



DIRECTORS' REPORT TO THE MEMBERS

BEGIN IN THE NAME OF ALLAH THE MOST GRACIOUS AND MERCIFUL

Dear Member(s)

Assalam-o-Alykum!

I, on behalf of Board of Directors of your Company, am pleased to present herewith financial statements of the Company for the Half year ended December 31, 2008 together with the comparative figures for the corresponding period. These financial statements have been reviewed by the external auditors of the Company.

Performance Review

During the first half of the financial year, the company has suffered a loss before tax of Rs. 210.032 million and loss after tax of Rs. 218.534 million as compared to profit before tax of Rs. 28.322 million and profit after tax of Rs. 21.531 million for the corresponding period. The Company has suffered an operating loss of Rs. 116.674 million as compared to operating revenue of Rs. 53.696 million for the corresponding period. The main reason for suffering an operating loss during the period is due to the long period of floor imposition (i.e. from August 27, 2008 to December 14, 2008) at the stock exchange, and overall slowdown in the country's economy. The value of investments has decreased due to decrease in shares prices as the KSE-100 index fell by 52% during the first half 2008-2009. The financial charges include mark-up on receivables and have also increased due to high mark-up rates. These factors have resulted in a loss per share of Rs. 3.77 during the period as compared to earnings per share of Re. 0.45 for the corresponding period.

Economic and Stock Market Review

Pakistan's economy continues to face a tough environment, with both global and local conditions showing a marked slowdown during first half 2008-2009. Several global financial and manufacturing companies were either acquired, bailed out, or even filed for bankruptcy. Pakistan's economic indicators have also suffered during the first half 2008-2009. GDP growth estimates for the fiscal year are close to 3.0-3.5%. Pakistan has benefited from a speedy decline in international crude oil prices, which has helped in reducing pressure on trade and current account deficits. Entry into the IMF programme has helped in stabilizing the country's foreign exchange reserves and the Pak Rupee as well. However, foreign investor confidence in Pakistan's economy continues to be low, as seen through continuous selling in the country's stock market. Inflation is still at very high levels above 20%.

The impact of the economic conditions continues to result in uncertainty for investors, which is affecting overall volume of business in the economy. The Karachi Stock Exchange Board removed the floor on stock prices on December 15, 2008. The sudden floor removal, without any major steps to avert financial pressures, has resulted in continuation of negative trend at the stock exchanges. Foreign investors continue to remain net sellers, having sold US\$164 million (PKR 13.1 billion) worth of shares in first half 2008-2009.



Future Outlook

Your company continues to expect fiscal year 2008-2009 to be a very tough year. However, improvement over first half 2008-2009 numbers is expected in coming quarters. Your company is making all out efforts to secure payments on receivables and cash is flowing in gradually that will result in decreasing financial charges. Your company has also taken a prudent and conservative approach in trying to mark-to-market its investment portfolio. We believe that as the government works out ways to improve the country's economic performance, stock market volumes are also likely to improve. Your company is also in the process of exploring new ventures in order to try and diversify its portfolio of operations.

Acknowledgements

The Board of Directors of your Company wishes to place on record its gratitude to the Regulators, its bankers, Members, clients and business partners for their continued cooperation and support. Further, the Board appreciates the valuable, loyal, and commendable services rendered to the Company by its executives and staff members.

In conclusion, we pray to almighty Allah for his blessings, guidance, health and prosperity to us, our company, country and nation.

For and on behalf of the Board of Directors

MUHAMMAD SOHAIL DAYALA
Chairman and Chief Executive Officer

Karachi, February 16, 2009