIES

| | Note | COST As at July 1, 2006 | COST Additions / (disposal) | COST As at June 30, 2007 | Rate % | ACCUMULATED DEPRECIATION As at July 1, 2006 | ACCUMULATED DEPRECIATION For the year / (on disposal) | ACCUMULATED DEPRECIATION As at June 30, 2007 | WRITTEN DOWN VALUE As at June 30, 2007 |
|---|---|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | (Rupees in '000) | | | |
| June 30, 2007 | | | | | | | | | |
| Office premises - freehold | 6.1 | 12,599 | - | 12,599 | 5 | 7,627 | 640 | 8,267 | 4,332 |

| | Note | COST As at July 1, 2005 | COST Additions / (disposal) | COST As at June 30, 2006 | Rate % | ACCUMULATED DEPRECIATION As at July 1, 2005 | ACCUMULATED DEPRECIATION For the year / (on disposal) | ACCUMULATED DEPRECIATION As at June 30, 2006 | WRITTEN DOWN VALUE As at June 30, 2006 |
|---|---|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | (Rupees in '000) | | | |
| June 30, 2006 | | | | | | | | | |
| Leasehold - land | | - | 192,099<br>(192,099) | - | - | - | - | - | - |
| Office premises - freehold | 6.1 | 12,599 | - | 12,599 | 5 | 6,988 | 639 | 7,627 | 4,972 |
| | | 12,599 | 192,099<br>(192,099) | 12,599 | | 6,988 | 639 | 7,627<br>- | 4,972 |

6.1 The fair value of the investment properties, aggregating to Rs. 89.59 million (2006: Rs. 74.66 million), has been arrived at on the basis of the valuation carried out by M/s. Consulting Support and Services, an independent valuer. The valuation was arrived at by reference to market values and realizable values, which are determined on the basis of market intelligence, year of construction and present physical condition and location.

## 7. STOCK EXCHANGE MEMBERSHIP CARDS AND ROOM

| | 2007 | 2006 |
|---|---|---|
| | (Rupees in '000) | |
| Membership cards: | | |
| - Karachi Stock Exchange (Guarantee) Ltd. | 100 | 100 |
| - Islamabad Stock Exchange (Guarantee) Ltd. | 11,101 | 11,101 |
| Room - Islamabad Stock Exchange (Guarantee) Ltd. | 1,000 | 1,000 |
| | 12,201 | 12,201 |

## 8. LONG TERM INVESTMENTS

| | Note | 2007 (Rupees in '000) | 2006 (Rupees in '000) |
|---|---|---|---|
| Related parties: | | | |
| Investments in subsidiaries | 8.1 | 1,201,336 | 1,191,634 |
| Investments in associates | 8.2 | 2,523,083 | 1,643,168 |
| Investment in joint ventures | 8.3 | 15,962 | 16,261 |
| Other related parties | 8.4 | 2,351,007 | 2,400,662 |
| | | 6,091,388 | 5,251,725 |
| Other investments | 8.5 | 73,923 | 73,323 |
| | | 6,165,311 | 5,325,048 |

### 8.1 Investment in subsidiaries - at cost

These shares are ordinary shares of Rs.10 each unless stated otherwise.

| Number of shares 2007 | Number of shares 2006 | | Note | Activity | Holding 2007 % | Holding 2006 % | 2007 (Rupees in '000) | 2006 (Rupees in '000) |
|---|---|---|---|---|---|---|---|---|
| | | **Quoted** | | | | | | |
| 172,521,177 * | - | JS Bank Ltd.<br>Market value Rs. 3,321.03 million (2006: Rs. Nil). | 8.1.1 & 8.1.3 | Commercial Banking | 50.68 | - | 156,932 | - |
| 52,023,617** | 26,011,806 | JS ABAMCO Ltd.<br>Market value Rs. 3,844.54 million (2006: Rs. Nil) | 8.1.2 | Asset Management & Investment Advisor | 52.02 | 52.02 | 165,640 | 165,640 |
| - | 53,247,277 | Jahangir Siddiqui Investment Bank Ltd.<br>Market value Rs. Nil (2006: Rs.3,085.68 million). | 8.1.1 & 8.1.3 | Investment Banking | - | 62.41 | - | 156,932 |
| - | 10,349,996 | JS Global Capital Ltd. (formerly Jahangir Siddiqui Capital Markets Ltd.)<br>Market value Rs. Nil (2006: Rs. 2,225.25 million). | 8.1.4 | Dealing in & brokerage of marketable securities | - | 75.00 | - | 99,000 |
| | | **Unquoted** | | | | | | |
| 72,236,250 | 60,000,000 | JS Infocom Ltd.<br>Net assets value Rs. 606.09 million (2006: Rs. 416.17 million) based on audited financial statements for the year ended June 30, 2007 | 8.1.5 | Telecom Media & Technology | 97.97 | 81.37 | 696,445 | 600,000 |
| | | Provision for impairment | | | | | (90,352) | (124,820) |
| | | | | | | | 606,093 | 475,180 |
| 10,000 | 10,000 | JS International Ltd.<br>Ordinary Shares of US$ 1/- each having net assets value Rs.272.67 million (2006: Rs. 292.29 million) based on audited financial statements for the year ended March 31, 2007 | | Investment services | 100.00 | 100.00 | 294,882 | 294,882 |
| | | Provision for impairment | | | | | (22,211) | - |
| | | | | | | | 272,671 | 294,882 |
| | | | | | | | 1,201,336 | 1,191,634 |

* These represent sponsor shares which are blocked for trading as per the requirements of SBP.
** These represent sponsor shares which are blocked for trading as per the requirements of SECP.

8.1.1 During the year, the Shareholders of Jahangir Siddiqui Investment Bank Ltd. (JSIBL) in their Extraordinary General Meeting held on July 31, 2006 approved a Scheme of Amalgamation with and into JS Bank Ltd. (JSBL) under Section 48 of the Banking Companies Ordinance, 1962. The Scheme has also been sanctioned by SBP vide its Order dated December 12, 2006. Accordingly, JSIBL merged with JSBL on December 30, 2006, being the effective date. Pursuant to the Scheme, the shareholders of JSIBL received 3.24 Ordinary shares of Rs. 10/- each of JSBL for every Ordinary share held in JSIBL as at that date. Consequent to the said Amalgamation, JSBL has become a subsidiary of the Company.

8.1.2 During the year, Ordinary shares of JS ABAMCO Ltd. got listed on the Karachi Stock Exchange (Guarantee) Ltd., by way of offer for sale of shares by few of the existing shareholders of the Company to general public.

8.1.3 Citibank Overseas Investment Corporation (COIC) had on February 1, 1999 entered into an agreement to sell 6.00 million shares of Jahangir Siddiqui Investment Bank Ltd. (JSIBL) (formerly Citicorp Investment Bank Ltd.) to the Company and in that agreement it was agreed by the parties to the agreement that the purchase consideration of Rs.123.90 million (representing 6.00 million shares at the rate of Rs. 20.65 per share) would be adjusted to the extent of 70.00% if there is any subsequent reduction in total disputed tax liability as of December 31, 1998 amounting to Rs. 68.65 million as confirmed by a Chartered Accountant firm. Therefore as and when this disputed tax liability is resolved in favour of Jahangir Siddiqui Investment Bank Ltd. (JSIBL) (formerly Citicorp Investment Bank Ltd.), the Company would pay to the COIC the above amount to the extent of 70.00% which would be adjusted against the purchase consideration for above shares. The disputed tax liability has been settled in favour of JSIBL, which is under appeal by the Income Tax Department. Further, JSIBL is now amalgamated into JS Bank Ltd. as more fully explained in note 8.1.1 above.

8.1.4 Pursuant to the Subscription and Shareholders' Agreement (the Agreement) between JS Global Capital Ltd. [formerly Jahangir Siddiqui Capital Markets Ltd.] (JSGCL) and Global Investment House K.S.C.C., Kuwait ("Global") approved by its Board of Directors on June 05, 2006 and a Special Resolution passed on July 11, 2006 and the approval of the SECP obtained on September 27, 2006, JSGCL issued 10,009,700 ordinary shares of Rs. 10/- each at a subscription price of Rs. 217/- per share to Global on October 04, 2006. As a result, the status of JSGCL has now been changed from a subsidiary to an associate of the Company.

8.1.5 Subsequent to year end on July 2, 2007, the Company has acquired remaining share capital of JS Infocom Ltd. resulting in 100% holding in subsidiary company.

## 8.2 Investment in associates - at cost

These shares are ordinary shares of Rs.10 each unless stated otherwise.

| Number of shares 2007 | Number of shares 2006 | | Note | Activity | Holding 2007 % | Holding 2006 % | 2007 (Rupees in '000) | 2006 (Rupees in '000) |
|---|---|---|---|---|---|---|---|---|
| | | Quoted | | | | | | |
| 10,349,996 | - | JS Global Capital Ltd. (formerly Jahangir Siddiqui Capital Markets Ltd.) Market value Rs. 4,533.30 million (2006: Rs. Nil) | 8.1.3 | Dealing in & brokerage of marketable securities | 43.47 | - | 99,000 | - |
| 3,000,000 | 3,000,000 | Network Microfinance Bank Ltd. Market value Rs. 25.50 million (2006: Rs. 22.80 million) | | Microfinance Banking | 30.00 | 30.00 | 30,000 | 30,000 |
| | | Provision for impairment | | | | | (4,500) | (7,200) |
| | | | | | | | 25,500 | 22,800 |
| 76,185,327 | 64,264,827 | Azgard Nine Ltd. Market value Rs. 4,022.58 million (2006: Rs. 1,417.04 million) | | Textile Composite | 24.36 | 20.55 | 1,888,323 | 1,479,208 |
| 11,238,812 | 11,063,812 | BSJS Balanced Fund Ltd. Market value Rs. 144.98 million (2006: Rs. 134.43 million) | | Mutual Fund | 9.48 | 9.33 | 135,566 | 133,660 |
| 11,007,163 | - | EFU Life Assurance Ltd. Market value Rs. 2,971.93 million | | Life Insurance | 22.01 | - | 367,194 | - |
| | | Unquoted | | | | | | |
| 750,000 | 750,000 | EFU Services (Private) Ltd. Net assets value Rs. 7.53 million (2006: Rs. 7.53 million) based on unaudited financial statements for the year ended June 30, 2007. | | Investment company | 37.50 | 37.50 | 7,500 | 7,500 |
| | | | | | | | 2,523,083 | 1,643,168 |

8.2.1 Included in investment in associates are equity securities costing Rs. 1,334.01 (2006: Rs. 654.78) million and having market value of Rs. 3,503.65 (2006: Rs. 633.31) million as at June 30, 2007, pledged with various commercial banks.

## 8.3 Investments in joint ventures - at cost

These shares are ordinary shares of Rs.10 each unless stated otherwise.

| Number of shares 2007 | Number of shares 2006 | Un quoted | Activity | Holding 2007 % | Holding 2006 % | 2007 (Rupees in '000) | 2006 (Rupees in '000) |
|---|---|---|---|---|---|---|---|
| 1,806,691 | 1,806,691 | DCD JS Factors (Private) Ltd. Net assets value Rs. 14.47 million (2006: Rs.14.77 million) based on audited financial statements for the year ended June 30, 2007. | Factoring company | 49.99 | 49.99 | 18,067 | 18,067 |
| | | Provision for impairment | | | | (3,596) | (3,297) |
| | | | | | | 14,471 | 14,770 |
| 50 * | 50 * | DCD JS Factors, Inc. Net assets value Rs. 1.48 million (2006: Rs. 1.25 million) based on unaudited financial statements for the period ended June 30, 2007. | Factoring company | 49.50 | 49.99 | 1,491 | 1,491 |
| | | | | | | 15,962 | 16,261 |

* 50 shares of US $ 1.00 each.

## 8.4 Other related parties - at fair value

### Available for sale

These shares are ordinary shares of Rs.10 each unless stated otherwise.

| Number of shares 2007 | Number of shares 2006 | Quoted | Note | Activity | Holding 2007 % | Holding 2006 % | 2007 (Rupees in '000) | 2006 (Rupees in '000) |
|---|---|---|---|---|---|---|---|---|
| 9,000,000 | 6,250,000 | Eye Television Network Ltd. | | Television Network | 18.00 | 12.50 | 449,100 | 43,750 |
| 37,500,000* | 37,500,000 | BankIslami Pakistan Ltd. | 10.1.2 | Islamic Banking | 12.61 | 18.75 | 560,625 | 468,750 |
| 5,542,488 | 4,771,244 | EFU General Insurance Ltd. | | General Insurance | 5.54 | 9.54 | 1,341,282 | 725,229 |
| - | 5,944,498 | EFU Life Assurance Ltd. | | Life Insurance | - | 19.98 | - | 1,162,933 |
| | | | | | | | 2,351,007 | 2,400,662 |

* These represent sponsor shares which are blocked for trading as per the requirements of the SBP.

8.4.1 Included herein are equity securities costing Rs. 59.84 (2006: Rs. 272.33) million and having market value of Rs. 1,298.78 (2006: Rs. 1,738.92) million as at June 30, 2007, pledged with various commercial banks.

8.4.2 The cost of investments in related parties amounts to Rs. 597.36 (2006: Rs. 734.14) million.

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **8.5 Other investments** | | | |
| Available for sale | | | |
| Equity securities | | | |
| - unquoted (at cost) | 8.5.1 | 69,998 | 69,998 |
| Held to maturity | | | |
| Defence Saving Certificates (at amortised cost) | 8.5.2 | 3,925 | 3,325 |
| | | 73,923 | 73,323 |

8.5.1 This represents 1,018,000 Ordinary shares of Rs.10 each in HKC Ltd. (HKC) costing Rs. 68.76 per share. The primary objective of HKC is to undertake business of real estate acquisition, development of real estates, construction activities and improvements, repair and renovations. The Company's holding is 15.55% in HKC Ltd.

8.5.2 The realisable value of Defence Saving Certificates amounts to Rs. 3.54 (2006: Rs. 2.94) million.

8.6 The investments in subsidiaries, associates and joint ventures are in Companies which are incorporated in Pakistan, except for JS International Ltd. and DCD JS Factors, Inc. which are incorporated in Cayman Islands B.W.I and Delaware, USA, respectively.

## 9. LONG TERM LOANS AND ADVANCES

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Long term loans - considered good | | | |
| Unsecured | | | |
| Due from a subsidiary company | | - | 72,119 |
| Secured | | | |
| Due from: | | | |
| - Executives | 9.1 | 264 | - |
| - Other employees | | 241 | 176 |
| | 9.2 | 505 | 176 |
| | | 505 | 72,295 |
| Current maturity of long term loans | | (400) | (72,245) |
| | | 105 | 50 |
| Long term advance - considered good | | | |
| Advance against a room at National Commodity Exchange Ltd. | | 2,500 | 2,500 |
| | | 2,605 | 2,550 |

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **9.1 Reconciliation of the carrying amount of loan to executive** | | | |
| Opening balance | | - | 343 |
| Disbursements | | 1,000 | - |
| Repayments | | (736) | (343) |
| | | 264 | - |

9.2 This represents loans provided to executives and employees of the Company for purchase of property and home appliances at mark-up rates ranging between 8.00% and 12.00% (2006: 8.00% and 10.00%) per annum in accordance with the Company's employee loan policy. Repayment is made monthly. These loans are secured against provident fund balance and salaries of the employees and are repayable over a period of two to five years. The maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.00 million (2006: Rs. 0.343 million).

## 10. LOANS AND ADVANCES

| | Note | 2007 | 2006 |
|---|---|---|---|
| Current maturity of long term loans | 9 | 400 | 72,245 |
| Advances - unsecured and considered good | | | |
| Against subscription of shares of related parties | 10.1 | 322,000 | - |
| Against subscription of Term Finance Certificates | | - | 29,500 |
| Against purchase of office equipment | | 760 | 2,509 |
| Contractors | | - | 13,195 |
| Against salaries and expenses | | 121 | 729 |
| | | 322,881 | 45,933 |
| | | 323,281 | 118,178 |

| | Note | 2007 | 2006 |
|---|---|---|---|
| **10.1 Advance against subscription of shares of related parties** | | | |
| Credit Chex (Private) Ltd. | 10.1.1 | 97,000 | - |
| BankIslami Pakistan Ltd. | 10.1.2 | 225,000 | - |
| | | 322,000 | - |

10.1.1 This represents advance paid against subscription of shares in Credit Chex (Private) Ltd., as a result of a draft joint venture agreement to be entered into between the Company and DCD Services (Private) Ltd. (a joint venturer).

10.1.2 This represents advance paid for subscription of rights shares of a related party, BankIslami Pakistan Ltd.These shares have not been allotted to the Company in view of the pending case in the Honourable High Court of Sindh. However, as per the legal advisor of the Company, the case is in the process of withdrawal between the concerned parties, with no impact on the affairs of the Company (financial or otherwise). On withdrawal of the said case, the said right shares will be issued by BankIslami Pakistan Ltd. to the Company. This will increase the Company's holding from 12.61% to 18.75% (see note 8.4).

## 11. SHORT TERM INVESTMENTS

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Assets at fair value through profit or loss | | | |
| Listed equity securities | | | |
| - Related parties | 11.1 & 11.3 | 3,431,206 | 1,535,609 |
| - Others | 11.3 | 2,211,824 | 1,091,643 |
| Government securities | | - | 635,228 |
| Term Finance Certificates | | 804 | 54,551 |
| Open-end Fund Units (at redemption price) | 11.3 | 1,280,175 | 1,609,794 |
| | | 6,924,009 | 4,926,825 |
| Available for sale | | | |
| Listed equity securities | | | |
| - Related parties | 11.2 & 11.3 | 330,067 | 289,187 |
| - Others | 11.3 | 394,226 | 333,123 |
| Term Finance Certificates - unquoted - at cost | | - | 40,725 |
| Open-end Fund Units (at redemption price) | | - | 93,347 |
| | | 724,293 | 756,382 |
| | | 7,648,302 | 5,683,207 |

### 11.1 Related parties

These shares are ordinary shares of Rs.10 each unless stated otherwise.

| Number of shares 2007 | Number of shares 2006 | | Activity | Holding 2007 % | Holding 2006 % | 2007 (Rupees in '000) | 2006 (Rupees in '000) |
|---|---|---|---|---|---|---|---|
| 2,575,000 | 2,157,500 | Attock Petroleum Ltd. | Oil Marketing | 6.44 | 5.39 | 1,290,976 | 696,873 |
| 13,659,601 | 10,871,501 | Pakistan International Container Terminal Ltd. | Container Terminal | 18.02 | 14.34 | 1,158,334 | 838,736 |
| 4,057,422 | - | EFU General Insurance Ltd. | General Insurance | 4.06 | - | 981,896 | - |
| | | | | | | 3,431,206 | 1,535,609 |

11.2 Related parties

These shares are ordinary shares of Rs.10 each unless stated otherwise.

| Number of shares | | | | Holding | | | |
|---|---|---|---|---|---|---|---|
| 2007 | 2006 | | Activity | 2007 % | 2006 % | 2007 (Rupees in '000) | 2006 |
| 12,605,043 | 12,605,043 | Azgard Nine Ltd. - Preference shares | Textile Composite | - | - | 83,824 | 126,050 |
| 1,363,500 | 1,363,500 | Al-Abbas Sugar Mills Ltd. | Sugar Production | 7.85 | 7.85 | 87,264 | 72,879 |
| 2,627,750 | 1,293,100 | Singer Pakistan Ltd. | Electrical Goods | 17.16 | 9.71 | 158,979 | 90,258 |
| | | | | | | 330,067 | 289,187 |

11.3 The listed equity securities includes investments pledged with banks having an aggregate value of Rs. 2,567.56 million (2006: Rs. 3,520.40 million) costing Rs. 1,701.56 million (2006: Rs. 3,341.48 million).

11.4 The above investments are carried at market value except where mentioned specifically. The cost of the above investments amounts to Rs. 6,389.74 million (2006: Rs. 5,425.40 million).

## 12. TRADE DEBTS

| | Note | 2007 (Rupees in '000) | 2006 |
|---|---|---|---|
| Unsecured - considered good | | 24,593 | - |

This represents receivable against sale of shares. Maximum amount due from the subsidiary company at the end of any month during the year was Rs. 1.09 million (2006: Rs. 1,070.93 million).

## 13. PREPAYMENTS, ACCRUED MARK-UP AND OTHER RECEIVABLES

| | Note | 2007 | 2006 |
|---|---|---|---|
| Prepayments | 13.1 | 115 | 13,125 |
| Accrued profit / mark-up: | | | |
| Long term loan | | - | 1,145 |
| Reverse repurchase transactions | | - | 3,327 |
| Bank deposits | 13.2 | 315 | 132 |
| Government securities | | - | 731 |
| Term Finance Certificates | | 37 | 6,093 |
| | | 352 | 11,428 |
| Other receivables | | | |
| Dividend receivable | 13.3 | 154,463 | 1,073 |
| Underwriting commission receivable from a related party | | - | 12,665 |
| Receivable against sale of office premises | | 44,800 | - |
| Others | 13.4 | 787 | 1,424 |
| | | 200,050 | 15,162 |
| | | 200,517 | 39,715 |

13.1 This includes prepayments to related parties amounting to Rs. Nil (2006 Rs. 1.41) million.

13.2 This represents mark-up receivable on amount placed with JS Bank Ltd. - a subsidiary company.

13.3 Included herein is a sum of Rs.109.29 (2006: Rs.1.07) million representing dividend receivable from associates.

13.4 Included herein is a sum of Rs. 0.08 (2006: Rs. 0.31) million receivable from related parties.

## 14. CASH AND BANK BALANCES

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Cash in hand | | 38 | 325 |
| Balances with banks: | | | |
| Current accounts | | | |
| local currency | | 6,230 | 43,236 |
| foreign currency | | 653 | 658 |
| | | 6,883 | 43,894 |
| Savings accounts | | | |
| local currency | 14.1 | 1,150,595 | 1,178 |
| foreign currency | | 1,538 | 2,138 |
| | 14.2 | 1,152,133 | 3,316 |
| | | 1,159,054 | 47,535 |

14.1 Included herein is a sum of Rs. 1,150 million representing amount placed with JS Bank Ltd., a subsidiary company, in respect of advance received against Sixth issue of Term Finance Certificates.

14.2 These carry mark-up ranging between 1.00% and 10.00% (2006: 1.00% to 3.00%) per annum.

## 15. SHARE CAPITAL

### 15.1 Authorised capital

| 2007 | 2006 | | 2007 | 2006 |
|---|---|---|---|---|
| Number of shares | | | (Rupees in '000) | |
| 50,000,000 | 50,000,000 | Ordinary shares of Rs.10 each | 500,000 | 500,000 |
| 100,000,000 | 100,000,000 | Preference shares of Rs. 10 each | 1,000,000 | 1,000,000 |
| 150,000,000 | 150,000,000 | | 1,500,000 | 1,500,000 |

| 2007 | 2006 | | Note | 2007 | 2006 |
|---|---|---|---|---|---|
| | | | | (Rupees in '000) | |

15.2 Issued, subscribed and paid-up capital

| 2007 | 2006 | | Note | 2007 | 2006 |
|---|---|---|---|---|---|
| Number of shares | | | | | |
| | | Ordinary shares of Rs.10/- each: | | | |
| 23,387,500 | 23,387,500 | Fully paid in cash | | 233,875 | 233,875 |
| 11,612,500 | 11,612,500 | Fully paid bonus shares | | 116,125 | 116,125 |
| 35,000,000 | 35,000,000 | | | 350,000 | 350,000 |
| | | Fully paid 7% Class 'A' Preference shares | 15.2.1 & 15.2.2 | | |
| 70,000,000 | - | of Rs. 10 each | | 700,000 | - |
| 105,000,000 | 35,000,000 | | | 1,050,000 | 350,000 |

15.2.1 This represents non-participatory, non-voting and transferable, Class 'A' Preference shares, offered in the ratio of two Preference shares for one Ordinary share held, redeemable at par or convertible into one Ordinary share for ten Preference shares, at the option of the Company on June 30th or December 31st of any calendar year prior to June 30, 2016. These carry a cumulative dividend of 7 percent per annum on the issue price.

These shares shall not carry any entitlement to the ordinary dividends, right shares or bonus shares, as may be announced by the Company from time to time, or to participate in the profits of the Company in any manner or any other rights whatsoever that are available to the ordinary shareholders.

15.2.2 On June 30, 2007, the Company exercised its right to convert all 70 Million Class "A" Preference shares into Ordinary shares of Rs. 10/- each at a conversion premium of Rs. 90/- i.e. at a total conversion price of Rs.100/- for each Ordinary share.

Accordingly, each holder of Class "A" Preference shares shall be issued one fully paid up Ordinary share of the Company for every ten Class "A" Preference shares i.e. in the ratio of 10:1. Such Ordinary shares shall be allotted and issued within a further period of 30 days from the date of the completion of the book closure as mentioned herein below. Such Ordinary shares after being issued shall rank pari passu in all respects with the other Ordinary shares of the Company then already issued by the Company.

The transfer books pertaining to the Class "A" Preference shares will remain closed from October 23, 2007 to October 29, 2007 (both days inclusive) for entitlement of Ordinary shares in lieu of the Preference shares in the above-mentioned ratio.

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 16. RESERVES

| | | | |
|---|---|---|---|
| **Capital reserve** | | | |
| Premium on issue of Ordinary shares | | 475,505 | 475,505 |
| **Revenue reserves** | | | |
| General reserve | | 2,500,000 | 1,500,000 |
| Unappropriated profit | | 2,488,592 | 1,343,311 |
| | | 4,988,592 | 2,843,311 |
| **Other** | | | |
| Unrealised gain on revaluation of available for sale investments - net | | 1,763,231 | 1,712,886 |
| | | 7,227,328 | 5,031,702 |

## 17. LONG TERM FINANCING

| | Note | 2007 | 2006 |
|---|---|---|---|
| Term Finance Certificates (TFCs) | | | |
| Secured: | | | |
| Second issue | 17.1 | 499,400 | 499,600 |
| Fifth issue | 17.2 | 1,094,275 | - |
| Advance against Sixth issue - net of transaction cost | 17.3 | 1,143,125 | - |
| Unsecured: | | | |
| First issue | 17.4 | 249,700 | 499,400 |
| Third issue | 17.5 | 495,183 | 493,637 |
| Fourth issue | 17.6 | 498,470 | 498,291 |
| | | 3,980,153 | 1,990,928 |
| Less: Current portion shown under current liability | | 250,740 | 250,300 |
| | | 3,729,413 | 1,740,628 |

17.1 The profit on these TFCs is payable semi-annually, based on the 6 month KIBOR average rate plus 150 basis points per annum for first 5 years, and thereafter, an increase of 0.10% a year for next 3 years and a further 0.10% a year for the last 2 years. The TFCs have a tenor of ten years i.e. 2004-2014 with a call option exercisable by the Company at any time during the tenor of the TFCs after the first 2 years by giving a 3 months notice. These TFCs are secured against lien over a designated account with the Central Depository Company of Pakistan Ltd. The account contains marketable securities having a market value of Rs. 1,083.44 (2006: Rs. 723.37) million equal to the issue size with the regulatory margin as prescribed by the State Bank of Pakistan's Prudential Regulations. In the event of any sale and repurchase of marketable securities, the lead arranger will have a hypothecation charge on the ensuing receivable and a lien over subsequent cash which is to be maintained in a specified bank account.

17.2 The profit on these TFCs is payable semi-annually, based on a six months average KIBOR plus 250 basis points. These TFCs have a tenor of five and half years i.e. 2006 – 2012 with a call option exercisable by the Company any time after the expiration of one year from the date of issue upon giving to the TFC holders not less than 30 days irrevocable notice in writing at a premium equal to 1.00% of the outstanding issue price. Transaction costs associated with the issue of TFCs, amounting to Rs. 6.158 million, are included in the initial measurement of the financial liability and have been amortised over the life of TFCs using effective interest method.

These TFCs are secured against first ranking charge on all present and future movable assets, but excluding pledge of listed securities offered as security alongwith the requisite margin on existing secured TFC of Rs. 500 million and current and future overdraft / short term borrowing limits upto Rs. 4,000 million at any time outstanding. However, the trustee will be authorised to issue No Objection Certificate for creation of parri passu floating charges in favour of other creditors, so long as and to the extent that the value of the movable assets of the Company included in the floating charge exceeds 133% of the total liabilities secured by the floating charge in favour of the TFC holders.

17.3 Represents advance received against issue of privately placed term finance certificate of Rs. 1,250 million. The profit on these TFCs will be payable semi-annually, based on a six months average KIBOR plus 170 basis points. These TFCs will have a tenor of six and half years i.e. 2007 – 2013.

17.4 The profit on these unsecured TFCs is payable semi-annually, based on the cut-off yield of the last successful auction of 5 year Pakistan Investment Bonds (PIBs) held during the 6 month period plus 150 basis points per annum with a floor and cap of 7.50% and 13.00% per annum, respectively. The TFCs have a tenor of five years i.e. 2003-2008 with a call option exercisable by the Company at any time during the tenor of the TFCs after the first 6 months by giving a 3 months notice at a premium of 1.00% of outstanding face value.

17.5 The profit on these unsecured TFCs is payable semi-annually at a fixed rate of 8.29% per annum. These TFCs have a tenor of five years i.e. 2004-2009 with a call option exercisable at the coupon dates only by the Company at any time from the 30th month to the 54th month by giving a 30 days advance notice. The call price will include a call premium of 1.00% of then principal outstanding.

17.6 The profit on these TFCs is payable semi-annually, based on a six months average KIBOR plus 175 basis points. These TFCs have a tenor of five years i.e. 2005 – 2009 with a call option exercisable by the Company any time from the 30th month to the 54th month by giving a 30 days notice. Call option will be exercised only on the coupon dates.

## 18. TRADE AND OTHER PAYABLES

| | 2007 | 2006 |
|---|---|---|
| | (Rupees in '000) | |
| Trade payables | | |
| Against purchase of shares | 1,195,879 | - |
| Accrued expenses | 369,579 | 201,449 |
| Other liabilities | | |
| Payable to a director | - | 148 |
| Security deposits | - | 1,233 |
| Unclaimed dividend | 1,924 | 1,228 |
| Others | 3,857 | 7,508 |
| | 5,781 | 10,117 |
| | 1,571,239 | 211,566 |

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in ‘000) | |

## 19. ACCRUED INTEREST / MARK-UP ON BORROWINGS

Accrued interest / mark-up on:

| | | | |
|---|---|---|---|
| Term Finance Certificates | | 44,677 | 29,099 |
| Short term running finance | | 43,269 | 2,012 |
| Repurchase transactions | | - | 10,794 |
| | | 87,946 | 41,905 |

## 20. SHORT TERM BORROWINGS

Securities sold under repurchase agreements secured against:

| | Note | 2007 | 2006 |
|---|---|---|---|
| Government securities | | - | 849,387 |
| Term finance certificates | | - | 50,709 |
| | | - | 900,096 |
| Short term running finance under mark-up arrangements | 20.1 | 1,683,775 | 2,982,705 |
| | | 1,683,775 | 3,882,801 |

20.1 The company has short term running finance facilities under mark-up arrangements aggregating to Rs. 5,600 (2006: Rs. 3,750) million from various commercial banks carrying mark-up ranging between 11.03% and 12.55% (2006: 9.75% and 11.91%) per annum. The facilities utilized against these arrangements are secured against investments in equity securities having an aggregate fair value of Rs. 6,284.18 (2006: Rs. 5,169.26) million. The unavailed aggregate credit facility of running finances amounts to Rs. 3,916.23 (2006: Rs. 767.29) million.

## 21. TAXATION - net

| | | 2007 | 2006 |
|---|---|---|---|
| Provision for taxation | | 18,909 | 21,750 |
| Advance income tax | | (18,165) | (30,013) |
| | | 744 | (8,263) |

## 22. CONTINGENCY AND COMMITMENTS

### 22.1 Contingency

As disclosed in the financial statements for the year ended June 30, 2006, some shareholders had filed a suit in the Honourable High Court of Sindh claiming specific performance of Letters of Right in respect of 2,687,988 Right Shares and permanent injunction to restrain the Company from alloting these shares to any other person. Following the settlement between the parties concerned, a Consent Decree was passed by the Honourable Hight Court of Sindh on June 22, 2007 in Suit No. 886 of 2003 and therefore no contingencies exist.

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **22.2 Commitments** | | | |
| Commitments in respect of: | | | |
| capital expenditure | | - | 17,813 |
| purchase of computer software and allied services | | - | 2,509 |
| preferred dividend on preference shares | | 28,326 | - |

## 23. RETURN ON INVESTMENTS

| | Note | 2007 | 2006 |
|---|---|---|---|
| Mark-up / interest income from: | | | |
| Available for sale | | | |
| Term Finance Certificates | | 52,109 | 3,376 |
| Held to maturity | | | |
| Defence Saving Certificates | | 600 | 508 |
| | | 52,709 | 3,884 |
| Dividend income on: | | | |
| Investments in subsidiaries and associates | | 125,109 | 293,613 |
| Assets at fair value through profit or loss | 23.1 | 61,414 | 38,023 |
| Available for sale investments | 23.1 | 123,314 | 162,012 |
| | | 309,837 | 493,648 |
| | | 362,546 | 497,532 |

23.1 Includes dividend received from various related parties amounting to Rs. 38.25 (2006: Rs. 169.54) million.

## 24. GAIN ON SALE OF INVESTMENTS - net

| | 2007 | 2006 |
|---|---|---|
| At fair value through profit or loss | | |
| Equity securities | 579,470 | 1,023,568 |
| Available for sale | | |
| Equity securities | 1,267,489 | 54,433 |
| | 1,846,959 | 1,078,001 |

## 25. INCOME FROM LONG TERM LOANS AND FUND PLACEMENTS

| | 2007 | 2006 |
|---|---|---|
| Interest on loan to staff | 46 | 28 |
| Interest on long term loan - a subsidiary company | 3,438 | 9,401 |
| Return on reverse repurchase transactions of listed equity securities | 4,068 | 18,244 |
| | 7,552 | 27,673 |

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 26. FEES AND COMMISSION

| | Note | 2007 | 2006 |
|---|---|---|---|
| Consultancy and advisory fee | | 9,440 | 17,234 |
| Underwriting commission | | 8,405 | 11,344 |
| Commission income | | 169 | 1,279 |
| Custodial charges | | 308 | 475 |
| | | 18,322 | 30,332 |

## 27. OTHER INCOME

| | Note | 2007 | 2006 |
|---|---|---|---|
| Gain on sale of property and equipment | | 51,670 | 1,164 |
| Gain on sale of investment property | | - | 5,901 |
| Rent income | | 28,176 | 11,138 |
| Return on bank deposit accounts | | 223 | 659 |
| Exchange gain | | 5 | - |
| | | 80,074 | 18,862 |

## 28. OPERATING AND ADMINISTRATIVE EXPENSES

| | Note | 2007 | 2006 |
|---|---|---|---|
| Salaries and benefits | | 220,017 | 97,324 |
| Telephone, fax, telegram and postage | | 2,532 | 989 |
| Vehicle running | | 3,214 | 2,141 |
| Fee for directors / committee meetings | | 480 | 480 |
| Utilities | | 1,368 | 1,187 |
| Newspapers and periodicals | | 719 | 31 |
| Conveyance and travelling | | 16,142 | 4,745 |
| Repairs and maintenance | | 1,585 | 814 |
| Computer expenses | | 2,353 | 888 |
| Auditors' remuneration | 28.1 | 2,059 | 1,925 |
| Royalty fee | 28.2 | 9,900 | 9,900 |
| Consultancy fee | | 10,546 | 24,083 |
| Advisory fee | 28.3 | 117,000 | 102,000 |
| Legal and professional charges | | 6,642 | 1,372 |
| Printing and stationery | | 1,304 | 935 |
| Rent, rates and taxes | | 19,834 | 8,642 |
| Insurance | | 1,622 | 1,282 |
| Entertainment | | 309 | 219 |
| Advertisement | | 2,404 | 2,526 |
| Office supplies | | 857 | 166 |
| Depreciation | 28.4 | 16,644 | 5,718 |
| Fees and subscription | | 9,934 | 4,468 |
| Donations | 28.5 | 44,656 | 25,134 |
| Brokerage and commission expense | | 20,112 | 11,091 |
| Clearing fees | | 7,502 | 5,473 |
| Office security | | 3,488 | 2,229 |
| Exchange loss | | - | 598 |
| | | 523,223 | 316,360 |

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |

28.1 Auditors' remuneration

| | | | |
|---|---|---|---|
| Annual audit fee | | 450 | 350 |
| Half-yearly review fee | | 165 | 150 |
| Certifications and other services | | 1,395 | 1,313 |
| Out of pocket expenses | | 49 | 112 |
| | | 2,059 | 1,925 |

28.2 This represents the royalty on account of use of part of Company's name under an agreement dated April 21, 2004.

28.3 Represents amount paid / payable to an individual and a director for advisory services rendered in terms of their respective advisory agreements duly approved by the Board of Directors.

28.4 Depreciation

| | | | |
|---|---|---|---|
| Operating assets | 5 | 16,004 | 5,079 |
| Investment properties | 6 | 640 | 639 |
| | | 16,644 | 5,718 |

28.5 This represents donation to Siddiqui Foundation in which Mr. Ali J. Siddiqui and Mr. Munaf Ibrahim are directors. No other directors or their spouses have any interest in any other donee's fund to which donation was made.

## 29. FINANCE COST

Mark-up on:

| | | |
|---|---|---|
| Short term running finance | 245,099 | 146,392 |
| Long term financing | 320,893 | 174,541 |
| Repurchase transactions of listed equity securities | 16,835 | 8,024 |
| | 582,827 | 328,957 |
| Amortization of transaction costs | 2,777 | 2,029 |
| Bank charges | 882 | 423 |
| | 586,486 | 331,409 |

## 30. TAXATION

30.1 Effective tax rate reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate has not been presented as provision for current year income tax has been made under the provisions of minimum tax u/s 113 of the Income Tax Ordinance, 2001.

30.2 Current status of tax assessments

The income tax assessments of the Company have been finalized upto assessment year 2002-2003 corresponding to accounting year ended June 30, 2002. Income tax returns for the tax years 2003, 2004, 2005 and 2006 have been filed on self-assessment basis and are deemed to be assessed under Section 120 of the Income Tax Ordinance, 2001.

30.3 Deferred taxation

The Company has not recorded deferred tax assets in view of uncertainity about the availability of taxable profits in the future against which such losses can be utilised, as the profit for the year mainly comprises of capital gains on listed equity securities that are exempt for tax purpose under clause 110 of the Second Schedule to the Income Tax Ordinance, 2001. Further, the Company has assessed and un-assessed carry forward tax losses amounting to Rs. 1,476.82 (2006: Rs. 725.54) million. The amount of deferred tax asset not recognised in these financial statements amounts to Rs. 491.29 (2006: Rs. 285.55) million.

## 31. BASIC AND DILUTED EARNINGS PER SHARE

| | 2007 | 2006 |
|---|---|---|
| | (Rupees in '000) | |
| Profit after taxation from continuing operations | 2,239,008 | 1,089,652 |
| Less: Cumulative preference dividend on convertible preference shares | (28,326) | - |
| Profit after taxation attributable to Ordinary shareholders from continuing operations | 2,210,682 | 1,089,652 |
| Loss after taxation attributable to ordinary shareholders from discountinued operation | (6,227) | (18,846) |
| | 2,204,445 | 1,070,806 |

| | 2007 | 2006 |
|---|---|---|
| | (Numbers in '000) | |
| Number of Ordinary shares outstanding during the period | 35,000 | 35,000 |
| Convertible Preference shares | 7,000 | - |
| Weighted average number of Ordinary shares adjusted for the effect of dilution | 42,000 | 35,000 |

| Earnings / (loss) per share: | 2007 | 2006 |
|---|---|---|
| | (Rupees) | |
| Basic | | |
| from continuing operations | 63.16 | 31.13 |
| from discontinued operations | (0.18) | (0.54) |
| Diluted | | |
| from continuing operations | 53.31 | 31.13 |

| | 2007 | 2006 |
|---|---|---|
| | (Rupees in '000) | |

## 32. CASH AND CASH EQUIVALENTS

| | 2007 | 2006 |
|---|---|---|
| Cash and bank balances | 1,159,054 | 47,535 |
| Short term running finance utilised under mark-up arrangement | (1,683,775) | (2,982,705) |
| | (524,721) | (2,935,170) |

## 33. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over other party in making financial and operating decisions. Related parties comprise of subsidiaries, associates, joint ventures, companies under common directorship, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amount due from and to these related parties are shown under receivables and payables and the remuneration of Directors, Chief Executive and Executives are disclosed in note 34. The names and relationship with subsidiaries, associates, jointly controlled entities and others are given below:

| Relationship with the company | Nature of transactions | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Subsidiary companies** | | | |
| Jahangir Siddiqui Investment Bank Ltd. | Purchase of money market instruments | 43,325 | 1,438,497 |
| | Sale of money market instruments | 101,420 | 2,468,773 |
| | Sale of motor vehicles | - | 830 |
| | Rent income | 877 | 1,673 |
| | Dividend income | - | 260,912 |
| | Reimbursement of expenses incurred on account of subsidiary | - | 158 |
| JS ABAMCO Ltd. | Repayment received in respect of loan | 72,119 | 67,298 |
| | Mark-up income on long term loan | 3,438 | 9,818 |
| | Payment of rent | 5,823 | 5,642 |
| | Rent income | - | 20 |
| | Advisory and consultancy fee | - | 47 |
| | Reimbursement of expenses incurred on account of subsidiary | 426 | - |
| | Bonus shares received during the year 26,011,806 shares (2006: Nil) | | |
| JS Infocom Ltd. | Sale of money market instruments | 244,344 | - |
| JS International Ltd. | Equity investment made during the year | - | 294,882 |

During the year, the Company received 172,521,177 Ordinary shares of Rs.10 each in JS Bank Ltd. under a Scheme of Amalgamation in exchange of 53,247,277 Ordinary shares of Rs.10 each held by the Company in Jahangir Siddiqui Investment Bank Ltd. (see note 8.1).

| Relationship with the company | Nature of transactions | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Associates** | | | |
| JS Global Capital Ltd. (formerly Jahangir Siddiqui Capital Markets Ltd.) | Brokerage expense | 17,456 | 18,607 |
| | Rent income | 1,564 | 4,471 |
| | Sub-lease rental income | 21,424 | - |
| | Sale of motor vehicles | 415 | - |
| | Reimbursement of expenses incurred on account of subsidiary | 7,895 | 2,630 |
| | Bonus shares received during the year Nil (2006: 2,849,996 share) | | |
| Azgard Nine Ltd. | Dividend income including preference dividend | 104,790 | 32,702 |
| | Advisory fee | - | 1,026 |
| | Underwriting commission receivable | - | 12,665 |
| | Shares received against conversion of preference shares [ Nil (2006: 2,857,142 shares)] | - | 42,017 |
| | Right shares subscribed [ Nil (2006: 39,574,672 shares)] | - | 1,048,707 |
| | Shares underwritten [ Nil (2006: 13,632,073 shares)] | - | 299,224 |
| BSJS Balanced Fund Ltd. | Dividend income | 28,097 | 31,202 |
| | Dividend paid | 595 | 595 |
| EFU Life Assurance Ltd. | Dividend income | 13,209 | - |
| | Bonus shares received during the year 4,402,865 (2006: 1,798,349 shares) | | |
| Pak-American Fertilizers Ltd. [Formerly Dominion Fertilizer (Private) Ltd.] | Investment in term finance certificates (TFCs) | 300,000 | - |
| | Return on investments in TFCs | 27,909 | - |
| | Advisory fee | 5,750 | - |
| **Joint Ventures** | | | |
| DCD JS Factors (Private) Ltd. | Advisory fee | 180 | 180 |
| Credit Chex (Private) Ltd. | Advance against subscription of shares | 97,000 | - |

| Relationship with the company | Nature of transactions | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Common Directorship | | | |
| BankIslami Pakistan Ltd. | Advance against subscription of shares | 225,000 | 264,930 |
| | Rent income | - | 530 |
| Attock Petroleum Ltd. | Dividend income | 17,260 | 8,630 |
| Pakistan International Container Terminal Ltd. | Sale of money market instrument | 61,226 | - |
| Common Directorship & Key Management Personnel | | | |
| Siddiqui Foundation | Donation | 44,656 | 25,134 |

The Company continues to have a policy whereby all transactions with related parties are entered into at arm's length prices using admissible valuation method.

## 34. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including certain benefits to directors, chief executive and executives of the company is as follows:

| | Directors | | Chief Executive | | Executives | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | (Rupees in '000) | | | | | |
| Managerial remuneration | - | - | 3,456 | 3,456 | 6,284 | 3,697 |
| House rent allowance | - | - | 1,382 | 1,382 | 2,513 | 1,479 |
| Utilities allowance | - | - | 346 | 346 | 628 | 370 |
| Commission and performance bonus | - | - | 80,000 | 82,500 | 910 | 1,072 |
| Advisory fee | 86,000 | 76,000 | - | - | - | - |
| Contribution to provident fund | - | - | 346 | 346 | 510 | 306 |
| Medical | - | - | 79 | 41 | 51 | 14 |
| Reimbursable expenses | - | - | 354 | 426 | 544 | 372 |
| | 86,000 | 76,000 | 85,963 | 88,497 | 11,440 | 7,310 |
| Number of persons | 1 | 1 | 1 | 1 | 7 | 5 |

34.1 The Company also provides the chief executive and certain executives with Company maintained cars.

34.2 The Company has also paid Rs. 0.48 (2006: Rs. 0.48) million to two non-executive directors as fee for directors / committee meetings.

35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

35.1 Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its funding requirements. To guard against the risk, the company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table in note 35.2 summarises the maturity profile of the company's financial assets and liabilities. The contractual maturities of these assets and liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Financial assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

35.2 Yield / Interest rate risk exposure

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

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

The effective yield / interest rates are disclosed in the respective notes to the financial statements.

| June 30, 2007 | Effective yield / interest rate % | Interest / mark up bearing: Up to one year | Over one year to five years | Over five years | Total | Non-interest / Markup bearing | Total June 30 2007 |
|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | | |
| **Financial assets** | | | | | | | |
| Investments | 10.00-18.03 | 804 | 3,925 | - | 4,729 | 13,808,884 | 13,813,613 |
| Loans and advances | 8.00-12.00 | 400 | 105 | - | 505 | 325,381 | 325,886 |
| Security deposits | - | - | - | - | - | 2,494 | 2,494 |
| Trade debts | - | - | - | - | - | 24,593 | 24,593 |
| Accrued markup and other receivables | - | - | - | - | - | 200,402 | 200,402 |
| Cash and bank balances | 1.00-10.00 | 1,152,133 | - | - | 1,152,133 | 6,921 | 1,159,054 |
| | | 1,153,337 | 4,030 | - | 1,157,367 | 14,368,675 | 15,526,042 |
| **Financial liabilities** | | | | | | | |
| Long term financing | 8.29-13.06 | 250,740 | 2,090,388 | 1,639,025 | 3,980,153 | - | 3,980,153 |
| Trade and other payables | - | - | - | - | - | 1,571,239 | 1,571,239 |
| Accrued interest / mark-up on borrowings | - | - | - | - | - | 87,946 | 87,946 |
| Short term borrowings | 11.03-12.55 | 1,683,775 | - | - | 1,683,775 | - | 1,683,775 |
| | | 1,934,515 | 2,090,388 | 1,639,025 | 5,663,928 | 1,659,185 | 7,323,113 |

| June 30, 2006 | Effective yield / interest rate % | Interest / mark up bearing: Up to one year | Over one year to five years | Over five years | Total | Non-interest / Markup bearing | Total June 30 2006 |
|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | | |
| **Financial assets** | | | | | | | |
| Investments | 6.00-18.03 | 730,504 | 3,325 | - | 733,829 | 10,274,426 | 11,008,255 |
| Loans and advances | 8.00-10.00 | 101,745 | 50 | - | 101,795 | 18,933 | 120,728 |
| Security deposits | - | - | - | - | - | 2,521 | 2,521 |
| Accrued markup and other receivables | - | - | - | - | - | 26,590 | 26,590 |
| Fund placements | 9.00-15.00 | 242,048 | - | - | 242,048 | - | 242,048 |
| Cash and bank balances | 1.00-3.00 | 3,316 | - | - | 3,316 | 44,219 | 47,535 |
| | | 1,077,613 | 3,375 | - | 1,080,988 | 10,366,689 | 11,447,677 |
| **Financial liabilities** | | | | | | | |
| Long term financing | 7.50-11.13 | 250,300 | 1,242,228 | 498,400 | 1,990,928 | - | 1,990,928 |
| Trade and other payables | - | - | - | - | - | 211,566 | 211,566 |
| Accrued interest / mark-up on borrowings | - | - | - | - | - | 41,905 | 41,905 |
| Short term borrowings | 8.35-11.91 | 3,882,801 | - | - | 3,882,801 | - | 3,882,801 |
| | | 4,133,101 | 1,242,228 | 498,400 | 5,873,729 | 253,471 | 6,127,200 |

35.3 Fair value of financial instruments

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

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

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values.

35.4 Concentration of credit risk and credit exposure of the financial instruments

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the credit worthiness of the same.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of a company's performance to developments affecting a particular industry.

The company is exposed to credit risk on trade debts, loans, funds placements and certain advances. The company seeks to minimise its credit risk exposure through having exposures only to customers considered creditworthy by obtaining adequate collateral. Out of the total financial assets of Rs.15,526.04 (2006: Rs.11,447.68) million, the financial assets which are subject to credit risk amounted to Rs.553.38 (2006: Rs. 391.89) million.

## 36. SEGMENT INFORMATION

For management purposes the company is organised into following major business segments:

Continuing operations

| | |
|---|---|
| Capital market operations | Principally engaged in trading of equity securities and maintaining strategic and trading portfolios. |
| Others | Other operations of the company comprise of underwriting and consultancy services. |

Discontinued operation

Fixed income operations — Principally engaged in fixed income trading and management of the Company's funding operations by use of government securities and placements.

As mentioned in note 1.2, the Company, effective December 30, 2006, has discontinued its fixed income operations. Accordingly, fixed income operations of the Company are reported in these financial statements as a discontinued operation.

Up to December 30, 2006, all assets and revenues, and liabilities and expenses pertaining to the discontinued operation were realised and paid respectively. As a result, assets and liabilities of fixed income operations were at nil value as on June 30, 2007.

Analysis of revenues and expenses of the discontinued operation are given below in the segmented profit and loss account.

Further, cash inflows / (outflows) in relation to the fixed income operation are as under:

| | 2007 | 2006 |
|---|---|---|
| | (Rupees in '000) | |
| Net cash inflows / (outflows) from: | | |
| Operating activities | 896,330 | (40,986) |
| Financing activities | (900,096) | 165,496 |
| | (3,766) | 124,510 |

| | OPERATIONS | | | | | |
|---|---|---|---|---|---|---|
| | Continuing | | | | Discontinued | |
| | Capital Market Operations | | | | Fixed | |
| | Strategic Portfolio | Trading Portfolio | Others | Total | Income Operations | Total |
| | (Rupees in '000) | | | | | |
| **Segment information for the year ended June 30, 2007** | | | | | | |
| Return on investments | 300,532 | 61,414 | - | 361,946 | 3,303 | 365,249 |
| Gain on sale of investments - net | 1,267,489 | 579,470 | - | 1,846,959 | 8,274 | 1,855,233 |
| Income from long term loans and fund placements | - | 4,068 | - | 4,068 | 3,002 | 7,070 |
| Fee and commission | - | - | 18,322 | 18,322 | - | 18,322 |
| Gain on revaluation of investments carried at fair value through profit and loss account - net | - | 1,037,454 | - | 1,037,454 | - | 1,037,454 |
| Unallocated revenue | - | - | - | 84,158 | - | 84,158 |
| | 1,568,021 | 1,682,406 | 18,322 | 3,352,907 | 14,579 | 3,367,486 |
| Operating and administrative expenses | 368,486 | 95,146 | 3,970 | 467,602 | 12,694 | 480,296 |
| Finance cost | 323,670 | 262,816 | - | 586,486 | 8,048 | 594,534 |
| Reversal of provision for impairment against investments in subsidiaries associates and joint ventures - net | (14,655) | - | - | (14,655) | - | (14,655) |
| | 677,501 | 357,962 | 3,970 | 1,039,433 | 20,742 | 1,060,175 |
| Operating Results | 890,520 | 1,324,444 | 14,352 | 2,313,474 | (6,163) | 2,307,311 |
| Unallocated expenditure | - | - | - | 55,621 | - | 55,621 |
| Profit before tax | 890,520 | 1,324,444 | 14,352 | 2,257,853 | (6,163) | 2,251,690 |
| Taxation: | | | | | | |
| Segment | 12,421 | 4,809 | 935 | 18,165 | 64 | 18,229 |
| Unallocated | - | - | - | 736 | - | 736 |
| Prior period | - | - | - | (56) | - | (56) |
| | 12,421 | 4,809 | 935 | 18,845 | 64 | 18,909 |
| Net profit for the year | 878,099 | 1,319,635 | 13,417 | 2,239,008 | (6,227) | 2,232,781 |
| **Other information** | | | | | | |
| Segment assets | 6,641,811 | 7,672,895 | - | 14,314,706 | - | 14,314,706 |
| Unallocated assets | | | | | | 1,286,479 |
| Total assets | | | | | | 15,601,185 |
| Segment liabilities | 4,024,830 | 2,922,923 | - | 6,947,753 | - | 6,947,753 |
| Unallocated liabilities | | | | | | 376,104 |
| Total liabilities | | | | | | 7,323,857 |
| Capital expenditure | | | | | | 59,394 |
| Unallocated depreciation | | | | | | 16,644 |

| | OPERATIONS | | | | | |
|---|---|---|---|---|---|---|
| | Continuing | | | | Discontinued | |
| | Capital Market Operations | | | | Fixed | |
| | Strategic Portfolio | Trading Portfolio | Others | Total | Income Operations | Total |
| | (Rupees in '000) | | | | | |
| **Segment information for the year ended June 30, 2006** | | | | | | |
| Return on investments | 459,001 | 38,023 | - | 497,024 | 57,606 | 554,630 |
| Gain on sale of investments - net | 54,433 | 1,023,568 | - | 1,078,001 | 11,879 | 1,089,880 |
| Income from long term loans and fund placements | - | 18,244 | - | 18,244 | 32,566 | 50,810 |
| Fee and commission | - | - | 30,332 | 30,332 | - | 30,332 |
| Gain on revaluation of investments carried at fair value through profit and loss account - net | - | 191,082 | - | 191,082 | (3,499) | 187,583 |
| Unallocated revenue | - | - | - | 28,799 | - | 28,799 |
| | 513,434 | 1,270,917 | 30,332 | 1,843,482 | 98,552 | 1,942,034 |
| Operating and administrative expenses | 251,186 | 36,203 | 2,413 | 289,802 | 13,850 | 303,652 |
| Finance cost | 271,571 | 59,838 | - | 331,409 | 103,038 | 434,447 |
| Provision for impairment against investments in subsidiary, associate and joint venture - net | 84,821 | - | - | 84,821 | - | 84,821 |
| | 607,578 | 96,041 | 2,413 | 706,032 | 116,888 | 822,920 |
| Operating Results | (94,144) | 1,174,876 | 27,919 | 1,137,450 | (18,336) | 1,119,114 |
| Unallocated expenditure | - | - | - | 26,558 | - | 26,558 |
| Profit before tax | (94,144) | 1,174,876 | 27,919 | 1,110,892 | (18,336) | 1,092,556 |
| Taxation: | | | | | | |
| Segment | 8,319 | 11,426 | 1,351 | 21,096 | 510 | 21,606 |
| Unallocated | - | - | - | 144 | - | 144 |
| | 8,319 | 11,426 | 1,351 | 21,240 | 510 | 21,750 |
| Net profit for the year | (102,463) | 1,163,450 | 26,568 | 1,089,652 | (18,846) | 1,070,806 |
| **Other information** | | | | | | |
| Segment assets | 5,397,293 | 4,994,501 | 12,665 | 10,404,459 | 941,978 | 11,346,437 |
| Unallocated assets | | | | | | 162,465 |
| Total assets | | | | | | 11,508,902 |
| Segment liabilities | 2,020,027 | 2,984,717 | - | 5,004,744 | 910,890 | 5,915,634 |
| Unallocated liabilities | | | | | | 211,566 |
| Total liabilities | | | | | | 6,127,200 |
| Capital expenditure | | | | | | 12,195 |
| Unallocated depreciation | | | | | | 5,718 |

## 37. APPROPRIATIONS

In the meeting held on August 11, 2007, the Board of Directors of the Company, in addition to the following appropriations, recommended the issue of bonus shares @ 100% i.e. in the proportion of one new Ordinary share for every one Ordinary share held subject to increase in Authorised Capital, for the approval of the member at the Annual General Meeting.

| | 2007 | 2006 | 2007 | 2006 |
|---|---|---|---|---|
| | (Rupees per share) | | (Rupees in '000) | |
| Cash dividend | 2.50 | 2.50 | 87,500 | 87,500 |
| Preference dividend | 0.40 | - | 28,326 | - |
| Transfer to general reserve | | | - | 1,000,000 |
| | | | 115,826 | 1,087,500 |

## 38. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 11 2007 by the Board of Directors of the Company.

## 39. GENERAL

Figures have been rounded off to nearest thousand rupee.

Mazharul Haq Siddiqui
Chairman

Munaf Ibrahim
Chief Executive

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Jahangir Siddiqui & Company Ltd. and its subsidiary companies as at June 30, 2007 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, for the year then ended. We have also expressed separate opinions on the financial statements of Jahangir Siddiqul & Company Ltd. and a subsidiary company, JS Bank Ltd. The financial statements of JS Global Capital Ltd. (Formerly Jahangir Siddiqui Capital Market Ltd.), JS ABAMCO Ltd., JS International Ltd., JS International LLP and JS Infocom Ltd. were audited by other firms of auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors.

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

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary under the circumstances.

In our opinion, the Consolidated Financial Statements present fairly the financial position of Jahangir Siddiqul & Company Ltd. and its subsidiary companies as at June 30, 2007 and the results of their operations for the year then ended.

Karachi: August 11, 2007.

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

# CONSOLIDATED FINANCIAL STATEMENTS

# Consolidated Balance Sheet As at June 30, 2007

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property and equipment | 6 | 568,421 | 252,378 |
| Intangible assets | 7 | 851,832 | 118,970 |
| Investment properties | 8 | 4,332 | 4,972 |
| Stock exchange membership cards and room | 9 | 33,201 | 44,302 |
| Long term investments | 10 | 7,613,096 | 4,788,026 |
| Long term loans, advances and other receivables | 11 | 82,382 | 52,439 |
| Long term deposits | | 2,494 | 5,904 |
| | | 9,155,758 | 5,266,991 |
| **Current Assets** | | | |
| Short term investments | 12 | 13,006,027 | 8,607,839 |
| Trade debts | 13 | 61,622 | 1,083,095 |
| Loans and advances | 14 | 5,376,046 | 355,667 |
| Accrued mark-up | 15 | 70,354 | 58,425 |
| Deposits, prepayments and other receivables | 16 | 660,602 | 277,618 |
| Fund placements | 17 | 5,680,640 | 3,273,856 |
| Taxation - net | | 105,339 | 6,824 |
| Cash and bank balances | 18 | 2,843,056 | 1,730,158 |
| | | 27,803,686 | 15,393,482 |
| | | 36,959,444 | 20,660,473 |
| **EQUITY AND LIABILITIES** | | | |
| **Share Capital and Reserves** | | | |
| Share Capital | 19 | 1,050,000 | 350,000 |
| Reserves | 20 | 10,756,535 | 6,332,562 |
| Equity attributable to equity holders' of the parent | | 11,806,535 | 6,682,562 |
| Minority interest | | 2,488,944 | 1,238,590 |
| Total Equity | | 14,295,479 | 7,921,152 |
| **Non-Current Liabilities** | | | |
| Long term financing | 21 | 4,444,299 | 1,840,628 |
| Certificates of deposit | | - | 240,603 |
| Deposits and other accounts | 22 | 228,000 | - |
| Deferred tax liability | 23 | 8,458 | 27,375 |
| | | 4,680,757 | 2,108,606 |
| **Current Liabilities** | | | |
| Trade and other payables | 24 | 2,663,039 | 1,959,066 |
| Accrued interest / mark-up on borrowings | 25 | 176,601 | 101,680 |
| Short term borrowings | 26 | 1,971,495 | 5,712,179 |
| Current portion of non-current liabilities | 27 | 13,172,073 | 2,857,790 |
| | | 17,983,208 | 10,630,715 |
| **Contingencies and Commitments** | 28 | | |
| | | 36,959,444 | 20,660,473 |

The annexed notes from 1 to 47 form an integral part of these financial statements.

Mazharul Haq Siddiqui
Chairman

Munaf Ibrahim
Chief Executive

# Consolidated Profit and Loss Account For the year ended June 30, 2007

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **INCOME** | | | |
| Return on investments | 29 | 759,039 | 881,279 |
| Gain on sale of investments - net | 30 | 2,191,695 | 1,660,189 |
| Income from long-term loans and fund placements | 31 | 466,635 | 446,264 |
| Fee, commission and brokerage | 32 | 611,680 | 932,903 |
| Other income | 33 | 125,111 | 49,189 |
| Gain on revaluation of investments carried at fair value through profit and loss account - net | | 1,043,478 | 161,512 |
| | | 5,197,638 | 4,131,336 |
| **EXPENDITURE** | | | |
| Operating and administrative expenses | 34 | 1,412,308 | 901,645 |
| Finance cost | 35 | 1,148,906 | 956,090 |
| Provision for impairment against investments in associates and joint venture - net | | 2,113 | - |
| | | 2,563,327 | 1,857,735 |
| Profit before taxation | | 2,634,311 | 2,273,601 |
| Share of profit / (loss) from: | 36 | | |
| associates | | 197,585 | 46,394 |
| joint ventures | | (855) | 584 |
| | | 196,730 | 46,978 |
| | | 2,831,041 | 2,320,579 |
| **TAXATION** | 37 | | |
| Current | | 57,671 | 142,108 |
| Prior | | (13,166) | (9,888) |
| Deferred | | (18,550) | 2,674 |
| | | 25,955 | 134,894 |
| Profit after taxation | | 2,805,086 | 2,185,685 |
| Profit attributable to minority interest | | (254,306) | (514,165) |
| | | 2,550,780 | 1,671,520 |
| **EARNINGS PER SHARE** | | | |
| Basic | 38 | 72.07 | 47.76 |
| Diluted | 38 | 60.73 | 47.76 |

The annexed notes from 1 to 47 form an integral part of these financial statements.

Mazharul Haq Siddiqui
Chairman

Munaf Ibrahim
Chief Executive

# Consolidated Cash Flow Statement For the year ended June 30, 2007

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 2,831,041 | 2,320,579 |
| Adjustments for no cash charges and other items: | | | |
| Depreciation | | 68,364 | 44,063 |
| Amortisation of intangible assets | | 99,795 | 20,241 |
| Amortisation of other assets | | (677) | 2,621 |
| Gain on sale of property and equipment | | (60,326) | (1,510) |
| Gain on sale of investment property | | - | (5,901) |
| Interest income from Defence Saving Certificates | | (600) | (508) |
| Gain on revaluation of investments carried at fair value through profit and loss account - net | | (1,043,478) | (161,512) |
| Loss on sale of investment in an associate | | - | 75,000 |
| Provision for impairment on investments | | 2,113 | - |
| Share of profit in associates and joint ventures | | (196,730) | (46,978) |
| Finance cost | | 1,148,906 | 953,469 |
| | | 17,367 | 878,985 |
| Operating profit before working capital changes | | 2,848,408 | 3,199,564 |
| (Increase) / decrease in operating assets: | | | |
| Loans and advances | | (5,020,379) | 378,532 |
| Short-term investments | | (3,217,496) | (3,111,118) |
| Trade debts | | 1,021,473 | (699,580) |
| Long-term loans, advances and other receivables | | (29,943) | 105,303 |
| Long-term deposits | | 3,410 | (1,233) |
| Fund placements - net | | (2,406,784) | 1,373,061 |
| Deposits, prepayments, accrued mark-up and other receivables | | (394,913) | (74,020) |
| | | (10,044,632) | (2,029,055) |
| Increase / (decrease) in operating liabilities: | | | |
| Trade and other payables | | 703,269 | 1,049,725 |
| Deposits and other accounts | | 13,086,832 | - |
| Net cash generated from operations | | 6,593,877 | 2,220,234 |
| Interest / mark-up paid | | (1,035,077) | (918,324) |
| Taxes paid | | (93,931) | (123,697) |
| Dividend paid | | (86,795) | (81,637) |
| Net cash inflow from operating activities | | 5,378,074 | 1,096,576 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure incurred | | (349,962) | (248,109) |
| Intangible assets acquired | | - | (12,576) |
| Proceeds from sale of property and equipment | | 76,704 | 5,302 |
| Proceeds from sale of investment properties | | - | 198,000 |
| Proceeds from disposal of investments in a subsidiary | | - | 925,000 |
| Investments acquired - net of sale | | (724,104) | (3,641,376) |
| Net cash outflow from investing activities | | (997,362) | (2,773,759) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of Class 'A' preference shares | | 700,000 | - |
| Proceeds from issue of Term Finance Certificates - net | | 2,640,203 | 200,326 |
| Preliminary expenditure incurred | | (6,740) | - |
| Proceeds from issue of commercial paper - net of redemption | | - | 542,433 |
| Long term loans | | (229,167) | (338,333) |
| Certificates of deposits issued - net of redemption | | (542,433) | 550,775 |
| Securities sold under repurchase agreements - net | | (2,631,426) | 340,496 |
| Proceeds from securitization of future management fee | | (1,075,096) | - |
| Net cash inflow from financing activities | | (1,144,659) | 1,295,697 |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | 3,236,053 | (381,486) |
| CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR | | (2,364,492) | (1,983,006) |
| CASH AND CASH EQUIVALENT AT THE END OF THE YEAR | 39 | 871,561 | (2,364,492) |

The annexed notes from 1 to 47 form an integral part of these financial statements.

Mazharul Haq Siddiqui
Chairman

Munaf Ibrahim
Chief Executive

# Consolidated Statement of Changes in Equity For the year ended June 30, 2007

| | Attributable to equity holders' of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued, subscribed and paid-up-capital | | Reserves | | | | | | | | |
| | | | Capital | Revenue | | | Others | | | | |
| | Ordinary shares | Preference shares Class 'A' | Ordinary share premium | General | Foreign exchange translation | Unappro-priated Profits | Unrealised gain on revaluation of available for sale invest ments - net | Hedging reserve | Preference share redemption reserve | Minority Interest | Total |
| | (Rupees in '000) | | | | | | | | | | |
| Balance as at July 1, 2005 | 350,000 | - | 475,505 | 1,500,000 | - | 1,169,798 | 876,954 | - | - | 845,058 | 5,217,315 |
| Net effect of revaluation of available for sale investments to fair value held as at the year end | - | - | - | - | - | - | 703,165 | - | - | (120,633) | 582,532 |
| Reversal of unrealized gain on investments carried at fair value through profit and loss account | - | - | - | - | - | 23,332 | - | - | - | - | 23,332 |
| Net effect of translation of net assets of foreign subsidiary to reporting currency | - | - | - | - | (212) | - | - | - | - | - | (212) |
| Profit for the year | - | - | - | - | - | 1,671,520 | - | - | - | 514,165 | 2,185,685 |
| Dividend for the year ended June 30, 2005 @ Rs.2.5 per share | - | - | - | - | - | (87,500) | - | - | - | - | (87,500) |
| Balance as at June 30, 2006 | 350,000 | - | 475,505 | 1,500,000 | (212) | 2,777,150 | 1,580,119 | - | - | 1,238,590 | 7,921,152 |
| Balance as at July 1, 2006 | 350,000 | - | 475,505 | 1,500,000 | (212) | 2,777,150 | 1,580,119 | - | - | 1,238,590 | 7,921,152 |
| Issue of 7% Class 'A' preference shares | - | 700,000 | - | - | - | - | - | - | - | - | 700,000 |
| Net effect of revaluation of available for sale investments to fair value held as at the year end | - | - | - | - | - | - | 1,508,609 | - | - | 996,048 | 2,504,657 |
| Reversal of unrealized gain on investments carried at fair value through profit and loss account | - | - | - | - | - | - | (1,356,320) | - | - | - | (1,356,320) |
| Net effect of translation of net assets of foreign subsidiary to reporting currency | - | - | - | - | 1,173 | - | - | - | - | - | 1,173 |
| Share of associates | - | - | 1,540,874 | - | 7 | - | - | 241,048 | 25,302 | | 1,807,231 |
| Profit for the year | - | - | - | - | - | 2,550,780 | - | - | - | 254,306 | 2,805,086 |
| Transfer to general reserve | - | - | - | 1,000,000 | - | (1,000,000) | - | - | - | - | - |
| Dividend for the year ended June 30, 2006 @ Rs.2.5 per share | - | - | - | - | - | (87,500) | - | - | - | - | (87,500) |
| Balance as at June 30, 2007 | 350,000 | 700,000 | 2,016,379 | 2,500,000 | 968 | 4,240,430 | 1,732,408 | 241,048 | 25,302 | 2,488,944 | 14,295,479 |

Mazharul Haq Siddiqui
Chairman

Munaf Ibrahim
Chief Executive

# Notes To The Consolidated Financial Statements For The Year Ended June 30, 2007

## 1. THE GROUP AND ITS OPERATIONS

1.1 Jahangir Siddiqui & Company Ltd. (the Holding Company) and its subsidiary companies (together the Group) are involved in trading of securities, maintaining strategic investments, investment advisory, asset management, agency telecommunication, commercial banking and other business. The Group is mainly operating in Pakistan and also provides services in United Kingdom and Cayman Islands.

The Holding Company was incorporated under the Companies Ordinance, 1984 on May 4, 1991 as a public unquoted company. The Holding Company is presently listed on Karachi Stock Exchange (Guarantee) Ltd. The Holding Company is also a corporate member of Karachi Stock Exchange (Guarantee) Ltd. and Islamabad Stock Exchange (Guarantee) Ltd. During the year, the Holding Company changed its registered office from 14th floor, Chapal Plaza, Hasrat Mohani Road, Karachi to 6th Floor, Faysal House, Main Shahra-e-Faisal, Karachi. The principal activities of the Holding Company are trading of securities, maintaining strategic investments, consultancy services, underwriting, etc.

1.2 The Group comprises of the Holding Company and the following subsidiary companies that have been consolidated in these financial statements on the line by line basis. All material inter company balances, transactions and resulting unrealised profits / losses have been eliminated:

| Subsidiary Companies | Note | Date of Acquisition / Disposal | Holding (including indirect holding) | |
|---|---|---|---|---|
| | | | 2007 % | 2006 % |
| JS ABAMCO Ltd. | 1.2.1 | July 31, 2000 | 52.02 | 52.02 |
| JS Infocom Ltd. | 1.2.2 | August 25, 2003 | 97.97 | 90.50 |
| JS International Ltd. | 1.2.3 | July 14, 2005 | 100.00 | 100.00 |
| JS International LLP (Sub-subsidiary) | 1.2.4 | April 11, 2006 | 100.00 | 100.00 |
| JS Bank Ltd. (JSBL) | 1.2.5 | December 30, 2006 | 50.68 | - |
| Jahangir Siddiqui Investment Bank Ltd. (JSIBL) | 1.2.6 | September 18, 1999<br>December 30, 2006 | - | 62.41 |
| JS Global Capital Ltd. (JSGCL) [formerly Jahangir Siddiqui Capital Markets Ltd.] | 1.2.7 | May 22, 2003<br>October 4, 2006 | - | 75.00 |

1.2.1 JS ABAMCO Ltd.

JS ABAMCO Ltd. is public listed company incorporated in Pakistan on February 22, 1995 under the Companies Ordinance, 1984. During the year, the company was listed on Karachi Stock Exchange by way of offer for sale of shares by few of the existing shareholders of the company to the general public. The registered office of the Company is situated at 7th floor, 'The Forum', Khayaban-e-Jami, Clifton, Karachi.

The Company is registered with the Securities and Exchange Commission of Pakistan (SECP) as an “Investment Advisor” and “Asset Management Company” under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Further, the Company has also obtained license from SECP to undertake Investment Finance Services and license to act as Pension Fund Manager under voluntary Pension System Rules, 2005.

The Company is an investment adviser, pension fund manager and asset management company for the following:

Investment adviser of the following closed-end funds:

- BSJS Balanced Fund Ltd.
- UTP Large Capital Fund (formerly ABAMCO Composite Fund)
- UTP Growth Fund

Asset management company of the following open-end funds:
- Unit Trust of Pakistan
- UTP - Income Fund
- UTP - Islamic Fund
- UTP - Aggressive Asset Allocation Fund
- UTP - Fund of Funds
- UTP - A-30+ Fund
- UTP - Capital Protected Fund
- UTP - Capital Protected Fund II

Pension fund manager of the following fund:
- JS Pension Saving Fund

1.2.2 JS Infocom Ltd.

JS Infocom Ltd. (JS Infocom) was incorporated on August 25, 2003 as a public limited unlisted company under the Companies Ordinance, 1984. The registered office of JS Infocom is situated at 14th Floor, Chapal Plaza, Hasrat Mohani Road, Karachi. JS Infocom was established to undertake telecommunication business or invest in companies engaged in providing telecommunication services. JS Infocom is presently seeking business ventures in the Telecommunication sector.

1.2.3 JS International Ltd.

JS International Ltd. (JSIL) was incorporated in Cayman Islands B.W.I. on July 14, 2005. The primary objective for which the company has been established includes inward investment from non-resident Pakistanis and international institutional investors, financial advisory services to Pakistani companies expanding overseas and to foreign companies interested in investing or setting up joint ventures in Pakistan. Jahangir Siddiqui & Company Ltd. have remitted US $ 4.90 million to JS International Ltd. (wholly owned subsidiary) as equity investment after obtaining permission from the State Bank of Pakistan. Jahangir Siddiqui & Company Ltd. holds 10,000 shares of US $ 1/- each and paid US $ 489/- per share as a share premium.

1.2.4 JS International LLP

JS International LLP was incorporated as limited liability partnership in the United Kingdom on April 11, 2006 as a wholly owned subsidiary of JS International Ltd. (Cayman Islands, B.W.I.) i.e. a sub-subsidiary of the Holding Company. The purpose of setting up JS International LLP is to develop international strategic alliances and joint ventures, developing business and JS brands awareness internationally and providing administrative and operational support to the Group for its international activities.

1.2.5 JS Bank Ltd.

JS Bank Ltd. (JSBL) was incorporated on March 15, 2006 as a public limited company under the Companies Ordinance, 1984. The bank is engaged in conducting banking business and related services permissible under the Banking Companies Ordinance, 1962. Its shares are listed on the Karachi Stock Exchange. The registered office of JSBL is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi and it operates with five branches in Pakistan (see note 1.2.6 below).

1.2.6 Jahangir Siddiqui Investment Bank Ltd. (JSIBL)

On December 30, 2006, JSIBL ceased its operations and merged into JSBL under a Scheme of Amalgamation (the Scheme) approved by the State Bank of Pakistan on December 12, 2006. Pursuant to the Scheme, the Shareholders of JSIBL received 3.24 Ordinary shares of Rs. 10/- each of JSBL for every Ordinary share held as at that date. The total paid-up share capital of JSBL is 340,422,500 shares aggregating to Rs. 3,404 million out of which Holding Company was issued 172,521,177 Ordinary shares in JSIBL resulting in a shareholding of 50.68% in JSBL.

1.2.7 JS Global Capital Ltd. (JSGCL) formerly Jahangir Siddiqui Capital Markets Ltd. (JSCML)

Pursuant to Subscription and Shareholders' Agreement (the Agreement) between JS Global Capital Ltd. formerly Jahangir Siddiqui Capital Markets Ltd. (JSGCL) and Global Investment House K.S.C.C., Kuwait ("Global") approved by its Board of Directors on June 5, 2006 and special resolution passed on July 11, 2006 and the approval of the SECP obtained on September 27, 2006, JSGCL issued 10,009,700 number of shares at a subscription price of Rs. 217/- per share constituting 43.47% of the then issued Ordinary shares of JSGCL to Global on October 4, 2006. As a result, the status of JSGCL has now changed from subsidiary to an associate company of Jahangir Siddiqui & Company Ltd.

## 2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the applicable regulations and directives of SECP. Approved accounting standards comprise of such IASs as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984, or regulations/ directives issued by the SECP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said regulations / directives take precedence.

## 3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Jahangir Siddiqui & Company Ltd. and its subsidiaries as at June 30 each year. The financial statements of the subsidiaries are prepared, using consistent accounting policies, for the same reporting year as of the Holding Company except for JS International Ltd. and JS International LLP whose financial year ends at March 31.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

All material intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Minority interests represent the interests in JS Bank Ltd., JS ABAMCO Ltd. and JS Infocom Ltd. not held by the Holding Company.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Group's / accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

(a) determining the residual values and useful lives of property and equipment (Note 5.3);
(b) classification of investments (Note 5.7);
(c) recognition of taxation and deferred tax (Note 5.17);
(d) accounting for post employment benefits (Note 5.24); and
(e) impairment of financial assets

# 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## 5.1 Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis, except for certain investments and derivative financial instruments that have been measured at fair value as described in notes 5.8 and 5.9 below.

## 5.2 Accounting standards not yet effective

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

| | |
|---|---|
| IAS- 1 Presentation of Financial Statements - amendments relating to capital disclosures | effective from accounting period beginning on or after January 01, 2007 |
| IAS - 23 (Revised) Borrowing Costs | effective from accounting periods beginning on or after January 01, 2009 |
| IAS - 41 Agriculture | effective from accounting periods beginning on or after May 22, 2007 |
| IFRS - 2 Share based Payment | effective from accounting periods beginning on or after December 06, 2006 |
| IFRS - 3 Business Combinations | effective for business combinations for which agreement date is on or after December 06, 2006 |
| IFRS - 5 Non-current Assets Held for Sale and Discontinued Operations | effective from accounting periods beginning on or after December 06, 2006 |
| IFRS - 6 Exploration for and Evaluation of Mineral Resources | effective from accounting periods beginning on or after December 06, 2006 |

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

## 5.3 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life at the rates specified in note 6 to the consolidated financial statements. In respect of additions and deletions of assets during the year, depreciation is charged from the month of acquisition and upto the month preceding the deletion respectively.

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

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on dereocgnition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognised.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized only when it increases the future economic benefit embodied in the item of property and equipment.

Gains and losses on disposal of fixed assets, if any, are taken to income currently.

5.4 Intangible assets

Intangible assets having definite life are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life. In respect of additions and deletions during the year, amortisation is charged from the month of acquisition and upto the month preceding the deletion, respectively.

Intangible assets having indefinite life are stated at cost. However, these are tested for impairment / recoverable amount annually and more frequently when indication of impairment exist.

5.5 Investment properties

These are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life. In respect of additions and deletions of property during the year, depreciation is charged from the month of acquisition and upto the month preceding the deletion respectively.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

5.6 Stock exchange membership cards and room

These are stated at cost less impairment, if any. The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying value exceeds estimated recoverable amount, these are written down to their estimated recoverable amount.

5.7 Investments

The management of the group determines the appropriate classification of its investments at the time of purchase or increase in holding and classifies / reclassifies its investment as associates and joint ventures, at fair value through profit or loss, held to maturity and available for sale.

All investments are initially recognized at cost, being the fair value of the consideration given including transaction costs associated with the investment except in the case of investments at fair value through profit or loss where transaction costs are charged to profit and loss account when incurred.

For investments in government securities, fair value is determined by reference to quotations obtained from PKRV Reuters page. In respect of investments in quoted equity securities, fair value is determined by reference to stock exchange quoted market prices at the close of business. For term finance certificates, fair value is determined by reference to rates issued by the Financial Market Association through Reuters.

Unquoted investments, where active market does not exist and fair value cannot be reasonably calculated, are carried at cost. Provision for impairment in value, if any, is taken to income currently.

Associates and joint ventures

Associates are the entities in which the Group directly or indirectly holds or controls shares carrying not less than twenty percent and not more than fifty percent of the voting power or over which it exercises significant influence.

A joint venture is a contractual arrangement in which a venturer has joint control in the economic activities undertaken with the other ventures.

Investments in associates and joint ventures that are not held exclusively with a view to its disposal in near future are accounted for under the equity method, less impairment losses, if any. Such investments are carried in the balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The profit and loss account reflects the Group's share of the results of its associates and joint ventures.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss.

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains or losses recognised directly in the profit and loss account. Transaction costs are charged to profit and loss account when incurred.

Available for sale

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale. After initial recognition, these are stated at fair values (except for unquoted investments where active market does not exist) with any resulting gains or losses being taken directly to equity until the investment is disposed or impaired.

Held to maturity

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised cost. Provision for impairment in value, if any, is taken to income.

Premiums and discounts on investments are amortised using the effective interest rate method and taken to income from investments.

5.8 Derivatives

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

The fair value of unquoted derivatives, if any, is determined by discounted cash flows using appropriate interest rates applicable to the underlying asset.

5.9 Securities sold under repurchase / purchased under resale agreements

The Group enters into transactions of repos and reverse repos at contracted rates for a specified period of time as under:

(a) Repurchase agreement borrowings

Investments sold with a simultaneous commitment to repurchase at a specified future date (Repo) continue to be recognised in the balance sheet and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as securities sold under repurchase agreements. The difference between sale and repurchase price is treated as mark-up / interest expense using the effective yield method.

(b) Repurchase agreement lendings

Investments purchased under agreement to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these agreements are included in fund placements. The difference between purchase and realise price is treated as mark-up / return / interest earned and accrued over the period of the reverse repo agreement using effective yield method.

### 5.10 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the group loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently (for regular way purchases and sales of financial instruments refer to note 5.12).

### 5.11 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is only offset and the net amount is reported in the balance sheet, when there is a legal enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

### 5.12 Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the group commits to purchase or sell an asset. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market.

### 5.13 Certificates of deposit

Return on certificates of deposit (CODs) is recognized on a time proportion basis taking into account the relevant CODs issue date and final maturity date.

### 5.14 Foreign currency transactions / translation

Foreign currency transactions are recorded at the exchange rates approximating those ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains / (losses) on translation are taken to income currently.

When the reporting date of the foreign subsidiary is different from that of holding company but not greater than three months, adjustments are made for effect of significant transactions. Other significant events that occur between different dates upto the balance sheet date of holding company of foreign operations are translated at the exchange rate at the balance sheet date of the foreign operation.

The functional currencies of the foreign operations of JS International Ltd. and JS International LLP are United States Dollars and Great Britain Pound respectively. At the reporting date, the assets and liabilities of the subsidiaries are translated into the presentation currency of the holding Company at the rate of exchange ruling at the balance sheet date and their income are translated at the date of transaction exchange rates using for the year. The exchange difference arising of a foreign entity is taken directly to equity. On disposal of a foreign entity the deferred cumulative exchange difference recognized in equity, is recognized in the profit and loss account of that year, relating to that foreign entity.

5.15 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

5.16 Financial liabilities – held for trading

Financial liabilities – held for trading include the obligation to deliver securities borrowed by a short seller (i.e. securities sold that are not yet owned).

All financial liabilities – held for trading are initially measured at its cost, which is the fair value of the consideration received for the same. Subsequently, these are re-measured to fair value with any resulting gains or losses recognised directly in the profit and loss account.

5.17 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or on one-half percent of income under section 113 of Income Tax Ordinance, 2001 whichever is higher.

Deferred

Deferred tax is calculated using the liability method on all temporary differences at the balance sheet date, between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilised.

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

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

5.18 Revenue recognition

(a) Return on Defence Saving Certificates (DSCs) have been accounted for using the effective interest rate method.
(b) Income / return on Term Finance Certificates (TFCs), government securities, reverse repurchase transactions, loans and advances and bank deposits is recognised on an accrual basis.

(c) Dividend income on equity investments is recognised, when the right to receive the same is established.
(d) Capital gains or losses on sale of investments are recognised in the period in which they arise.
(e) Underwriting commission is recognised when the agreement is executed. Take-up commission is recognised at the time commitment is fulfilled.
(f) Brokerage, consultancy and advisory fee, commission on foreign exchange dealings and government ecurities, etc. are recognised as and when earned.
(g) Rental income from investment properties is recognised on accrual basis.
(h) Commission on portfolio trading services is recognized on an accrual basis.
(i) Trusteeship fee is recognized on an accrual basis in proportion to the provision of service.
(j) Remuneration for investment advisory and asset management services are recognised on accrual basis.

5.19 Long term finances, loans and advances

All long term finances and loans are initially recognised at cost being the fair value of consideration received together with the associated transaction costs. Subsequently, these are carried at amortised cost using effective interest rate method.

Transaction costs relating to long term finance are being amortised over the period of agreement using the effective interest rate method.

Loans, term finance and advances originated by the group are stated at cost less any amount written off and provision for impairment, if any.

5.20 Trade debts and other receivables

Trade debts and other receivable are recognized at cost. A provision for impairment of trade and other receivable is established where there is objective evidence that the group will not be able to collect the amount due according to the original terms of receivable.

5.21 Trade and other payables

Trade and other payables are recognized at cost.

5.22 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand, bank balances, net of bank overdrafts repayable on demand and short term running finance, if any.

### 5.23 Segment reporting

A business segment is a distinguishable component within the Group that is engaged in providing individual products or services or a group of related products or services and under a common control environment (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

The group's geographical segments are based on location of group's assets.

### 5.24 Staff retirement benefits

Defined contribution plan

The group operates an approved funded contributory provident fund scheme for all its employees eligible to the scheme. Equal monthly contributions are made by the group and the employees to the fund at the rate of 10% per annum of basic pay.

### 5.25 Compensated absences

Accrual is made for employees compensated absences on the basis of accumulated leaves and the last drawn pay.

### 5.26 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 6. PROPERTY AND EQUIPMENT

| | Note | 2007 | 2006 |
|---|---|---|---|
| Owned | | | |
| Operating assets | 6.1 | 483,244 | 246,922 |
| Capital work-in-progress | 6.2 | 85,177 | 5,456 |
| | | 568,421 | 252,378 |

### 6.1 Operating assets - owned

| | COST | | | | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2006 | Additions / (disposal)/ others* | As at June 30, 2007 | Rate % | As at July 1, 2006 | For the year / (on disposal) / others* | As at June 30, 2007 | As at June 30, 2007 |
| | (Rupees in '000) | | | | (Rupees in '000) | | | |
| June 30, 2007 | | | | | | | | |
| Office premises - leasehold | 160,613 | 23,968<br>(20,251)<br>100,138* | 264,468 | 2.5 - 20 | 30,513 | 10,958<br>(12,579)<br>586* | 29,478 | 234,990 |
| Leasehold improvements | - | 18,147 | 18,147 | 33 | - | 5,489 | 5,489 | 12,658 |
| Office equipment | 125,325 | 58,149<br>(33,956)<br>74,100* | 223,618 | 25 | 78,084 | 27,610<br>(33,564)<br>64,021* | 136,151 | 87,467 |
| Office furniture and fixtures | 36,336 | 14,236<br>(7,877)<br>56,947* | 99,642 | 10-20 | 14,661 | 6,571<br>(7,184)<br>28,994* | 43,042 | 56,600 |
| Motor vehicles | 80,306 | 78,443<br>(18,089)<br>(16,428)* | 124,232 | 20 | 32,400 | 15,023<br>(12,328)<br>(2,392)* | 32,703 | 91,529 |
| | 402,580 | 192,943<br>(80,173)<br>214,757* | 730,107 | | 155,658 | 65,651<br>(65,655)<br>91,209* | 246,863 | 483,244 |

* This represents additions made on amalgamation of JSIBL into JSBL netted off against disposals made on transfer of JSGCL.

| | COST | | | | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2005 | Additions / (disposal) | As at June 30, 2006 | Rate % | As at July 1, 2005 | For the year / (on disposal) | As at June 30, 2006 | As at June 30, 2006 |
| | (Rupees in '000) | | | | (Rupees in '000) | | | |
| June 30, 2006 | | | | | | | | |
| Office premises - leasehold | 154,298 | 6,315 | 160,613 | 2.5-20 | 21,414 | 9,099 | 30,513 | 130,100 |
| Office equipment | 107,074 | 18,599<br>(348) | 125,325 | 25 | 58,992 | 19,187<br>(95) | 78,084 | 47,241 |
| Office furniture and fixtures | 34,522 | 1,814 | 36,336 | 10-20 | 11,746 | 2,915 | 14,661 | 21,675 |
| Motor vehicles | 62,522 | 25,310<br>(7,526) | 80,306 | 20 | 24,343 | 12,221<br>(4,164) | 32,400 | 47,906 |
| | 358,416 | 52,038<br>(7,874) | 402,580 | | 116,495 | 43,422<br>(4,259) | 155,658 | 246,922 |

## 6.1.1 Details of disposal of fixed assets having written down value exceeding Rs.50,000 each

| Particulars | Acquisition cost | Accumulated depreciation | Written down value | Sale proceeds | Profit | Mode of disposal | Buyer's particulars |
|---|---|---|---|---|---|---|---|
| | ---- (Rupees in '000) ---- | | | | | | |
| Motor vehicles: | | | | | | | |
| Honda Accord | 1,280 | 576 | 704 | 840 | 136 | Negotiation | Mr. Basir Shamsie<br>DHA Phase II, Karachi |
| Suzuki Cultus | 609 | 548 | 61 | 415 | 354 | Negotiation | JS Global Capital Ltd.<br>(formerly Jahangir Siddiqui Capital Markets Ltd.)<br>6th Floor, Faysal House,<br>Shahra-e- Faisal, Karachi |
| Suzuki Cultus | 609 | 558 | 51 | 325 | 274 | Negotiation | Ms. Rehana<br>House No. 1569 / 3, FB Area,<br>Karachi |
| Suzuki Motorcycle | 68 | 7 | 61 | 61 | - | Negotiation | Mr. Aamir Alam<br>House No. 158, Sector 5-C/2<br>North Karachi, Karachi |
| Suzuki Cultus | 400 | 144 | 256 | 320 | 64 | Quotation | Mr. Sheraz Masood<br>R-263 14/A, Shadman Town,<br>Karachi |
| Honda City | 807 | 310 | 497 | 700 | 203 | Insurance Claim | EFU General Insurance Ltd. |
| Honda City | 886 | 210 | 676 | 676 | - | Quotation | Mr. Wasim Jalbani<br>House No. 149, Block A<br>SMCHS, Karachi. |
| Honda City | 829 | 622 | 207 | 400 | 193 | Negotiation | JS Global Capital Ltd.<br>(formerly Jahangir Siddiqui Capital Markets Ltd.)<br>6th Floor Faysal House<br>Sharah-e-Faisal, Karachi |
| Suzuki Baleno | 834 | 612 | 222 | 475 | 253 | Negotiation | Mr. Ilyas Ahmad<br>House # 29-1/10 Suraj Ganj<br>Bazar Quetta |
| Honda Civic | 800 | 453 | 347 | 410 | 63 | Negotiation | JS Global Capital Ltd.<br>(formerly Jahangir Siddiqui Capital Markets Ltd.)<br>6th Floor Faysal House<br>Sharah-e-Faisal, Karachi |
| Honda Accord | 1,554 | 104 | 1,450 | 1,214 | (236) | Negotiation | Mr. Ashraf Shahzad<br>K002, Iqra Complex<br>Gulistan-e-Jauhar, Karachi. |
| Honda City | 969 | 81 | 888 | 969 | 81 | Insurance Claim | EFU General Insurance Ltd. |
| Office Premises: | | | | | | | |
| Room Nos.1301-1305 Chapal Plaza | 5,616 | 2,226 | 3,390 | 11,750 | 8,360 | Negotiation | Ithaca Capital Ltd.<br>201-202, Crystal Court<br>Main Clifton Road, Block-5<br>Clifton, Karachi |
| Room Nos.1401-1413 Chapal Plaza | 11,320 | 8,557 | 2,763 | 43,941 | 41,178 | Negotiation | Optimus Ltd.<br>14th Floor Chapal Plaza<br>Hasrat Mohani Road, Karachi |
| Room Nos.1306-1307 Chapal Plaza | 12,714 | 7,941 | 4,773 | 5,539 | 766 | Negotiation | Ithaca Capital Ltd.<br>201-202, Crystal Court<br>Main Clifton Road, Block-5<br>Clifton, Karachi |
| Office Equipment: | | | | | | | |
| Note Books | 230 | 65 | 165 | 230 | 65 | Negotiation | JS PE Management Ltd.<br>7th Floor, The Forum<br>G-20 Khayaban-e-Jami<br>Block-9, Clifton, Karachi |

| | 2007 | 2006 |
|---|---|---|
| | (Rupees in '000') | |
| **6.2 Capital work in progress** | | |
| Advances to suppliers against: | | |
| civil works | 75,449 | 2,500 |
| acquisition of vehicles | 4,753 | - |
| acquisition of software and equipment | 4,975 | 2,956 |
| | 85,177 | 5,456 |

## 7. INTANGIBLE ASSETS

| | Note | COST As at July 1, 2006 | Additions / (disposal) | As at June 30, 2007 | Rate % | ACCUMULATED AMORTISATION As at July 1, 2006 | For the year / (on disposal) | As at June 30, 2007 | WRITTEN DOWN VALUE As at June 30, 2007 |
|---|---|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | (Rupees in '000) | | | |
| June 30, 2007 | | | | | | | | | |
| Software | | 18,376 | 8,578<br>(5,800) | 21,154 | 20 - 33.33 | 4,406 | 4,623<br>(4,406) | 4,623 | 16,531 |
| Membership rights of ICP mutual funds | 7.1 | 175,000 | - | 175,000 | 10 | 70,000 | - | 70,000 | 105,000 |
| Goodwill | 7.2 | - | 550,051 | 550,051 | - | - | - | - | 550,051 |
| Non-compete fee | 7.3 | - | 126,683 | 126,683 | 33.33 | - | 21,227 | 21,227 | 105,456 |
| Technical know how | 7.4 | - | 150,000 | 150,000 | 100 | - | 75,206 | 75,206 | 74,794 |
| | | 193,376 | 835,312<br>(5,800) | 1,022,888 | | 74,406 | 101,056<br>(4,406) | 171,056 | 851,832 |

| | Note | COST As at July 1, 2005 | Additions / (disposal) | As at June 30, 2006 | Rate % | ACCUMULATED AMORTISATION As at July 1, 2005 | For the year / (on disposal) | As at June 30, 2006 | WRITTEN DOWN VALUE As at June 30, 2006 |
|---|---|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | (Rupees in '000) | | | |
| June 30, 2006 | | | | | | | | | |
| Software | | 5,800 | 12,576 | 18,376 | 20 - 33.33 | 1,933 | 2,473 | 4,406 | 13,970 |
| Membership rights of ICP mutual funds | 7.1 | 175,000 | - | 175,000 | 10 | 52,500 | 17,500 | 70,000 | 105,000 |
| | | 180,800 | 12,576 | 193,376 | | 54,433 | 19,973 | 74,406 | 118,970 |

7.1 Intangible asset in respect of Management Rights of ICP Mutual Funds represents the amount paid to the Privatisation Commission, Government of Pakistan for the acquisition of the management rights of 12th ICP Mutual Funds, which were consolidated into ABAMCO Stock Market Fund, ABAMCO Growth Fund and ABAMCO Capital Fund. However, during the year ended June 30, 2006, these three funds were merged to form UTP Growth fund. Cost incurred for the acquisition of management rights was previously amortised on a straight line basis over ten financial years commencing from the year ended June 30, 2003. During the year, the Group has reviewed the useful life and has decided to revise the same and treat it as infinite because the management expects that the benefits in the form of management fee are expected to flow for an indefinite life. Had the estimate has not been changed the amortisation of intangible assets would be higher by Rs.17.50 million and, correspondingly, the book value of intangible assets would be lower by the same amount.

7.2 This represents minority share of goodwill arising as a result of amalgamations of Jahangir Siddiqui Investment Bank Ltd. and American Express Bank Ltd., Pakistan Operations, with and into JS Bank Ltd.

7.3 This represents non-compete fee paid to American Express Bank Ltd., New York (AMEX) on the amalgamation of American Express Bank Pakistan Operations with and into JS Bank Ltd.

7.4 This represents cost of transfer of technical know how, provision of transitional services and technical support paid to AMEX for a period of one year.

## 8. INVESTMENT PROPERTIES

| | | C O S T | | | | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|
| | Note | As at July 1, 2006 | Additions / (disposal) | As at June 30, 2007 | Rate % | As at July 1, 2006 | For the year | As at June 30, 2007 | As at June 30, 2007 |
| | | (Rupees in '000) | | | | (Rupees in '000) | | | |
| June 30, 2007 | | | | | | | | | |
| Office premises - leasehold | 8.1 | 12,599 | - | 12,599 | 5 | 7,627 | 640 | 8,267 | 4,332 |

| | | C O S T | | | | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|
| | Note | As at July 1, 2005 | Additions / (disposal) | As at June 30, 2006 | Rate % | As at July 1, 2005 | For the year | As at June 30, 2006 | As at June 30, 2006 |
| | | (Rupees in '000) | | | | (Rupees in '000) | | | |
| June 30, 2006 | | | | | | | | | |
| Leasehold land | | - | 192,099<br>(192,099) | - | | - | - | - | - |
| Office premises - leasehold | 8.1 | 12,599 | - | 12,599 | 5 | 6,988 | 639 | 7,627 | 4,972 |
| | | 12,599 | - | 12,599 | | 6,988 | 639 | 7,627 | 4,972 |

8.1 The fair value of the investment properties aggregate to Rs. 89.59 (2006: Rs. 74.66) million which has been arrived at on the basis of a valuation carried out by M/s Consulting Support and Services, independent valuer. The valuation was arrived at by reference to market values and realisable values, which are determined on the basis of market intelligence, year of construction and present physical condition and location.

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 9. STOCK EXCHANGE MEMBERSHIP CARDS AND ROOM

| | | | |
|---|---|---|---|
| Membership cards | | | |
| Karachi Stock Exchange (Guarantee) Ltd. | | 100 | 21,100 |
| Islamabad Stock Exchange (Guarantee) Ltd. | | 32,101 | 22,202 |
| Room - Islamabad Stock Exchange (Guarantee) Ltd. | | 1,000 | 1,000 |
| | | 33,201 | 44,302 |

## 10. LONG-TERM INVESTMENTS

| | | | |
|---|---|---|---|
| Related parties | | | |
| Investment in associates | 10.1 | 5,172,378 | 2,016,012 |
| Investment in joint ventures | 10.2 | 15,788 | 16,643 |
| Other related parties - Available for sale at fair value | 10.3 | 2,351,007 | 2,404,232 |
| | | 7,539,173 | 4,436,887 |
| Other investments | 10.4 | 73,923 | 351,139 |
| | | 7,613,096 | 4,788,026 |

### 10.1 Investment in associates

Summarised financial information of the associates of the Group along with their respective share is as follows:

| Name of associate | Group Interest 2007 | Group Interest 2006 | Revenues | Total Assets | Total Liabilities | Net Assets | Share of net assets 2007 | Share of net assets 2006 |
|---|---|---|---|---|---|---|---|---|
| | % | % | (Rupees in '000) | | | | | |
| Quoted | | | | | | | | |
| Network Microfinance Bank Ltd.<br>Market value Rs. 25.50 million<br>(2006: Rs. 22.80 million) | 30.00 | 30.00 | 4,459 | 104,628 | 32,452 | 72,176 | 21,653 | 22,800 |
| JS Global Capital Ltd. (Formerly JSCML)<br>Market value Rs. 4,533.30 million<br>(2006: Rs. Nil) | 43.47 | - | 734,404 | 5,417,810 | 2,319,373 | 3,098,437 | 1,477,483 | - |
| EFU Life Assurance Ltd.<br>Market value Rs. 2,971.93 million | 22.02 | - | 70,684 | 8,486,647 | 7,647,266 | 839,381 | 493,704 | - |
| BSJS Balanced Fund Ltd.<br>Market value Rs. 144.98 million<br>(2006: Rs. 134.43 million) | 23.45 | 23.33 | 709,635 | 2,378,945 | 226,432 | 2,152,513 | 377,339 | 351,447 |
| Azgard Nine Ltd.<br>Market value Rs. 4,022.58 million<br>(2006: Rs. 1,417.04 million) | 24.99 | 22.57 | 1,517,100 | 23,852,875 | 15,649,485 | 8,203,390 | 2,794,665 | 1,634,242 |
| Unquoted | | | | | | | | |
| EFU Services (Private) Ltd. | 37.50 | 37.50 | - | 61,872 | 41,781 | 20,091 | 7,534 | 7,523 |
| | | | 3,036,282 | 40,302,777 | 25,916,789 | 14,385,988 | 5,172,378 | 2,016,012 |

10.1.1 Included in investment in associates are equity securities costing Rs.1,334.01(2006: Rs. 654.78) million and having market value of Rs. 3,503.65 (2006: Rs. 633.31) million as at June 30, 2007, pledged with various commercial banks.

10.1.2 All investments in associates are in Companies which are incorporated in Pakistan.

## 10.2 Investment in joint ventures

Summarised financial information of the joint ventures of the Group along with their respective share is as follows:

| Name of joint venture | Group Interest 2007 | Group Interest 2006 | Revenues | Total Assets | Total Liabilities | Net Assets | Share of net assets 2007 | Share of net assets 2006 |
|---|---|---|---|---|---|---|---|---|
| | % | % | (Rupees in '000) | | | | | |
| Unquoted | | | | | | | | |
| DCD JS Factors (Private) Ltd. | 49.99 | 49.99 | 5,299 | 28,861 | 237 | 28,624 | 14,309 | 14,635 |
| DCD JS Factors, Inc. | 49.50 | 49.50 | 3,926 | 81,749 | 78,762 | 2,988 | 1,479 | 2,008 |
| | | | 9,225 | 110,610 | 78,999 | 31,612 | 15,788 | 16,643 |

10.2.1 DCD JS Factors (Private) Ltd. is incorporated in Pakistan and DCD JS Factors, Inc. is incorporated in Delaware, USA.

## 10.3 Other related parties - Available for sale at fair value

These shares are ordinary shares of Rs.10 each unless stated otherwise.

| Number of shares 2007 | Number of shares 2006 | | Note | Activity | Holding 2007 | Holding 2006 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|
| | | | | | % | % | (Rupees in '000) | |
| | | Quoted | | | | | | |
| 9,000,000 | 6,250,000 | Eye Television Network Ltd. | | Television Network | 18.00 | 12.50 | 449,100 | 47,320 |
| 37,500,000* | 37,500,000 | BankIslami Pakistan Ltd. | 14.3.2 | Islamic Banking | 12.61 | 18.75 | 560,625 | 468,750 |
| 5,542,488 | 4,771,244 | EFU General Insurance Ltd. | | General Insurance | 5.54 | 9.54 | 1,341,282 | 725,229 |
| - | 5,994,498 | EFU Life Assurance Ltd. | | Life Insurance | - | 19.98 | - | 1,162,933 |
| | | | | | | | 2,351,007 | 2,404,232 |

* These represent sponsor shares which are blocked for trading as per the requirements of the SBP.

10.3.1 Included herein are equity securities costing Rs.59.84 (2006:Rs. 272.33) million and having market value of Rs. 1,298.78 (2006: Rs.1,738.92) million as at June 30, 2007, pledged with various commercial banks.

10.3.2 The cost of investments in related parties amounts to Rs. 597.36 (2006: Rs. 743.92) million.

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **10.4 Other investments** | | | |
| Available for sale | | | |
| Equity securities | | | |
| quoted | | - | 277,816 |
| unquoted (at cost) | 10.4.1 | 69,998 | 69,998 |
| | | 69,998 | 347,814 |
| Held to maturity | | | |
| Defence Saving Certificates (at amortised cost) | 10.4.2 | 3,925 | 3,325 |
| | | 73,923 | 351,139 |

10.4.1 This represents 1,018,000 ordinary shares of Rs. 10/- each in HKC Ltd. (HKC) costing Rs. 68.76 per share. The primary objective of HKC is to undertake business of real estate acquisition, development of real estates, construction activities and improvements, repair and renovations. The Holding Company's interest in HKC Ltd. is 15.55%.

10.4.2 The realisable value of Defence Saving Certificates amounts to Rs. 3.54 (2006: Rs. 2.94) million.

## 11. LONG TERM LOANS, ADVANCES AND OTHER RECEIVABLES

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Long term loans - considered good | | | |
| Secured | | | |
| Due from: | | | |
| Chief Executive Officer | 11.1 | 20,000 | 20,000 |
| Executives | 11.2 & 11.3 | 468 | 646 |
| Employees | | 2,569 | 4,134 |
| Related party | | - | 32,000 |
| Others | 11.4 | 50,045 | 53,546 |
| | | 73,082 | 110,326 |
| Long term advances - considered good, unsecured | | | |
| Advance against capital expenditure | | - | 434 |
| Advance against a room at National Commodity Exchange Ltd. | 11.5 | 3,500 | 2,500 |
| | | 3,500 | 2,934 |
| Long term receivable from related party | | | |
| Unsecured , considered good | 11.6 | 14,364 | 20,625 |
| | | 90,946 | 133,885 |
| Current maturity of long term loans and receivables | 14 | (8,564) | (81,446) |
| | | 82,382 | 52,439 |

11.1 This represents loan given to the Chief Executive Officer (CEO) of JS ABAMCO Ltd. with prior approval of the SECP under section 195 of the Companies Ordinance, 1984 for the construction of a dwelling house. The loan is secured by way of second equitable mortgage over the said property and was initially repayable by June 30, 2007. The Board has extended the repayment of loan for further two years. The loan carries mark-up equivalent to the average cost of funds to the company determined on the basis of six month's average funded liabilities, which is 12.00% per annum for the period July to December 2006 (based on average funded liabilities for the period from January to June 2006) which remains constant for the next six months from January to June 2007 (based on average funded liabilities for the period from July to December 2006).

The maximum aggregate amount due from the Chief Executive at the end of any month during the year was Rs. 20.00 (2006: Rs 20.00) million.

| | 2007 | 2006 |
|---|---|---|
| | (Rupees in '000) | |
| **11.2 Reconciliation of the carrying amount of loans to executives** | | |
| Balance at the beginning of the year | 646 | 1,292 |
| Disbursement | 1,245 | 285 |
| Repayments | (1,423) | (931) |
| Balance at the end of the year | 468 | 646 |

11.3 Represents loans to executives and employees of the Group given for housing and for purchase of home appliances at rates ranging from 8.00% to 12.00% (2006: Nil to 13.44%) per annum in accordance with the Group's employee loan policy. These loans are secured against provident fund balances and salaries of the employees, title documents of vehicles and personal guarantees and are repayable over a period of one to five years. The maximum aggregate amount due from executives at the end of any month during the year was Rs. 1.24 (2006: Rs. 0.59) million.

11.4 Represents finances with maturities ranging from 1 to 6 years, at mark-up rates ranging from 9.50% to 15.00% (2006: 8.00% to 14.74%) per annum repayable in monthly and quarterly installments. These loans are secured against pledge of shares of listed companies, mortgage of property, hypothecation of fixed/moveable assets, home appliances and jewellery, promissory notes and personal guarantees from borrowers.

11.5 During the year ended June 30, 2003, the Group had entered into an agreement with Crosby Asset Management International Ltd. (CAMIL) whereby the Group is required to acquire membership of National Commodity Exchange Ltd. (NCEL) held by Crosby Asset Management Ltd. (CAML) , a subsidiary of CAMIL and a former subsidiary of the Group, for Rs. 1.00 million within a period of three years from March 22, 2003. However, after the expiry of three years, if the Group is not legally allowed to acquire the membership of NCEL, then the Group will have to pay Rs. 100.00 million to CAML. In such a case CAML will hold the membership in trust for the Group until such time, irrespective of the non-transferability of the membership, that the membership becomes legally transferable to the Group. The three year period mentioned in the agreement expired on March 22, 2006. However, the membership of NCEL has not been transferred to the Group so far as the SECP has extended the period of restriction on transfer of membership for a further period of six months, which also expired on September 30, 2006. Accordingly, during the year, Group has made the above-mentioned payment of Rs. 1.00 million to CAML and is included in the above referred amount.

11.6 These represent expenditure incurred on the incorporation and floatation of managed funds. These expenses are recoverable from the fund over a period ranging from 1 to 5 years and do not carry any mark-up.

## 12. SHORT TERM INVESTMENTS

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Assets at fair value through profit or loss** | | | |
| Listed equity securities | 12.1 | 5,779,888 | 3,067,773 |
| Government securities | | - | 686,575 |
| Term Finance Certificates | | 804 | 54,551 |
| Open-end fund units (at redemption price) | | 1,280,175 | 2,121,296 |
| | | 7,060,867 | 5,930,195 |
| **Available for sale** | | | |
| Equity securities | | | |
| - quoted | 12.1 | 2,268,926 | 1,631,255 |
| - unquoted - stated at cost | | 73,211 | - |
| Term Finance Certificates | | | |
| - quoted | | 161,083 | 302,359 |
| - unquoted - stated at cost | | 319,174 | 375,443 |
| Government securities | | 2,654,903 | - |
| Open-end fund units (at redemption price) | | 467,863 | 368,587 |
| | | 5,945,160 | 2,677,644 |
| | 12.2 | 13,006,027 | 8,607,839 |

The above investments are carried at market value except where mentioned specifically. The cost of the above investments amounts to Rs. 10,903.17 (2006: Rs. 5,339.60) million.

12.1 This includes investments in equity securities of related parties having market value of Rs. 4,471.68 (2006: Rs. 2,763.41) million.

12.2 This includes investments pledged with banks having market value of Rs. 3,558.05 (2006: Rs. 4,136.04) million costing Rs. 2,570.80 (2006: Rs. 4,177.05) million.

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 13. TRADE DEBTS

| | Note | 2007 | 2006 |
|---|---|---|---|
| Unsecured and considered good | | | |
| Debtors for purchase of shares on behalf of clients | | - | 1,060,948 |
| Receivable against sale of shares | | 61,622 | - |
| Trade debts for advisory services | | - | 20,872 |
| Forex and fixed income commission receivable | | - | 1,275 |
| | | 61,622 | 1,083,095 |

## 14. LOANS AND ADVANCES

| | Note | 2007 | 2006 |
|---|---|---|---|
| Current maturity of long term loans | 11 | 8,564 | 81,446 |
| Term loan | | | |
| considered good | 14.1 | 4,630,648 | 102,700 |
| considered doubtful | | 113,755 | 47 |
| | | 4,744,403 | 102,747 |
| Provision against non-performing loan | 14.2 | (113,755) | (47) |
| | | 4,630,648 | 102,700 |
| Advances - considered good | | | |
| Secured | | | |
| Subscription of term finance certificates | | - | 30,000 |
| Unsecured | | | |
| Against subscription of shares of related parties | 14.3 | 322,000 | - |
| Against subscription of Term Finance / Sukuk-ul Ijara Certificates | 14.4 | 410,000 | 124,500 |
| For purchase of office equipment | | 760 | 2,509 |
| Contractor | | 3,234 | 13,195 |
| Directors | 14.5 | - | 49 |
| Executives | 14.5 | 442 | 150 |
| Staff | 14.5 | 398 | 1,118 |
| | | 736,834 | 141,521 |
| | | 5,376,046 | 355,667 |

14.1 These carry mark-up ranging from 10.54% to 12.28% ( 2006: 10.00% to 14.00%) per annum and are secured by pledge of shares of listed companies, property of the borrowers and hypothecation of assets.

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |

**14.2 Particulars of provision for non-performing loan**

| | | 2007 | 2006 |
|---|---|---|---|
| Opening balance | | 47 | 24 |
| Charge for the year | | 113,708 | 23 |
| Closing balance | | 113,755 | 47 |

**14.3 Advance against subscription of shares of related parties**

| | Note | 2007 | 2006 |
|---|---|---|---|
| Credit Chex (Private) Ltd. | 14.3.1 | 97,000 | - |
| BankIslami Pakistan Ltd. | 14.3.2 | 225,000 | - |
| | | 322,000 | - |

14.3.1 This represents advance paid against subscription of shares in Credit Chex (Private) Ltd., as a result of a draft joint venture agreement to be entered into between the Group and DCD Services (Private) Ltd. (a joint venturer).

14.3.2 This represents advance paid for subscription of rights shares of a related party, BankIslami Pakistan Ltd. These shares have not been allotted to the Holding Company in view of the pending case in the Honourable High Court of Sindh at Karachi. However, as per the legal advisor of the Holding Company, the case is in the process of withdrawal between concerned parties, with no impact on the affairs of the Group (financial or otherwise). On withdrawal of the said case, the said right shares will be issued by BankIslami Pakistan Ltd. to the Holding Company. This will increase the Group's holding from 12.61% to 18.75% (See note10.3).

**14.4 Against subscription of Term Finance / Sukuk-ul Ijara Certificates**

| | Interest Rate | Tenor | No. of TFCs with face value of Rs.5,000 | Amount in '000 |
|---|---|---|---|---|
| Engro Chemicals Pakistan Ltd. - quoted | 6 Months KIBOR + 155 bps | 8 Years | 61,000 | 305,000 |
| KASB Securities Ltd. - unquoted | 6 Months KIBOR + 155 bps | 5 Years | 20,000 | 100,000 |
| Government of Pakistan - Sukuk-ul Ijara Certificates | 6 Months KIBOR + 45 bps | 8 Years | 1,000 | 5,000 |
| | | | | 410,000 |

14.5 The advances are provided to Chief Executive, Directors, Executives and other employees to meet personal expenses. In addition, advances are also given to executives against their salaries. These advances are recovered through deduction from salaries.

14.6 The maximum aggregate amount of advances due from directors at the end of any month during the year ended was Rs. 2.07 (2006: Rs. 0.05) million.

The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs. 0.68 (2006: Rs. 0.15) million.

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 15. ACCRUED MARK-UP

| | | | |
|---|---|---|---|
| Loans, advances and fund placements | | 53,602 | 7,488 |
| Reverse repurchase transactions | | - | 4,565 |
| Bank deposits | | 7,186 | 1,676 |
| Interest receivable from CEO | | 2,537 | - |
| Fund placements | | - | 26,425 |
| Government securities | | - | 1,751 |
| Term Finance Certificates | | 7,029 | 16,520 |
| | | 70,354 | 58,425 |

## 16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | | | |
|---|---|---|---|
| Deposits | | 145,424 | 2,712 |
| Prepayments | | 14,788 | 24,358 |
| Other receivables | | | |
| Dividend receivable | | 132,004 | 8,604 |
| Fair value of derivative financial instruments | | 2,345 | - |
| Receivable from Special Purpose Vehicle | | 16,129 | - |
| Remuneration from related parties | 16.1 | 249,811 | 209,750 |
| Commission from related parties | | 204 | 1,584 |
| Underwriting commission receivable from a related party | | - | 12,665 |
| Others | 16.2 | 99,897 | 17,945 |
| | | 500,390 | 250,548 |
| | | 660,602 | 277,618 |

16.1 This represents remuneration receivable from various Funds for services rendered as an asset management company. Remuneration for the period ended June 30, 2007 has been calculated from 1.00% to 3.00% (2006: 1.00% to 3.00%) of the net asset value of these Funds..

16.2 Included herein is a sum of Rs. 0.08 (2006: Rs. 0.31) million receivable from related parties.

## 17. FUND PLACEMENTS

Securities purchased under resale agreement:

| | | | |
|---|---|---|---|
| Secured and considered good | | | |
| Listed equity securities | | - | 2,692,156 |
| Government securities | 17.1 | 2,085,640 | 379,200 |
| | | 2,085,640 | 3,071,356 |
| Unsecured considered good | | - | 202,500 |
| Call money lending | | 3,595,000 | - |
| | | 5,680,640 | 3,273,856 |

17.1 These carry mark-up at the rate ranging from 8.93% to 9.60% (2006: 7.50% to 15.00%) per annum.

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 18. CASH AND BANK BALANCES

| | Note | 2007 | 2006 |
|---|---|---|---|
| Cash in hand | | 115 | 475 |
| Balances with banks on | | | |
| Current accounts | | | |
| local currency | | 1,193,616 | 95,805 |
| foreign currency | | 309,027 | 658 |
| | 18.1 | 1,502,643 | 96,463 |
| Deposit accounts | | | |
| local currency | | 74,854 | 1,111,294 |
| foreign currency | | 1,265,444 | 521,926 |
| | 18.2 | 1,340,298 | 1,633,220 |
| | | 2,843,056 | 1,730,158 |

18.1 Current accounts include a foreign currency frozen account balance of Rs. 0.25 (2006: 0.25) million.

18.2 These carry mark-up ranging from 1.00% to 10.00% (2006: 1.00% to 11.25%) per annum.

## 19. SHARE CAPITAL

### 19.1 Authorised capital

| 2007 | 2006 | | 2007 | 2006 |
|---|---|---|---|---|
| Number of shares | | | | |
| 50,000,000 | 50,000,000 | Ordinary shares of Rs.10 each | 500,000 | 500,000 |
| 100,000,000 | 100,000,000 | Preference shares of Rs. 10 each | 1,000,000 | 1,000,000 |
| 150,000,000 | 150,000,000 | | 1,500,000 | 1,500,000 |

### 19.2 Issued, subscribed and paid-up capital

| 2007 | 2006 | | Note | 2007 | 2006 |
|---|---|---|---|---|---|
| Number of shares | | | | | |
| | | Ordinary shares of Rs.10/- each : | | | |
| 23,387,500 | 23,387,500 | Fully paid in cash | | 233,875 | 233,875 |
| 11,612,500 | 11,612,500 | Fully paid bonus shares | | 116,125 | 116,125 |
| 35,000,000 | 35,000,000 | | | 350,000 | 350,000 |
| 70,000,000 | - | Fully paid 7% Class 'A' Preference shares of Rs. 10 each | 19.2.1 & 19.2.2 | 700,000 | - |
| 105,000,000 | 35,000,000 | | | 1,050,000 | 350,000 |

19.2.1 This represents non-participatory, non-voting and transferable, class 'A' preference shares, offered in the ratio of two preference shares for one ordinary share held, redeemable at par or convertible into one ordinary share for ten preference shares, at the option of the Holding Company on June 30th or December 31st of any calendar year prior to June 30, 2016. These carry a cumulative dividend of 7 percent per annum on the issue price.

These shares shall not carry any entitlement to the ordinary dividends, right shares or bonus shares, as may be announced by the Holding Company from time to time, or to participate in the profits of the Holding Company in any manner or any other rights whatsoever that are available to the ordinary shareholders.

19.2.2 On June 30, 2007, the Holding Company has exercised its right to convert all 70 Million Class "A" Preference Shares into Ordinary Shares of Rs. 10/- each at a conversion premium of Rs. 90/- i.e. at a total conversion price of Rs. 100/- for each Ordinary Share.

Accordingly, each holder of Class "A" Preference Shares shall be issued 1 (one) fully paid upOrdinary Share of the Holding Company for every 10 (ten) Class "A" Preference Shares i.e. in the ratio of 10:1. Such Ordinary Shares shall be allotted and issued within a further period of 30 days from the date of the completion of the book closure as mentioned herein below. Such Ordinary Shares after being issued shall rank pari passu in all respects with the other Ordinary Shares of the Holding Company then already issued by the Holding Company.

The transfer books pertaining to the Class "A" Preference shares will remain closed from October 23, 2007 to October 29, 2007 (both days inclusive) for entitlement of Ordinary Shares in lieu of the Preference Shares in the above-mentioned ratio.

## 20. RESERVES

| | 2007 | 2006 |
|---|---|---|
| | (Rupees in '000) | |
| **Capital reserve** | | |
| Premium on the issue of shares | 2,016,379 | 475,505 |
| **Revenue reserves** | | |
| General reserve | 2,500,000 | 1,500,000 |
| Foreign exchange translation reserve | 968 | (212) |
| Unappropriated profit | 4,240,430 | 2,777,150 |
| | 6,741,398 | 4,276,938 |
| **Other** | | |
| Unrealised gain on revaluation of available for sale investments -net | 1,732,408 | 1,580,119 |
| Hedging reserve | 241,048 | - |
| Preference shares redemption reserve | 25,302 | - |
| | 10,756,535 | 6,332,562 |

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 21. LONG TERM FINANCING

| | | | |
|---|---|---|---|
| Long term loans | 21.1 | 25,000 | 100,000 |
| Term Finance Certificates | 21.2 | 3,729,413 | 1,740,628 |
| Liability against Class A, B & C TFCs | 21.3 | 689,886 | - |
| | | 4,444,299 | 1,840,628 |

### 21.1 Long term loans - Secured

| | | | |
|---|---|---|---|
| Financial Institutions | | 87,500 | 316,667 |
| Less: Current portion shown under current liability | 27 | 62,500 | 216,667 |
| | | 25,000 | 100,000 |

JS ABAMCO Ltd. (a subsidiary company) has availed long term financing from MCB Bank Ltd. (MCB) which is secured by way of pledge of shares of the closed end funds managed by the Group, with a 12 month treasury bill rate plus 150 basis points with floor of 5.00% and from Bank Alfalah Ltd. which is secured against first equitable mortgage charge over the company's office premises on 7th floor of "The Forum" situated on Plot No. G-20, Block - 9, KDA Scheme No. 5, Khayaban-e-Jami, Clifton, Karachi, with a 6 months KIBOR plus 200 basis points with floor of 8.00%.

### 21.2 Term Finance Certificates (TFCs)

| | | | |
|---|---|---|---|
| **Secured** | | | |
| Second issue | 21.2.1 | 499,400 | 499,600 |
| Fifth issue | 21.2.2 | 1,094,275 | - |
| Advance against Sixth issue - net of transaction cost | 21.2.3 | 1,143,125 | - |
| **Unsecured** | | | |
| First issue | 21.2.4 | 249,700 | 499,400 |
| Third issue | 21.2.5 | 495,183 | 493,637 |
| Fourth issue | 21.2.6 | 498,470 | 498,291 |
| | | 3,980,153 | 1,990,928 |
| Less: Current portion shown under current liability | 27 | 250,740 | 250,300 |
| | | 3,729,413 | 1,740,628 |

21.2.1 The profit on these TFCs is payable semi-annually, based on the 6 month KIBOR average rate plus 150 basis points per annum for first 5 years, and thereafter, an increase of 0.10% a year for next 3 years and a further 0.10% a year for the last 2 years. The TFCs have a tenor of ten years i.e. 2004-2014 with a call option exercisable by the Holding Company at any time during the tenor of the TFCs after the first 2 years by giving a 3 months notice. These TFCs are secured against lien over a designated account with the Central Depository Company. The account contains marketable securities having a market value of Rs. 1,083.44 (2006: 723.37) million equal to the issue size with the regulatory margin as prescribed by the State Bank of Pakistan's Prudential Regulations. In the event of any sale and repurchase of marketable securities, the lead arranger will have a hypothecation charge on the ensuing receivable and a lien over subsequent cash which is to be maintained in a specified bank account.

21.2.2 The profit on these TFCs is payable semi-annually, based on a six months average KIBOR plus 250 basis points. These TFCs have a tenor of five and half years i.e. 2006 – 2012 with a call option exercisable by the Holding Company anytime after the expiration of one year from the date of issue upon giving to the TFC holders not less than 30 days irrevocable notice in writing at a premium equal to 1.00% of the outstanding issue price.

These TFCs are secured against first ranking charge on all present and future movable assets, but excluding pledge of listed securities offered as security along with the requisite margin on existing secured TFC of Rs. 500 million and current and future overdraft / short term borrowing limits upto Rs. 4,000 million at any time outstanding. However, the trustee will be authorised to issue No Objection Certificate for creation of pari passu floating charges in favour of other creditors, so long as and to the extent that the value of the movable assets of the Holding Company included in the floating charge exceeds 133% of the total liabilities secured by the floating charge in favour of the TFC holders.

21.2.3 Represents advance received against issue of privately placed TFCs of Rs. 1,250 million. The profit on these TFCs will be payable semi-annually, based on a six months average KIBOR plus 170 basis points. These TFCs will have a tenor of six and half years i.e. 2007 – 2013.

21.2.4 The profit on these unsecured TFCs is payable semi-annually, based on the cut-off yield of the last successful auction of 5 year Pakistan Investment Bonds (PIBs) held during the 6 month period plus 150 basis points per annum with a floor and cap of 7.50% and 13.00% per annum. The TFCs have a tenor of five years i.e. 2003-2008 with a call option exercisable by the Holding Company at any time during the tenor of the TFCs after the first 6 months by giving a 3 months notice at a premium of 1.00% of outstanding face value.

21.2.5 The profit on these unsecured TFCs is payable semi-annually at a fixed rate of 8.29% per annum. These TFCs have a tenor of five years i.e. 2004-2009 with a call option exercisable at the coupon dates only by the Holding Company at any time from the 30th month to the 54th month by giving a 30 days advance notice. The call price will include a call premium of 1.00% of then principal outstanding.

21.2.6 The profit on these TFCs is payable semi-annually, based on a six months average KIBOR plus 175 basis points. These TFCs have a tenor of five years i.e. 2005 – 2009 with a call option exercisable by the Holding Company any time from the 30th month to the 54th month by giving a 30 days notice. Call option will be exercised only on the coupon dates.

21.3 Liability against Class A, B & C TFCs

During the current period, JS ABAMCO Ltd., a Subsidiary Company has sold and assigned for Rs. 702.50 million its present and future management fee from few funds (listed below) under its management to Financial Receivables Securitization Company Ltd. (FRSCL), a special purpose vehicle, incorporated for this purpose in accordance with Companies (Asset Backed Securitisation) Rules, 1999.

Unit Trust of Pakistan
UTP-Islamic Fund
UTP-Income Fund
UTP-Growth Fund
UTP - Large Cap Fund (formerly ABAMCO Composite Fund)
BSJS Balanced Fund Ltd.

The sale of receivables has been treated as debt under EITF 88-18 " Sales of Future Revenue" and is being amortised under the interest method in books of the Group.

As per the terms of agreement between FRSCL and the Group, FRSCL raised finances by issuing TFCs to various investors with the following features.

| | |
|---|---|
| Total Issue Size | Rs. 702.5 million |
| Private Placement / Pre-IPO | Rs. 502.5 million |
| Initial Public Offering (IPO) | Rs. 200 million |
| Tenor | 7 years |
| Rate | 6 month KIBOR plus 200 bps (payable semi-annually) |
| Floor | 8.00% |
| Ceiling | 16.00% |
| Advisor and arranger | JS Global Capital Ltd. (formerly Jahangir Siddiqui Capital Markets Ltd.) |

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **22. DEPOSITS AND OTHER ACCOUNTS** | | | |
| Customers | | | |
| Fixed deposits | | 3,797,874 | - |
| Savings deposits | | 6,760,168 | - |
| Current accounts - Non-remunerative | | 2,517,977 | - |
| Margin accounts | | 10,814 | - |
| | | 13,086,833 | - |
| Current Maturity | 27 | 12,858,833 | - |
| | | 228,000 | - |
| Particulars of deposits | | 11,837,366 | - |
| In local currency | | 1,249,467 | - |
| In foreign currencies | | 13,086,833 | - |

This represent deposits received from customers. The maturity period ranges from three months to five years. The rate of return payable on these deposits ranging from 3.54% to 10.06% per annum.

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 23. DEFERRED TAX LIABILITY

| | Note | 2007 | 2006 |
|---|---|---|---|
| Taxable temporary difference | | | |
| Differences in account and tax bases of operating assets | | 9,699 | 28,021 |
| Deductible temporary differences | | | |
| Provision for non-performing loans | | (1,241) | (646) |
| | | 8,458 | 27,375 |

23.1 The Holding Company has not recorded deferred tax assets in view of uncertainty with respect to the availability of taxable profits in the future against which such losses can be utilised, as the profit for the year mainly comprises of capital gains on listed equity securities that are exempt for tax purpose under clause 110 of the Second Schedule to the Income Tax Ordinance, 2001. Further, the Holding Company has assessed and un-assessed carry forward tax losses amounting to Rs. 1,476.82 (2006: Rs. 725.54) million. The amount of deferred tax asset not recognised in these financial statements amo unts to Rs. 491.29 (2006: Rs. 285.55) million.

## 24. TRADE AND OTHER PAYABLES

| | Note | 2007 | 2006 |
|---|---|---|---|
| Payable against purchase of shares | | 1,195,879 | 77,021 |
| Creditor for sale of shares on behalf of clients | | 502,674 | 1,162,551 |
| Accrued expenses | | 456,460 | 345,504 |
| Bills payable | | 380,398 | - |
| Other liabilities | | | |
| Payable to a director | | - | 148 |
| Advance against equity shares | | - | 300,500 |
| Security deposits | | - | 1,233 |
| Unclaimed dividend | | 6,295 | 8,294 |
| Disputed tax liability | 24.1 | 49,293 | 49,293 |
| Others | | 72,040 | 14,522 |
| | | 127,628 | 373,990 |
| | | 2,663,039 | 1,959,066 |

24.1 Citibank Overseas Investment Corporation (COIC) had on February 1, 1999 entered into an agreement to sell 6.00 million shares of Jahangir Siddiqui Investment Bank Ltd. (JSIBL) (formerly Citicorp Investment Bank Ltd.) to the Holding Company and in that agreement it was agreed by the parties to the agreement that the purchase consideration of Rs. 123.90 million (representing 6.00 million shares at the rate of Rs.20.65 per share) would be adjusted to the extent of 70.00% if there is any subsequent reduction in total disputed tax liability as of December 31, 1998 amounting to Rs. 68.65 million as confirmed by a Chartered Accountant firm. Therefore as and when this disputed tax liability is resolved in favour of JSIBL, the Holding Company would pay to the COIC the above amount to the extent of 70.00% which would be adjusted against the purchase consideration for the investment in JSIBL. It should be noted that even if the matter is decided in favour of JSIBL, the matter is most likely to be referred to a higher forum.

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 25. ACCRUED INTEREST / MARK-UP ON BORROWINGS

| | | | |
|---|---|---|---|
| Long term financing | | 44,677 | 42,615 |
| Certificate of deposits | | - | 45,072 |
| Deposits | | 84,717 | - |
| Short term borrowings | | 47,207 | 2,031 |
| Repurchase transaction | | - | 11,962 |
| | | 176,601 | 101,680 |

## 26. SHORT TERM BORROWINGS

| | Note | 2007 | 2006 |
|---|---|---|---|
| Securities sold under repurchase agreements secured against: | | | |
| Government securities | | - | 1,024,387 |
| Term finance certificates | | - | 50,709 |
| | | - | 1,075,096 |
| Borrowing from banks/ NBFCs - unsecured | 26.1 | 287,720 | 893,000 |
| Short term redeemable capital | | - | 542,433 |
| Short term running finance under mark-up arrangements | 26.2 | 1,683,775 | 3,201,650 |
| | | 1,971,495 | 5,712,179 |

26.1 Represents amount borrowed from banks / NBFCs having mark-up rates ranging from 8.30% to 9.30% (2006: 9.25% to 9.75%) per annum.

26.2 The Group has short term running finance facilities under mark-up arrangements aggregating to Rs. 5,600.00 (2006: Rs. 5,676.89) million from various commercial banks having mark-up ranging from 11.03% to 12.55% (2006: 9.75% to 12.00%) per annum calculated on a daily product basis. The facilities utilised against these arrangements are secured against shares of listed companies having an aggregate fair value of Rs. 6,284.18 (2006: Rs. 5,368.10) million.

## 27. CURRENT PORTION OF NON-CURRENT LIABILITIES

| | Note | 2007 | 2006 |
|---|---|---|---|
| Long term financing | | | |
| Long term loans | 21.1 | 62,500 | 216,667 |
| Long term financing | 21.2 | 250,740 | 250,300 |
| Deposits and other accounts | 22 | 12,858,833 | - |
| Certificates of deposit | | - | 2,390,823 |
| | | 13,172,073 | 2,857,790 |

## 28. CONTINGENCIES AND COMMITMENTS

### 28.1 Contingency

28.1.1 As disclosed in the consolidated financial statements for the year ended June 30, 2006, that some shareholders had filed a suit claiming specific performance of Letters of Rights in respect of 2,687,988 Right Shares and permanent injunction to restrain the Holding Company from allotting these shares to any other person. Following the settlement between the parties concerned, a Consent Decree was passed by the Honourable Hight Court of Sindh on June 22, 2007 in Suit No. 886 of 2003 and therefore no contingencies exist.

| | 2007 | 2006 |
|---|---|---|
| | (Rupees in '000) | |
| 28.1.2 Transaction-related contingent liabilities<br>Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions. | | |
| i) Government | 10,665 | - |
| ii) Others | 15 | - |
| | 10,680 | - |
| 28.1.3 Other contingencies | | |
| Claims not acknowledged as debts | 108,425 | - |
| **28.2 Commitments** | | |
| Forward purchase of government securities | - | 100,000 |
| Forward sale commitments | 39,427 | - |
| Preferred dividend on preference shares | 28,326 | - |
| Commitments in respect of forward exchange contracts | | |
| Purchase | 3,204,714 | 2,100,726 |
| Sale | 3,062,625 | 1,998,007 |
| Commitments in respect of capital expenditure | 964 | 19,879 |
| Underwriting commitments | 550,925 | 212,500 |
| Assets acquired under operating lease | 1,800 | 1,680 |

## 29. RETURN ON INVESTMENTS

| | 2007 | 2006 |
|---|---|---|
| | (Rupees in '000) | |
| **Mark-up / interest income from:** | | |
| At fair value through profit or loss | | |
| Government securities | 28,412 | 52,099 |
| Term Finance Certificates | 67,992 | 11,665 |
| | 96,404 | 63,764 |
| Available for sale | | |
| Term Finance Certificates | 166,964 | 49,500 |
| Held to maturity | | |
| Defence Saving Certificates | 600 | 508 |
| | 263,968 | 113, 772 |
| Dividend income on: | | |
| Investments in associates | - | 5,181 |
| At fair value through profit or loss | 61,414 | 53,888 |
| Available for sale investments | 433,657 | 708,438 |
| | 495,071 | 767,507 |
| | 759,039 | 881,279 |

## 30. GAIN ON SALE OF INVESTMENTS - net

| | 2007 | 2006 |
|---|---|---|
| | (Rupees in '000) | |
| Investment in subsidiary | - | (75,000) |
| At fair value through profit or loss | | |
| Listed equity securities | 822,748 | 1,392,572 |
| Open ended fund | (8,473) | 230,022 |
| Government securities | 3,694 | 47,790 |
| Term Finance Certificates | 18,019 | 10,372 |
| | 835,988 | 1,680,756 |
| Available for sale | | |
| Unlisted equity securities | 7,287 | - |
| Listed equity securities | 1,348,420 | 54,433 |
| | 2,191,695 | 1,660,189 |

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 31. INCOME FROM LONG-TERM LOANS AND FUND PLACEMENTS

| | Note | 2007 | 2006 |
|---|---|---|---|
| Interest on loans to staff | | 3,719 | 2,260 |
| Interest on loans and advances | | 202,158 | 10,194 |
| Interest on short term loan | | 10,992 | 38,700 |
| Interest on deposits with financial institutions | | 36,518 | - |
| Return on Certificates of Deposits | | - | 118 |
| Return on reverse repurchase transactions of: | | | |
| Listed equity securities | | 120,427 | 321,945 |
| Government securities | | 44,155 | 73,047 |
| | | 164,582 | 394,992 |
| Others | | 48,666 | - |
| | | 466,635 | 446,264 |

## 32. FEE AND COMMISSION

| | Note | 2007 | 2006 |
|---|---|---|---|
| Consultancy and advisory fee | | 35,930 | 99,831 |
| Underwriting commission | | 10,132 | 12,491 |
| Commission income | | 28,548 | 20,140 |
| Remuneration from funds under management | 32.1 | 461,647 | 461,144 |
| Brokerage Income | | 75,115 | 339,297 |
| Custodial charges | | 308 | - |
| | | 611,680 | 932,903 |

### 32.1 Remuneration from funds under management

| | 2007 | 2006 |
|---|---|---|
| Closed-end funds | | |
| BSJS Balanced Fund Ltd. | 38,010 | 37,481 |
| JS ABAMCO Stock Market Fund | - | 32,645 |
| JS ABAMCO Growth Fund | - | 19,417 |
| JS ABAMCO Capital Fund | - | 69,014 |
| UTP Large Capital Fund (Formerly JS ABAMCO Composite Fund) | 72,764 | 80,726 |
| UTP Growth Fund | 116,605 | 7,590 |
| | 227,379 | 246,873 |
| Open-end funds | | |
| Unit Trust of Pakistan | 73,297 | 74,141 |
| UTP - Income Fund | 61,874 | 30,004 |
| UTP - Islamic Fund | 26,297 | 22,943 |
| UTP - Aggressive Asset Allocation Fund | 57,624 | 85,750 |
| UTP - Fund of Funds | 1,630 | 1,433 |
| UTP - A - 30 + Fund | 7,822 | - |
| UTP - Capital Protected Fund | 4,793 | - |
| UTP - Capital Protected Fund II | 931 | - |
| | 234,268 | 214,271 |
| | 461,647 | 461,144 |

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 33. OTHER INCOME

| | Note | 2007 | 2006 |
|---|---|---|---|
| Gain on sale of property and equipment | | 59,972 | 1,510 |
| Gain on sale of investment properties | | - | 5,901 |
| Rent income | | 26,858 | 12,417 |
| Return on bank deposit accounts | | 18,663 | 22,649 |
| Exchange gain | | 2,064 | - |
| Other income | | 17,554 | 6,712 |
| | | 125,111 | 49,189 |

## 34. OPERATING AND ADMINISTRATIVE EXPENSES

| | Note | 2007 | 2006 |
|---|---|---|---|
| Salaries and benefits | | 534,565 | 357,191 |
| Telephone, fax, telegram and postage | | 21,003 | 13,300 |
| Vehicle running | | 5,398 | 7,495 |
| Directors' meeting fee | | 844 | 1,436 |
| Utilities | | 12,438 | 9,491 |
| Newspapers and periodicals | | 971 | 2,157 |
| Conveyance and travelling | | 46,876 | 20,249 |
| Repairs and maintenance | | 17,887 | 2,843 |
| Computer expenses | | 23,720 | 15,396 |
| Auditors' remuneration | 34.1 | 7,366 | 4,043 |
| Royalty fee | 34.2 | 25,525 | 22,400 |
| Consultancy fee | | 15,942 | 38,609 |
| Advisory fee | 34.3 | 117,000 | 102,000 |
| Legal and professional charges | | 39,959 | 26,632 |
| Printing and stationery | | 11,080 | 14,285 |
| Rent, rates and taxes | | 74,424 | 23,361 |
| Insurance | | 9,810 | 9,660 |
| Entertainment | | 2,649 | 2,210 |
| Advertisement | | 104,877 | 31,310 |
| Office supplies | | 1,096 | 859 |
| Depreciation | 34.4 | 66,291 | 44,061 |
| Amortisation of intangible assets | | 101,056 | 19,973 |
| Provision against non-performing loans and advances | | 5,056 | - |
| Fees and subscription | | 23,311 | 22,928 |
| Donations | 34.5 | 54,404 | 50,699 |
| Brokerage and commission expense | | 34,160 | 10,330 |
| Clearing fees | | 15,934 | 40,656 |
| Office security | | 7,518 | 4,988 |
| Exchange loss | | - | 503 |
| Others | | 31,148 | 2,580 |
| | | 1,412,308 | 901,645 |

34.1 Auditors' remuneration

Auditors' remuneraton includes the following:

| | Holding company | Subsidiary companies | 2007 | 2006 |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| Annual audit fee | 450 | 2,887 | 3,337 | 1,330 |
| Half-yearly review fee | 165 | 607 | 772 | 570 |
| Certifications and other services | 1,395 | 1,575 | 2,970 | 1,863 |
| Out of pocket expenses | 49 | 238 | 287 | 280 |
| | 2,059 | 5,307 | 7,366 | 4,043 |

34.2 This represents the royalty payable under agreements approved by the Board of Directors of the respective Companies.

34.3 Represents amount paid / payable to an individual and a director for advisory services rendered in terms of their respective agreements duly approved by the Board of Directors.

| | Note | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **34.4 Depreciation** | | | |
| Depreciation on operating assets | 6.1 | 65,651 | 43,422 |
| Depreciation on investment properties | 7 | 640 | 639 |
| | | 66,291 | 44,061 |

34.5 This includes donation by the Holding Company, JSIBL, JSBL, JS ABAMCO Ltd. and JSGCL (formerly JSCML) of Rs. 44.66 million, Rs. nil, Rs. 9.23 million and Rs.nil (2006: Rs. 25.13 million, Rs.10.50 million, Rs. 3.00 million and Rs.6.10 million) respectively to Siddiqui Foundation in which Mr. Ali J. Siddiqui, Mr. Munaf Ibrahim and Mr. Munawar Alam Siddiqui (director JS ABAMCO Ltd.) are directors. No other directors or their spouses have any interest in any other donee's fund to which donation was made.

## 35. FINANCE COST

| | 2007 | 2006 |
|---|---|---|
| | (Rupees in '000) | |
| Mark-up on: | | |
| Short term running finance | 261,208 | 192,748 |
| Long term financing | 339,075 | 252,897 |
| Borrowing from banks/ NBFCs | 40,680 | 150,879 |
| Redeemable capital | 43,942 | - |
| | 684,905 | 596,524 |
| Return of certificates of deposits | 388,214 | 249,827 |
| Repurchase transactions of: | | |
| Listed equity securities | 33,719 | 8,024 |
| Government securities | - | 92,344 |
| Term Finance Certificates | - | 5,453 |
| | 33,719 | 105,821 |
| Amortisation of transaction cost | 38,908 | 2,621 |
| Bank charges | 3,160 | 1,297 |
| | 1,148,906 | 956,090 |

## 36. SHARE OF PROFIT OF ASSOCIATES AND JOINT VENTURES

| Name | 2007 Profit after tax | 2007 Share of Profit after tax | 2006 Profit after tax | 2006 Share of Profit after tax |
|---|---|---|---|---|
| | (Rupees in `000) | | | |
| Associates | | | | |
| Network Microfinance Bank Ltd. | (11,109) | (1,147) | (4,000) | (1,200) |
| JS Global Capital Ltd. (formerly JSCML) | 402,818 | 153,575 | - | - |
| EFU Life Assurance Ltd. | 109,133 | 10,146 | - | - |
| BSJS Balanced Fund Ltd. | 658,483 | 114,482 | 524,437 | 38,213 |
| Azgard Nine Ltd. | (195,733) | (79,482) | 186,103 | 9,374 |
| EFU Services (Private) Ltd. | 30 | 11 | 24 | 7 |
| | 963,622 | 197,585 | 706,564 | 46,394 |
| Joint Ventures | | | | |
| DCD JS Factors (Private) Ltd. | (652) | (326) | 135 | 67 |
| DCD JS Factors, Inc. | (1,058) | (529) | 1,034 | 517 |
| | (1,710) | (855) | 1,169 | 584 |
| | 961,912 | 196,730 | 707,733 | 46,978 |

## 37. TAXATION

| | Jahangir Siddiqui & Company Ltd. | JS Bank Ltd. | Jahangir Siddiqui Investment Bank Ltd. | JS Global Capital Ltd. (formerly JSCML) | JS ABAMCO Ltd. | June 30, 2007 | June 30, 2006 |
|---|---|---|---|---|---|---|---|
| | Note 37.1 | Note 37.2 | Note 37.2 | Note 37.3 | Note 37.4 | | |
| | | | | (Rupees in '000) | | | |
| This is made up as follows: | | | | | | | |
| Current | 18,965 | 3,270 | 1,837 | 10,261 | 23,338 | 57,671 | 142,108 |
| Prior year's | (56) | - | - | - | (13,110) | (13,166) | (9,888) |
| Deferred | - | 1,211 | (26,250) | 17 | 6,472 | (18,550) | 2,674 |
| | 18,909 | 4,481 | (24,413) | 10,278 | 16,700 | 25,955 | 134,894 |

37.1 The income tax assessments of the holding company upto assessment year 2002-2003 corresponding to accounting year ended June 30, 2002 have been finalised. Income tax returns for the tax years 2003, 2004, 2005 and 2006 have been filed on self assessment basis and are deemed to be assessed under Section 120 of the Income Tax Ordinance, 2001. Further the holding company has assessed and un-assessed carry forward tax losses amounting to Rs. 1,476.82 (2006: Rs. 725.54) million. The amount of deferred tax asset not recognized in these financial statements amounts to Rs. 491.29 (2006. Rs. 285.55) million.

37.2 The income tax assessments of the company have been finalised upto and including the assessment year 2001-2002 (financial year ended June 30, 2001). The income tax assessments for tax years 2003, 2004, 2005 and 2006 have been filed under the self assessment scheme and are deemed to be finalised under section 120 of the Income Tax Ordinance, 2001.

37.3 Income tax assessments of JSGCL (formerly JSCML) have been finalised up to and including tax year 2006, under section 120 of the Income Tax Ordinance, 2001.

37.4 The income tax assessments of JS ABAMCO Ltd. have been finalised upto and including the assessment year 2001-2002 (financial year ended June 30, 2001). The income tax assessments for tax year) 2003, 2004, 2005 and 2006 have been filed under the self assessment scheme and are deemed to be finalised under section 120 of the Income Tax Ordinance, 2001.

37.5 The income tax assessments of JS Infocom Ltd. for the tax years 2004, 2005 and 2006 have been filed and are deemed to have been assessed under the Income Tax Ordinance, 2001, unless selected by the taxation authorities for audit purposes.

37.6 Numerical reconciliation between the average effective tax rate and the applicable tax rate has not been presented as provision for current year income tax has been made under the provisions of minimum tax u/s 113 of the Income Tax Ordinance, 2001.

| | 2007 | 2006 |
|---|---|---|
| | (Rupees in '000) | |

## 38. BASIC AND DILUTED EARNINGS PER SHARE

| | 2007 | 2006 |
|---|---|---|
| Profit after taxation attributable to equity holders of the parent | 2,550,780 | 1,671,520 |
| Less: Cumulative preference dividend on convertible preference shares | (28,326) | - |
| Profit after taxation attributable to Ordinary shareholders of the parent | 2,522,454 | 1,671,520 |
| | (Numbers in '000) | |
| Number of Ordinary shares outstanding during the period | 35,000 | 35,000 |
| Convertible Preference shares | 7,000 | - |
| Weighted average number of Ordinary shares adjusted for the effect of dilution | 42,000 | 35,000 |
| | (Rupees) | |
| Earnings / (loss) per share: | | |
| Basic | 72.07 | 47.76 |
| Diluted | 60.73 | 47.76 |

| | 2007 | 2006 |
|---|---|---|
| | (Rupees in '000) | |

## 39. CASH AND CASH EQUIVALENTS

| | 2007 | 2006 |
|---|---|---|
| Cash and bank balances | 2,843,056 | 1,730,158 |
| Short-term running finance utilised under mark-up arrangement | (1,683,775) | (3,201,650) |
| Borrowing from bank / NBFCs. | (287,720) | (893,000) |
| | 871,561 | (2,364,492) |

## 40. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 40.1 Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its funding requirements. To guard against the risk, the Group has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalent and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table below in interest rate risk exposure summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities at the year-end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

### 40.2 Yield / Interest rate risk exposure

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

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

The effective yield / interest rates are disclosed in the respective notes to the financial statements.

| | Effective yield / interest rate % | Interest / mark up bearing: Up to one year | Over one year to five years | Over five years | Total | Non-interest Markup bearing | Total June 30 2007 |
|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | | |
| June 30, 2007 | | | | | | | |
| Financial assets | | | | | | | |
| Investments | 10.00-18.03 | 2,757,529 | 748,727 | - | 3,506,256 | 16,056,190 | 19,562,446 |
| Loans, advances and receivables | 8.00-12.00 | 4,578,251 | 111,202 | 14,786 | 4,704,239 | 608,766 | 5,313,005 |
| Long term security deposits | - | - | - | - | - | 147,918 | 147,918 |
| Trade debts | - | - | - | - | - | 61,622 | 61,622 |
| Accrued markup and other receivables | - | 20,895 | - | - | 20,895 | 695,273 | 716,168 |
| Fund placements | 9.00-15.00 | 5,680,640 | - | - | 5,680,640 | - | 5,680,640 |
| Cash and bank balances | 1.00-10.00 | 1,498,256 | - | - | 1,498,256 | 1,348,424 | 2,846,680 |
| | | 14,535,571 | 859,929 | 14,786 | 15,410,286 | 18,918,193 | 34,328,479 |
| Financial liabilities | | | | | | | |
| Long term financing | 8.29-13.59 | 313,520 | 2,116,508 | 2,327,511 | 4,757,539 | - | 4,757,539 |
| Deposits and other accounts | 3.54-10.06 | 10,330,041 | 228,000 | - | 10,558,041 | 2,528,791 | 13,086,832 |
| Trade and other payables | - | - | - | - | - | 2,663,040 | 2,663,040 |
| Accrued interest / mark-up | - | - | - | - | - | 176,601 | 176,601 |
| Short term borrowings | 8.30-12.55 | 1,971,495 | - | - | 1,971,495 | - | 1,971,495 |
| | | 12,615,056 | 2,344,508 | 2,327,511 | 17,287,075 | 5,368,432 | 22,655,507 |

| | Effective yield / interest rate % | Interest / mark up bearing: Up to one year | Over one year to five years | Over five years | Total | Non-interest Markup bearing | Total June 30 2006 |
|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | | |
| June 30, 2006 | | | | | | | |
| Financial assets | | | | | | | |
| Investments | 6.00-18.03 | 1,199,573 | 21,706 | - | 1,221,279 | 12,350,229 | 13,571,508 |
| Loans and advances | 8.00-14.74 | 337,893 | 33,341 | - | 371,234 | 36,872 | 408,106 |
| Security deposits | - | - | - | - | - | 8,616 | 8,616 |
| Trade debts | - | - | - | - | - | 1,083,095 | 1,083,095 |
| Accrued markup and other receivables | - | - | - | - | - | 308,973 | 308,973 |
| Fund placements | 7.50-17.00 | 3,273,856 | - | - | 3,273,856 | - | 3,273,856 |
| Cash and bank balances | 1.00-11.25 | 1,630,902 | - | - | 1,630,902 | 99,256 | 1,730,158 |
| | | 6,442,224 | 55,047 | - | 6,497,271 | 13,887,041 | 20,384,312 |
| Financial liabilities | | | | | | | |
| Long term financing | 7.50-11.13 | 467,067 | 1,342,128 | 498,400 | 2,307,595 | - | 2,307,595 |
| Certificate of deposits | 7.50-12.75 | 2,390,823 | 240,603 | | 2,631,426 | - | 2,631,426 |
| Trade and other payables | - | - | - | - | - | 1,909,773 | 1,909,773 |
| Accrued interest / mark-up | - | - | - | - | - | 101,680 | 101,680 |
| Short term borrowings | 8.35-11.91 | - | - | 5,712,179 | 5,712,179 | - | 5,712,179 |
| | | 2,857,890 | 1,582,731 | 6,210,579 | 10,651,200 | 2,011,453 | 12,662,653 |

### 40.3 Fair value of financial instruments

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

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

The carrying values of all the financial assets and liabilities reflected in the financial statements approximate their fair values.

### 40.4 Concentration of credit risk and credit exposure of the financial instruments

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the credit worthiness of the same.

Concentration of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate the relative sensitivity of a Group's performance to developments affecting a particular industry.

The Group is exposed to credit risk on loans, funds placements and certain advances. The Group seeks to minimise its credit risk exposure through having exposures only to customers considered creditworthy by obtaining adequate collateral.

## 41. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over other party in making financial and operating decisions. Related parties comprise of associated companies, directors and key management personnel. The Group in the normal course of business carries out transactions with various related parties. Amount due from and to these related parties are shown under receivables and payables, reverse repos are shown under fund placements and the remuneration of chief executives, directors and executives are disclosed in note 42. The name, relationship and transactions with the related parties are given below:

| RELATIONSHIP WITH THE GROUP | NATURE OF TRANSACTIONS | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Associates | | | |
| Azgard Nine Ltd. | | | |
| | Advisory fee | - | 1,026 |
| | Fund placements | - | 63,000 |
| | Shares received against conversion of preference shares [ Nil (2006: 2,857,142 shares)] | - | 42,017 |
| | Right shares subscribed [ Nil (2006: 39,574,672 shares)] | - | 1,048,707 |
| | Shares underwritten [ Nil (2006: 13,632,073 shares)] | - | 299,224 |
| BSJS Balanced Fund Ltd. | | | |
| | Remuneration income | 38,010 | 37,481 |
| EFU Life Assurance Ltd. | | | |
| | Bonus shares received during the year 4,402,865 (2006: 1,798,349 shares) | | |
| Pak-American Fertilizers Ltd. [Formerly Dominion Fertilizer (Private) Ltd.] | | | |
| | Investment in term finance certificates (TFCs) | 300,000 | - |
| | Return on investments in TFCs | 27,909 | - |
| | Advisory fee | 5,750 | - |
| Joint Venture | | | |
| DCD JS Factors (Private) Ltd. | | | |
| | Advisory and consultancy fee | 180 | 180 |
| Credit Chex (Private) Ltd. | | | |
| | Advance for investment | 97,000 | - |
| Common Directorship | | | |
| BankIslami Pakistan Ltd. | | | |
| | Advance against shares subscription | 225,000 | 264,930 |
| | Rent income | - | 530 |
| Eye Television Network Ltd. | | | |
| | Take-up commission | - | 147 |
| | Shares purchased | - | 9,782 |
| Attock Petroleum Ltd. | | | |
| | Dividend Income | 17,260 | 8,630 |
| Pakistan International Container Terminal Ltd. | | | |
| | Sale of money market instrument | 61,226 | - |

| RELATIONSHIP WITH THE GROUP | NATURE OF TRANSACTIONS | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Director / Chief Executive Officer (CEO) | | | |
| Mr. Ali J. Siddiqui | | | |
| | Consultancy fees paid by a subsidiary | - | 5,100 |
| Mr. Siraj Ahmed Dadabhoy | | | |
| | Mark-up on loan | 1,036 | 3,676 |
| | Repayment of loan | 32,000 | - |
| Mr. Muhammad Najam Ali<br>CEO - JS ABAMCO Ltd. | Mark-up on loan | - | 2,217 |
| Common Directorship /<br>Key Management Personnel | | | |
| Siddiqui Foundation | | | |
| | Donation | 54,956 | 44,734 |
| Staff Provident Fund | | | |
| | Contributions during the year | 11,783 | 3,989 |
| Investment Advisor | | | |
| ABAMCO Growth Fund | | | |
| | Remuneration income | - | 19,416 |
| ABAMCO Stock Market Fund | | | |
| | Remuneration income | - | 32,645 |
| ABAMCO Capital Fund | | | |
| | Remuneration income | - | 69,014 |
| UTP Growth Fund | | | |
| | Remuneration income | 116,605 | 7,589 |
| | Dividend Income | 117,370 | 125,084 |
| | Preliminary expenses incurred on behalf of the fund | - | 1,625 |
| Asset Manager | | | |
| UTP-Large Cap Fund (formerly ABAMCO Composite Fund) | | | |
| | Remuneration income | 72,764 | 80,726 |
| | Dividend Income | 82,840 | 144,182 |
| | Received against long term receivable | 6,000 | 6,000 |
| UTP-Islamic Fund | | | |
| | Remuneration income | 26,297 | 22,943 |
| | Commission income | 772 | 1,385 |
| | Units purchased | 20,000 | - |
| | Units redeemed | 20,291 | - |

| RELATIONSHIP WITH THE GROUP | NATURE OF TRANSACTIONS | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| UTP - Income Fund | | | |
| | Remuneration income | 61,874 | 30,004 |
| | Commission income | 820 | 1,268 |
| | Units purchased | 558,074 | - |
| | Units redeemed | 566,200 | - |
| Unit Trust of Pakistan | | | |
| | Remuneration income | 73,297 | 74,141 |
| | Commission income | 3,945 | 4,067 |
| UTP - Aggressive Asset Allocation Fund | | | |
| | Remuneration income | 57,624 | 85,750 |
| | Commission income | 1,796 | 6,595 |
| | Preliminary expenses incurred on behalf of the fund | - | 1,000 |
| | Other expenses incurred on behalf of the fund | 322 | - |
| UTP - Fund of Funds | | | |
| | Remuneration income | 1,630 | 1,434 |
| | Commission income | - | 398 |
| | Other expenses incurred on behalf of the fund | 178 | - |
| | Preliminary expenses incurred on behalf of the fund | - | 1,135 |
| UTP - A 30+ Fund | | | |
| | Remuneration income | 7,822 | - |
| | Commission income | 211 | 2 |
| | other expenses incurred on behalf of the fund | 92 | 208 |
| | Preliminary expenses incurred on behalf of the fund | - | 1,000 |
| | Units purchased | 51,750 | - |
| | Units redeemed | 53,858 | - |
| UTP - Capital Protected Fund | | | |
| | Remuneration income | 4,793 | - |
| | Commission income | 4 | - |
| | Preliminary expenses incurred on behalf of the fund | 1,497 | - |
| | Other expenses incurred on behalf of the fund | 22 | - |
| | Other expenses reimbursed | 20 | - |
| | Units purchased - seed capita | 14,079 | - |

| RELATIONSHIP WITH THE GROUP | NATURE OF TRANSACTIONS | 2007 | 2006 |
|---|---|---|---|
| | | (Rupees in '000) | |
| UTP - Capital Protected Fund-II | | | |
| | Remuneration income | 931 | - |
| | Preliminary expenses incurred on behalf of the fund | 1,062 | - |
| | Other expenses incurred on behalf of the fund | 135 | - |
| | Units purchased - seed capital | 266,000 | - |
| JS Pension Savings Fund Equity | | | |
| | Units purchased - Seed capital | 30,000 | - |
| JS Pension Savings Fund Debt | | | |
| | Units purchased - Seed capital | 30,000 | - |
| JS Pension Savings Fund Money market | | | |
| | Units purchased - Seed capital | 30,000 | - |
| Private Equity Fund | | | |
| | Expenses incurred | - | 4,229 |

The Group continues to have a policy whereby all transactions with related parties are entered into at arm's length prices using admissible valuation method.

## 42. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including certain benefits to directors, chief executives and executives of the Group is as follows:

| | Directors | | Chief Executives | | Executives | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | (Rupees in '000) | | | | | |
| Managerial remuneration | 8,888 | 10,094 | 8,671 | 11,271 | 28,005 | 28,033 |
| House rent allowance | 472 | 671 | 1,562 | 2,782 | 10,157 | 10,226 |
| Utilities allowance | 790 | 768 | 867 | 1,008 | 2,800 | 2,344 |
| Sub-brokerage, commission and performance bonus | 780 | 1,385 | 111,624 | 92,134 | 12,073 | 12,733 |
| Advisory fee | 86,870 | 76,000 | - | - | - | - |
| Contribution to provident fund | 741 | 820 | 868 | 1,128 | 2,142 | 2,104 |
| Medical | 789 | 820 | 540 | 584 | 2,021 | 1,493 |
| Reimbursable expenses | 132 | 59 | 447 | 549 | 1,035 | 1,108 |
| | 99,462 | 90,617 | 124,579 | 109,456 | 58,233 | 58,041 |
| Number of persons | 4 | 6 | 3 | 4 | 47 | 34 |

42.1 The Group also provides the chief executives and certain executives with Group maintained cars.

42.2 The Group has also paid Rs. 0.48 (2006: Rs. 0.48) million to two non-executive directors as fee for directors / committee meetings.

## 43. SEGMENT INFORMATION

For management purposes the Group is organised into following major business segments:

| | |
|---|---|
| Capital market operations | Principally engaged in trading of equity securities and maintaining strategic and trading portfolios and brokerage income. |
| Fixed income operations | Principally engaged in fixed income trading and management of the Group's funding operations by use of government securities and placements. |
| Banking | Principally engaged in providing investment andcommercial banking services. |
| Investment advisor / assets manager | Principally providing investment advisory and asset management services to different mutual funds and unit trusts. |
| Others | Principally engaged in providing telecommunication, underwriting consultancy services, research and corporate finance. |

| | Capital Market Operaions Strategic | Capital Market Operaions Trading & Brokerage | Fixed income operations | Banking | Investment advisor / assets manager | Others | Total |
|---|---|---|---|---|---|---|---|
| | ---- | ---- | ---- | (Rupees in '000) | ---- | ---- | ---- |
| June 30, 2007 | | | | | | | |
| Return on investments | 175,422 | 62,408 | 3,303 | 246,843 | 252,829 | 17,634 | 758,439 |
| Gain on sale of investments - net | 1,267,489 | 604,344 | 8,274 | 100,647 | 213,351 | (2,410) | 2,191,695 |
| Income from long term loans and fund placements | - | 4,068 | 3,002 | 448,739 | 5,750 | 5,030 | 466,589 |
| Fee and commission | - | 77,958 | - | 40,907 | 471,090 | 21,725 | 611,680 |
| Gain/(loss) on revaluation of investments carried at fair value through profit and loss account - net | - | 1,037,454 | - | (19,208) | - | 25,232 | 1,043,478 |
| Unallocated revenue | - | - | - | - | - | - | 125,757 |
| | 1,442,911 | 1,786,232 | 14,579 | 817,928 | 943,020 | 67,211 | 5,197,638 |
| Share of profit / loss: | | | | | | | |
| Associates | 197,585 | - | - | - | - | - | 197,585 |
| Joint ventures | (855) | - | - | - | - | - | (855) |
| | 1,639,641 | 1,786,232 | 14,579 | 817,928 | 943,020 | 67,211 | 5,394,368 |
| Operating and administrative expenses | 368,486 | 134,943 | 12,694 | 377,482 | 369,630 | 99,275 | 1,362,510 |
| Finance cost | 323,670 | 268,597 | 8,048 | 447,867 | 100,656 | 68 | 1,148,906 |
| Provision for impairment against investments | - | - | - | 2,113 | - | - | 2,113 |
| | 692,156 | 403,540 | 20,742 | 827,462 | 470,286 | 99,343 | 2,513,529 |
| Segment results | 947,485 | 1,382,692 | (6,163) | (9,534) | 472,734 | (32,132) | 2,880,839 |
| Unallocated expenditure | - | - | - | - | - | - | 49,798 |
| Loss before taxation | 947,485 | 1,382,692 | (6,163) | (9,534) | 472,734 | (32,132) | 2,831,041 |
| Taxation: | | | | | | | |
| Segment | 12,421 | 15,070 | 64 | 5,107 | 23,338 | 935 | 56,935 |
| Prior period | - | - | - | - | (13,110) | (56) | (13,166) |
| Deferred | - | 17 | - | (25,039) | 6,472 | - | (18,550) |
| Unallocated revenue | - | - | - | - | - | - | 736 |
| | 12,421 | 15,087 | 64 | (19,932) | 16,700 | 879 | 25,955 |
| Net profit / (loss) after taxation | 935,064 | 1,367,605 | (6,227) | 10,398 | 456,034 | (33,011) | 2,805,086 |
| Minority Interest | - | (12,382) | - | (12,630) | (228,593) | (701) | (254,306) |
| Profit Attributable to Holding Company | 935,064 | 1,355,223 | (6,227) | (2,232) | 227,441 | (33,712) | 2,550,780 |
| Other Information | | | | | | | |
| Segment assets | 6,501,699 | 7,996,176 | - | 18,383,302 | 2,136,361 | 715,117 | 35,732,655 |
| Unallocated assets | | | | | | | 1,226,789 |
| Total assets | | | | | | | 36,959,444 |
| Segment liabilities | 4,024,830 | 2,922,923 | - | 14,390,760 | 893,967 | 9,091 | 22,241,571 |
| Unallocated liabilities | | | | | | | 422,394 |
| Total liabilities | | | | | | | 22,663,965 |
| Depreciation and amortisation | | | | | | | 168,159 |
| Capital expenditure | | | | | | | 349,962 |

| | Capital Market Operaions Strategic | Capital Market Operaions Trading & Brokerage | Fixed income operations | Banking | Investment advisor / assets manager | Others | Total |
|---|---|---|---|---|---|---|---|
| | ---------- | ---------- | ---------- | (Rupees in '000) | ---------- | ---------- | ---------- |
| June 30, 2006 | | | | | | | |
| Return on investments | 170,569 | 53,888 | 57,606 | 265,172 | 333,536 | - | 880,771 |
| Gain on sale of investments - net | 54,433 | 1,023,568 | 11,879 | 505,974 | 139,335 | (75,000) | 1,660,189 |
| Income from long term loans and fund placements | - | 80,782 | 32,594 | 326,899 | 5,989 | - | 446,264 |
| Fee and commission | - | 416,549 | 10,017 | | 475,405 | 30,932 | 932,903 |
| Gain/(loss) on revaluation of investments carried at fair | | - | | | | | |
| value through profit and loss account - net | - | 191,082 | (3,499) | (26,071) | - | - | 161,512 |
| Unallocated revenue | - | - | - | - | - | - | 49,697 |
| | 225,002 | 1,765,869 | 108,597 | 1,071,974 | 954,265 | (44,068) | 4,131,336 |
| Share of profit / loss: | | | | | | | |
| Associates | 46,394 | - | - | - | - | - | 46,394 |
| Joint ventures | 584 | - | - | - | - | - | 584 |
| | 271,980 | 1,765,869 | 108,597 | 1,071,974 | 954,265 | (44,068) | 4,178,314 |
| Operating and administrative expenses | 237,762 | 221,936 | 13,850 | 104,086 | 283,181 | 14,242 | 875,057 |
| Finance cost | 271,571 | 72,666 | 103,038 | 416,271 | 70,019 | 22,525 | 956,090 |
| Provision for impairment against investments | - | - | - | - | - | - | - |
| | 509,333 | 294,602 | 116,888 | 520,357 | 353,200 | 36,767 | 1,831,147 |
| Segment results | (237,353) | 1,471,267 | (8,291) | 551,617 | 601,065 | (80,835) | 2,347,167 |
| Unallocated expenditure | - | - | - | - | - | - | 26,588 |
| Loss before taxation | (237,353) | 1,471,267 | (8,291) | 551,617 | 601,065 | (80,835) | 2,320,579 |
| Taxation: | | | | | | | |
| Segment | 8,319 | 54,181 | 510 | 11,892 | 65,711 | 1,351 | 141,964 |
| Prior period | - | (2,157) | - | - | (7,731) | - | (9,888) |
| Deferred | - | 194 | - | - | 2,480 | - | 2,674 |
| Unallocated revenue | - | - | - | - | - | - | 144 |
| | 8,319 | 52,218 | 510 | 11,892 | 60,460 | 1,351 | 134,894 |
| Net profit / (loss) after taxation | (245,672) | 1,419,049 | (8,801) | 539,725 | 540,605 | (82,186) | 2,185,685 |
| Minority Interest | - | (65,232) | - | (195,290) | (263,432) | 9,789 | (514,165) |
| Profit Attributable to holding company | (245,672) | 1,353,817 | (8,801) | 344,435 | 277,173 | (72,397) | 1,671,520 |
| Other Information | | | | | | | |
| Segment assets | 4,101,688 | 7,185,954 | 941,978 | 5,197,372 | 2,254,824 | 806,948 | 20,488,764 |
| Unallocated assets | | | | | | | 171,709 |
| Total assets | | | | | | | 20,660,473 |
| Segment liabilities | 2,110,027 | 4,573,139 | 910,890 | 3,892,211 | 995,998 | 45,490 | 12,527,755 |
| Unallocated liabilities | | | | | | | 211,566 |
| Total liabilities | | | | | | | 12,739,321 |
| Depreciation and amortisation | | | | | | | 64,304 |
| Capital expenditure | | | | | | | 260,685 |

## 44. GEOGRAPHICAL SEGMENT ANALYSIS

| | Profit before taxation | Total assets employed | Net assets employed | Contingencies and commitments |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| **June 30, 2007** | | | | |
| Pakistan | 2,900,462 | 36,668,281 | 14,012,952 | 6,888,781 |
| Cayman Islands Section B.W.I | (25,969) | 275,809 | 269,135 | - |
| United Kingdom | (43,452) | 15,354 | 13,392 | - |
| | 2,831,041 | 36,959,444 | 14,295,479 | 6,888,781 |
| **June 30, 2006** | | | | |
| Pakistan | 2,321,698 | 20,367,550 | 7,628,229 | 334,059 |
| Cayman Islands Section B.W.I | (1,119) | 292,923 | 292,923 | - |
| | 2,320,579 | 20,660,473 | 7,921,152 | 334,059 |

## 45. APPROPRIATIONS

In the meeting held on August 11, 2007, the Board of Directors of the Holding Company, in addition to the following appropriations, recommended the issue of bonus shares @ 100% i.e. in the proportion of one new Ordinary share for every one Ordinary share held subject to increase in Authorised Capital, for the approval of the members at the Annual General Meeting.

| | 2007 | 2006 | 2007 | 2006 |
|---|---|---|---|---|
| | (Rupees per share) | | (Rupees in '000) | |
| Cash dividend | 2.50 | 2.50 | 87,500 | 87,500 |
| Preference dividend | 0.40 | - | 28,326 | - |
| Transfer to general reserve | - | - | - | 1,000,000 |
| | | | 115,826 | 1,087,500 |

## 46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 11, 2007 by the Board of Directors of the Holding Company.

## 47. GENERAL

Figures have been rounded off to nearest thousand rupee.

Mazharul Haq Siddiqui
Chairman

Munaf Ibrahim
Chief Executive

FORM 34

THE COMPANIES ORDINANCE 1984 (Section 236(1) and 464)

# PATTERN OF SHAREHOLDING - ORDINARY SHARES

AS AT JUNE 30, 2007

| No. of Shareholders | Shareholdings | | | | Total Shares Held |
|---|---|---|---|---|---|
| 388 | Shareholding From | 1 | To | 100 | 14,394 |
| 210 | Shareholding From | 101 | To | 500 | 57,312 |
| 109 | Shareholding From | 501 | To | 1000 | 78,027 |
| 101 | Shareholding From | 1001 | To | 5000 | 230,766 |
| 29 | Shareholding From | 5001 | To | 10000 | 209,159 |
| 6 | Shareholding From | 10001 | To | 15000 | 73,514 |
| 3 | Shareholding From | 15001 | To | 20000 | 54,400 |
| 8 | Shareholding From | 20001 | To | 25000 | 186,050 |
| 1 | Shareholding From | 25001 | To | 30000 | 29,268 |
| 2 | Shareholding From | 35001 | To | 40000 | 72,513 |
| 2 | Shareholding From | 40001 | To | 45000 | 84,783 |
| 1 | Shareholding From | 45001 | To | 50000 | 45,069 |
| 1 | Shareholding From | 50001 | To | 55000 | 53,600 |
| 2 | Shareholding From | 60001 | To | 65000 | 124,224 |
| 1 | Shareholding From | 90001 | To | 95000 | 91,136 |
| 1 | Shareholding From | 110001 | To | 115000 | 111,526 |
| 1 | Shareholding From | 125001 | To | 130000 | 128,675 |
| 1 | Shareholding From | 130001 | To | 135000 | 132,000 |
| 1 | Shareholding From | 135001 | To | 140000 | 138,000 |
| 1 | Shareholding From | 200001 | To | 205000 | 205,000 |
| 1 | Shareholding From | 225001 | To | 230000 | 226,900 |
| 1 | Shareholding From | 320001 | To | 325000 | 325,000 |
| 1 | Shareholding From | 350001 | To | 355000 | 352,800 |
| 1 | Shareholding From | 395001 | To | 400000 | 399,594 |
| 1 | Shareholding From | 475001 | To | 480000 | 477,432 |
| 1 | Shareholding From | 535001 | To | 540000 | 539,218 |
| 1 | Shareholding From | 550001 | To | 555000 | 554,600 |
| 1 | Shareholding From | 670001 | To | 675000 | 674,341 |
| 1 | Shareholding From | 875001 | To | 880000 | 879,754 |
| 1 | Shareholding From | 905001 | To | 910000 | 906,670 |
| 1 | Shareholding From | 1365001 | To | 1370000 | 1,369,700 |
| 1 | Shareholding From | 2020001 | To | 2025000 | 2,022,584 |
| 1 | Shareholding From | 2505001 | To | 2510000 | 2,508,698 |
| 1 | Shareholding From | 2510001 | To | 2515000 | 2,510,498 |
| 1 | Shareholding From | 4765001 | To | 4770000 | 4,766,499 |
| 1 | Shareholding From | 14365001 | To | 14370000 | 14,366,296 |
| 885 | | | | | 35,000,000 |

| S. NO. | CATEGORIES OF SHAREHOLDERS - ORDINARY SHARES | NUMBER OF SHAREHOLDERS | TOTAL SHARES HELD | PERCENTAGE |
|---|---|---|---|---|
| 1 | INDIVIDUALS* | 840 | 20,268,447 | 57.91 |
| 2 | INVESTMENT COMPANIES | 20 | 2,542,069 | 7.27 |
| 3 | INSURANCE COMPANIES | 8 | 1,520,843 | 4.34 |
| 4 | JOINT STOCK COMPANIES | 3 | 4,773,529 | 13.64 |
| 5 | FINANCIAL INSTITUTIONS | 1 | 250 | 0.00 |
| 6 | MODARABA COMPANIES AND MUTUAL FUNDS | 2 | 138,192 | 0.39 |
| 7 | FOREIGN INSTITUTIONS | 7 | 5,088,008 | 14.54 |
| 8 | OTHERS | 4 | 668,662 | 1.91 |
| | TOTAL | 885 | 35,000,000 | 100 |

*INCLUDES 439 CDC BENEFICIAL OWNERS AS PER LIST APPEARING ON CD

1. ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES.

| | |
|---|---|
| TRUSTEE SIDDIQUI FOUNDATION | 539,218 |
| BSJS BALANCED FUND LTD. | 138,000 |
| EFU LIFE ASSURANCE LTD. | 477,432 |
| EFU GENERAL INSURANCE LTD. | 906,670 |
| | 2,061,320 |

2. NIT AND ICP

| | |
|---|---|
| INVESTMENT CORPORATION OF PAKISTAN | 300 |
| | 300 |

3. CHIEF EXECUTIVE OFFICER , DIRECTORS AND THEIR SPOUSES AND MINOR CHILDREN

| | |
|---|---|
| MAZHARUL HAQ SIDDIQUI | 1,286 |
| MUNAF IBRAHIM | 882,505 |
| ALI J. SIDDIQUI | 14,366,296 |
| ALI RAZA SIDDIQUI | 700 |
| SYED NIZAM AHMED SHAH | 61,763 |
| CHIEF JUSTICE (R) MAHBOOB AHMED | 9,648 |
| SIRAJ AHMED DADABHOY | 1,000 |
| ADIL MATCHESWALLA | 1,000 |
| NAUZER ASPI DINSHAW | 1 |
| AKHTER JABEEN SIDDIQUI | 20,642 |
| ALAIFYA MATCHESWALLA | 1,000 |
| | 15,345,841 |

| | | |
|---|---|---|
| 4. | LIST OF EXECUTIVES | NIL |
| 5. | PUBLIC SECTOR COMPANIES AND CORPORATIONS | NIL |
| 6. | BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS: | 1,659,285 |

7. SHAREHOLDERS HOLDING SHARES 10% OR MORE

| | |
|---|---|
| ALI J. SIDDIQUI | 14,366,296 |
| JAHANGIR SIDDIQUI & SONS (PVT.) LTD. | 4,766,499 |
| | 19,132,795 |

DETAILS OF TRANSACTIONS CARRIED OUT BY CHIEF EXECUTIVE OFFICER , DIRECTORS, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND THEIR MINOR CHILDREN DURING THE PERIOD FROM JULY 01, 2006 TO JUNE 30, 2007 (ORDINARY SHARES)

| | Date | Holding | Purchase | Sale | Rate | Holding |
|---|---|---|---|---|---|---|
| Adil Matcheswalla | July 01, 2006 | - | - | - | - | - |
| | August 30, 2006 | - | 1,000 | - | 165 | 1,000 |
| Alaifya Matcheswalla (Wife of Director) | July 01, 2006 | 2,000 | - | - | - | - |
| | June 22, 2007 | - | - | 1,000 | 420 | 1,000 |

FORM 34
THE COMPANIES ORDINANCE 1984 (Section 236(1) and 464)

# PATTERN OF SHAREHOLDING - PREFERENCE SHARES

AS AT JUNE 30, 2007

| No. of Shareholders | Shareholdings | | | | Total Shares Held |
|---|---|---|---|---|---|
| 62 | Shareholding From | 1 | To | 100 | 2,104 |
| 60 | Shareholding From | 101 | To | 500 | 16,102 |
| 37 | Shareholding From | 501 | To | 1000 | 30,430 |
| 68 | Shareholding From | 1001 | To | 5000 | 144,902 |
| 11 | Shareholding From | 5001 | To | 10000 | 76,288 |
| 4 | Shareholding From | 10001 | To | 15000 | 55,000 |
| 2 | Shareholding From | 15001 | To | 20000 | 36,796 |
| 2 | Shareholding From | 20001 | To | 25000 | 49,022 |
| 2 | Shareholding From | 25001 | To | 30000 | 58,900 |
| 1 | Shareholding From | 40001 | To | 45000 | 44,106 |
| 1 | Shareholding From | 95001 | To | 100000 | 100,000 |
| 1 | Shareholding From | 100001 | To | 105000 | 100,522 |
| 1 | Shareholding From | 185001 | To | 190000 | 185,272 |
| 1 | Shareholding From | 245001 | To | 250000 | 249,800 |
| 1 | Shareholding From | 515001 | To | 520000 | 515,800 |
| 1 | Shareholding From | 725001 | To | 730000 | 729,400 |
| 1 | Shareholding From | 755001 | To | 760000 | 759,188 |
| 1 | Shareholding From | 995001 | To | 1000000 | 1,000,000 |
| 1 | Shareholding From | 2445001 | To | 2450000 | 2,450,000 |
| 1 | Shareholding From | 2495001 | To | 2500000 | 2,500,000 |
| 1 | Shareholding From | 3995001 | To | 4000000 | 4,000,000 |
| 1 | Shareholding From | 12555001 | To | 12560000 | 12,555,776 |
| 1 | Shareholding From | 15605001 | To | 15610000 | 15,608,000 |
| 1 | Shareholding From | 28730001 | To | 28735000 | 28,732,592 |
| 263 | | | | | 70,000,000 |

| S. NO. | CATEGORIES OF SHAREHOLDERS - PREFERENCE SHARES | NUMBER OF SHAREHOLDERS | TOTAL SHARES HELD | PERCENTAGE |
|---|---|---|---|---|
| 1 | INDIVIDUALS* | 249 | 45,289,794 | 64.70 |
| 2 | INVESTMENT COMPANIES | 3 | 2,524 | 0.00 |
| 3 | INSURANCE COMPANIES | 4 | 7,685,272 | 10.98 |
| 4 | JOINT STOCK COMPANIES | 2 | 15,622,000 | 22.32 |
| 5 | FOREIGN INSTITUTIONS | 3 | 784,088 | 1.12 |
| 6 | OTHERS | 2 | 616,322 | 0.88 |
| | TOTAL | 263 | 70,000,000 | 100.00 |

*INCLUDES 185 CDC BENEFICIAL OWNERS AS PER LIST APPEARING ON CDS.

1. ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

| | |
|---|---|
| EFU GENERAL INSURANCE LTD. | 4,000,000 |
| | 4,000,000 |

2. NIT AND ICP — NIL

3. CHIEF EXECUTIVE OFFICER , DIRECTORS AND THEIR SPOUSES AND THEIR MINOR CHILDREN

| | |
|---|---|
| MUNAF IBRAHIM | 5,502 |
| ALI J. SIDDIQUI | 28,732,592 |
| ALI RAZA SIDDIQUI | 1,400 |
| CHIEF JUSTICE (R) MAHBOOB AHMED | 19,296 |
| | 28,758,790 |

4. LIST OF EXECUTIVES — NIL

5. PUBLIC SECTOR COMPANIES AND CORPORATIONS — NIL

6. BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS: — 8,451,860

7. SHAREHOLDERS HOLDING SHARES 10% OR MORE

| | |
|---|---|
| ALI J. SIDDIQUI | 28,732,592 |
| JAHANGIR SIDDIQUI & SONS (PVT.) LTD. | 15,608,000 |
| JAHANGIR SIDDIQUI | 12,555,776 |
| | 56,896,368 |

DETAILS OF TRANSACTIONS CARRIED OUT BY CHIEF EXECUTIVE OFFICER , DIRECTORS, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND THEIR MINOR CHILDREN DURING THE PERIOD FROM JULY 01, 2006 TO JUNE 30, 2007 (CLASS "A" PREFERENCE SHARES)

| | Date | Holding | Purchase* | Sale | Rate | Holding |
|---|---|---|---|---|---|---|
| Munaf Ibrahim | July 01,2006 | - | - | - | - | - |
| | December 12, 2006 | - | 5,502 | - | 10 | 5,502 |
| Chief Justice (R) Mahboob Ahmed | July 01,2006 | - | - | - | - | - |
| | December 12, 2006 | - | 19,296 | - | 10 | 19,296 |
| Ali J. Siddiqui | July 01,2006 | - | - | - | - | - |
| | December 12, 2006 | - | 28,732,592 | - | 10 | 28,732,592 |
| Ali Raza Siddiqui | July 01,2006 | - | - | - | - | - |
| | December 12, 2006 | - | 1,400 | - | 10 | 1,400 |

* The Ordinary shareholders were offered Class “A” Preference Shares as Rights Shares, vide Letter of Rights dated October 27, 2006. The aforesaid Class “A” Preference Shares were subscribed by the Chief Executive Officer and the Directors named above in accordance with their respective entitlements as existing shareholders of the Company.

## FORM OF PROXY

16th Annual General Meeting

The Company Secretary
Jahangir Siddiqui & Co. Ltd.
6th Floor, Faysal House, Shahra-e-Faisal
Karachi- 75530

I/We ______________________________ of ______________________________ being member(s) of Jahangir Siddiqui & Co. Ltd. holding ______________________________ Ordinary Shares as per Registered Folio No./CDC A/C No. (for members who have shares in CDS) ______________________________ hereby appoint Mr./ Ms. ______________________________ of (full address) ______________________________ ______________________________ or failing him / her Mr./ Ms. ______________________________ of (full address) ______________________________ ______________________________ as my / our proxy to attend, act and vote for me / us and on my / our behalf at the 16th Annual General Meeting of the Company to be held on September 29, 2007 and / or any adjournment thereof. As witness my / our hand / seal this ______________ day of ______________ 2007. Signed by ______________ ______________ in the presence of (name and address) ______________________________ ______________________________.

Witness:

1. Name ______________________________

Signature ______________________________

Address ______________________________

______________________________

CNIC or ______________________________

Passport No. ______________________________

2. Name ______________________________

Signature ______________________________

Address ______________________________

______________________________

CNIC or ______________________________

Passport No. ______________________________

Signature on
Rs. 5/-
Revenue Stamp

The Signature should agree with the specimen registered with the Company

Important:

(i) A member of the Company entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her.

(ii) This Proxy form, duly completed and signed, must be received at the Office of the Company situated at 6th Floor, Faysal House, Shahra-e-Faisal, Karachi- 75530 not less than 48 hours before the time of holding the meeting.

(iii) No person shall act as proxy unless he/ she himself / herself is a member of the Company, except that a Corporation may appoint a person who is not a member.

(iv) If a member appoints more than one proxy and / or more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

(v) Beneficial owners of the physical shares and the shares registered in the name of Central Depository Company of Pakistan Ltd. (CDC) and / or their proxies are required to produce their original Computerised National Identity Card (CNIC) or Passport for identification purpose at the time of attending the meeting. The form of proxy must be submitted with the Company within the stipulated time, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form, along with attested copies of CNIC or the passport of the beneficial owner and the proxy. In case of corporate entity, the Board of Directors' Resolution /Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier along with proxy form to the Company).

AFFIX
CORRECT
POSTAGE

The Company Secretary
Jahangir Siddiqui & Co. Ltd.
6th Floor, Faysal House,
Shahra-e-Faisal
Karachi- 75530

Jahangir Siddiqui & Co. Ltd.
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