

## **AssetBank**

**Annual Report 1995-96**

**ASSET INVESTMENT BANK LIMITED**

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### **COMPANY INFORMATION**

#### **CHAIRMAN**

S. M. Abdullah

#### **CHIEF EXECUTIVE**

Mohammad Saeed Butt

#### **DIRECTORS**

Dr. Khalid Iqbal

Mohammad Ashiq Rehmani

Rana M. Abu Obaida

Syed Naveed H. Zaidi

Azhar Tariq Khan

Sohail All

Shamim Ahmed Junejo

#### **COMPANY SECRETARY**

Mohammad Asif

#### **BANKERS**

Habib Bank Limited

Muslim Commercial Bank Limited

National Development Finance Corporation

Habib American Bank

#### **AUDITORS**

Ford, Rhodes, Robson, Morrow

Chartered Accountants

#### **SHARE REGISTRAR**

Noble Computer Services (Pvt) Limited

2nd Floor, Al-Manzoor Building

Dr. Ziauddin Ahmed Road, Karachi.

Phones: (021) 2635511-14

#### **REGISTERED OFFICE**

1-B, First Floor, Ali Plaza

Khayaban-e-Quaid-e-Azam

Blue Area, Islamabad

Phones: (051) 822513 - 270621 - 270626

Fax: (051) 272506

#### **LIAISON OFFICE**

9th Floor, Lakson Square Building No. 1

265-R.A. Lines, Karachi-74200

Phones: (021) 5682027 - 5689580 - 5687412 - 5687419

Fax: (021) 5684259  
Telex: 20538 ASSET PK

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 4th Annual General Meeting of Asset Investment Bank Limited will be held at 1-B, First Floor, Ali Plaza, Khayaban-e-Quaid-e-Azam, Blue Area, Islamabad on Monday, December 30, 1996, at 3.00 p.m. to transact the following business:

**ORDINARY BUSINESS**

- 1) To confirm the minutes of the Extra-ordinary General Meeting held on May 09, 1996.
- 2) To receive, consider and adopt the audited accounts of the Company for the period ended June 30, 1996 together with the Directors' and Auditors' Reports thereon.
- 3) To appoint auditors for the next term and fix their remuneration.

The present auditors, M/S Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and being eligible, offer themselves for re-appointment

**SPECIAL BUSINESS**

- 4) To approve remuneration of the Chief Executive. Further, to authorize the board of directors to revise remunerations of the Chief Executive, Chairman and whole time working directors of the company, as and when considered necessary. A statement under section 160 of the Companies Ordinance 1984 pertaining to special business is being sent to the shareholders with a copy of the notice.
- 5) To transact any other business with the permission of the chair.

By order of the Board

Mohammad Asif  
Company Secretary

Islamabad  
December 03, 1996

**NOTES:**

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend the meeting and vote for him/her. Form of Proxy is enclosed with the annual report. Proxies, in order to be effective, must be received at the registered office of the Company, at least 48 hours before the time of holding the meeting.
2. The members are requested to immediately notify the change in address, if any.
3. The share transfer books of the Company will remain closed from December 24, 1996 to December 30, 1996 both days inclusive.

**STATEMENT U/S 160(1)(b) OF THE COMPANIES ORDINANCE, 1984**

The members' approval is sought for the payment of remuneration and the provision of certain facilities to the Chief Executive as per recommendations of the Board of Directors of the Company. Further, members' approval is sought for authorizing the board of directors to revise the remunerations of the Chief Executive, Chairman and whole time working directors, as and when considered necessary. For this purpose, it is proposed that the following resolution be passed.

"Resolved that Mr. Mohammad Saeed Butt, Chief Executive shall be paid w.e.f. May 22, 1996 the gross remuneration of Rs. 75,000/- per month alongwith other benefits as per his. service contract.

Further resolved that Board of Directors be and is hereby authorized to revise remuneration of the Chief Executive, Chairman and whole time working directors of the company from time to time in accordance with the company's rules and policies".

**DIRECTORS' REPORT**

The directors of Asset Investment Bank Limited are pleased to present the accounts of the Bank for the eighteen months ended June 30, 1996.

**FINANCIAL INFORMATION**

The financial results of Asset Bank are summarized below:

	Eighteen months ended June 30 1996 Rupees	Year ended December 31 1994 Rupees
Total income	68,842,255	70,286,860
Expenditure	67,126,581	63,516,207
Profit before extra-ordinary item	1,715,674	6,770,653
Extra-ordinary item	--	6,513,786
Pre-tax profit	1,715,674	256,867
Provision for taxation (Net)	(1,245,451)	--
Net profit after tax	2,961,125	256,867
Unappropriated profit brought forward	7,182,262	6,976,769

**APPROPRIATIONS**

Transfer to statutory/special reserve	592,225	51,374
Unappropriated profit carried forward	9,551,162	7,182,262

**Other key financial items:**

Total assets	349,794,195	310,594,260
Investment in shares/certificates	81,335,824	52,492,431
Investment in Government securities	8,000,000	17,000,000
Loans and advances	114,854,976	40,876,959
Deposits	108,516,651	89,680,619

**REVIEW OF OPERATIONS**

Asset Investment Bank earned a total income of Rs. 68.84 million during the period ended June 30, 1996. Out of the total income, 55.53% was generated from profit/discount on loans and advances. Other sources include income from Government securities 5.08%, income from bank deposits 24.51% and dividend income 3.72%

Income from non-fund based transactions (namely consultancy, guarantees and underwritings) in the shape of commission and fees increased substantially to Rs. 10.97 million (Rs. 1.98 million in 1994) which comes to 15.94% of the total income.

The auditors' observation in para (e) of their report has been explained in note 16.1 and 17.1' of notes to the accounts.

Our results for the period ended 30th June, 1996 have not been as encouraging as was forecasted in the 1994 report, due almost entirely to political and economic instability and virtual collapse of stock exchange activity.

Further, major factors responsible are interalia, as follows:

1. Continued restrictions on the Government corporations to place their funds with nationalized banks only;
2. Decline in general public savings due to heavy inflationary pressures;
3. Very discouraging stock exchange activities (The bank holds substantial investments in shares of various companies and the return on investments in shares remained very low);
4. Public companies were unable to declare handsome amount of dividends;
5. Restrictions on the investment banks to accept foreign currency deposits for less than two years maturity period (which was subsequently relaxed to one year) and restrictions by State Bank of Pakistan to mobilize foreign currency deposits from residents.

However, due to constrain of funds, special efforts were made to increase the income' of fees and commission by procuring non-fund based transactions. As a result, the income from fee and commission increased by five fold from Rs. 1.98 million in 1994 to Rs. 10.97 million in 1996.

6. Booked losses in respect of sale of shares, whose diminution in market value considered permanent.

#### **FUTURE OUTLOOK**

Investment banks are performing an important economic activity. However, investment banks need immediate attention of the policy makers for allowing them to enter into wider range of activities without imposing unnecessary restrictions. The government's continuing policy of deregulation and privatization could be viewed as positive sign in this direction.

#### **PATTERN OF SHAREHOLDING**

The pattern of shareholding as at June 30, 1996 is annexed.

#### **AUDITORS**

The present auditors M/S Ford, Rhodes, Robson, Morrow, Chartered Accountants retire, and being eligible offer themselves for re-appointment.

#### **ACKNOWLEDGMENT**

Our thanks are due to the State Bank of Pakistan and the Corporate Law Authority for their support and guidance. We are also grateful to 'our valued clients for their confidence in the bank.

The Board would like to place on record its appreciation of the dedication and commitment of bank's staff of all levels.

On behalf of the Board

S.M. Abdullah  
Chairman

Islamabad  
November 27, 1996

#### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Asset Investment Bank Limited as at June 30, 1996 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the eighteen months 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 and, after due verification thereof, 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 period was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the period 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 and the statement of changes

in financial position, together with the notes forming part thereof, 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, 1996 and of the profit and changes in financial position for the period then ended;

d) in our opinion, zakat deductible at source, if any, under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance; and

e) without qualifying our opinion we draw attention to the contents of note 16.1 and 17.1 of notes to the accounts which give reasons for not making provision against loans and mark-up thereon as required under the prudential regulations of the State Bank of Pakistan.

Ford, Rhodes, Robson, Morrow  
Chartered Accountants

Islamabad  
November 27, 1996

**BALANCE SHEET AS AT JUNE 30, 1996**

	June 30 1996	December 31 1994
Note	Rupees	Rupees
<b>SHARE CAPITAL AND RESERVES</b>		
Authorised capital		
20,000,000 ordinary shares of Rs. 10/- each	200,000,000	200,000,000
	=====	
Issued, subscribed and paid-up capital		
10,000,000 ordinary shares of Rs. 10/- each fully paid in cash	100,000,000	100,000,000
 Reserves		
Capital reserve -		
Statutory/special reserve.	4 2,387,791	1,795,566
Revenue reserve -		
Unappropriated profit	9,551,162	7,182,262
	-----	
	11,938,953	8,977,828
	-----	
	111,938,953	108,977,828
 <b>LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>	5 2,015,330	1,895,747
 <b>LONG TERM DEPOSITS</b>	6 10,000,000	10,000,000
 <b>CURRENT LIABILITIES</b>		
Deposits	7 98,516,651	79,680,619
Short term finances	8 89,822,351	67,132,626
Creditors, accrued and other liabilities	9 37,500,910	42,907,440
	-----	
	225,839,912	189,720,685
 <b>CONTINGENCIES AND COMMITMENTS</b>	10 -	-
	-----	
	349,794,195	310,594,260
	=====	

The annexed notes form an integral part of these accounts.  
The auditors' report dated November 27, 1996 is annexed hereto

<b>TANGIBLE FIXED ASSETS</b>	11	9,176,943	7,856,690
<b>LONG TERM INVESTMENTS</b>	12	81,335,824	52,377,131
<b>LONG TERM LOANS</b>	13	40,806,672	935,003
<b>LONG TERM PREPAYMENTS AND DEFERRED COSTS</b>	14	3,050,341	1,773,897

**CURRENT ASSETS**

Short term investments	15	8,000,000	17,115,300
Loans and advances	16	74,048,304	39,941,956
Income accrued and receivables	17	18,134,072	30,558,987
Advances, deposits, prepayments and other receivables	18	11,721,901	2,767,316
Cash and bank balances	19	103,520,138	157,267,980
		-----	-----
		215,424,415	247,651,539

-----  
349,794,195 310,594,260  
=====

**PROFIT AND LOSS ACCOUNT**

FOR THE EIGHTEEN MONTHS ENDED JUNE, 30 1996

	Note	Eighteen months ended June 30, 1996 Rupees	Year ended December 31, 1994 Rupees
<b>INCOME</b>			
Income from bank deposits		28,420,809	16,870,650
Income from loans and advances		21,941,377	38,230,308
Income from investments in Government securities		11,138,038	3,496,467
Commission and fees		1,987,529	10,972,662
Dividend income		65,500	2,563,987
Gain (loss) on sale of shares and certificates		6,733,607	(3,400,699)
Gain on sale of fixed assets		108,880	-
		-----	-----
		68,842,255	70,286,860
<b>EXPENDITURE</b>			
Return on deposits, borrowings and running finance		45,983,690	41,111,907
Administrative and operating Provision for doubtful mark up	20	24,945,631	18,203,033
		(3,802,740)	4,201,267
		-----	-----
		67,126,581	63,516,207
Profit before extra-ordinary item		1,715,674	6,770,653
Extra-ordinary item		--	6,513,786
		-----	-----
Profit before taxation		1,715,674	256,867
Provision for taxation			
- Current year		495,602	--
- Prior year		(1,741,053)	--
		-----	-----
		(1,245,451)	--
		-----	-----
Profit after taxation		2,961,125	256,867
Profit brought forward		7,182,262	6,976,769

	10,143,387	7,233,636
<b>APPROPRIATION</b>		
Transfer to statutory/special reserve	592,225	51,374
Unappropriated profit carried forward	9,551,162	7,182,262
	=====	=====

The annexed notes form an integral part of these accounts  
The auditors' report dated November 27, 1996 is annexed hereto.

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT)  
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 1996**

	Eighteen months ended June 30, 1996 Rupees	Year ended December 31, 1994 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Return, commission and other receipts	69,570,087	63,487,753
Return on deposits, borrowings and running finance	(45,983,690)	(41,111,907)
Administrative and operating expenses	(20,925,312)	(21,959,524)
Provision for doubtful mark-up	3,802,740	-
	-----	-----
	6,463,825	416,322
 (Increase)/decrease in assets		
Loans and advances	(73,978,017)	161,244,625
Income accrued and receivables	12,424,915	(21,374,059)
Advances, deposits, prepayments and other receivables	(11,454,585)	11,749,382
 Increase/(decrease) in liabilities		
Deposits	18,836,032	(172,529,394)
Creditors, accrued and other liabilities,	(2,375,687)	24,019,229
	-----	-----
Net cash flow from operating activities before tax	(50,083,517)	3,526,105
Income tax paid	(2,124,978)	(3,552,082)
	-----	-----
Net cash generated / (used) in operating activities	(52,208,495)	(25,977)
 <b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Dividend received	2,563,987	65,500
Purchase of fixed assets	(595,887)	(3,817,580)
Proceeds from sale of fixed assets	450,000	--
Proceeds from sale of investments	102,903,991	60,946,266
Purchase of investments	(126,148,083)	(28,735,926)
	-----	-----
Net cash generated/(used) in investing activities	(20,825,992)	28,458,260
 <b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Short term finances	22,689,725	3,070,948
Repayment of obligation under finance lease	(3,403,080)	(1,540,496)
	-----	-----
Net cash generated/(used) in financing activities	19,286,645	1,530,452
 Net (decrease) /increase in cash and cash equivalents	(53,747,842)	29,962,735
Cash and cash equivalents at the beginning of year	157,267,980	127,305,245
	-----	-----
Cash and cash equivalents at the end of year	103,520,138	157,267,980
	=====	=====

## **NOTES TO THE ACCOUNTS**

**FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 1996**

### **1. LEGAL STATUS AND NATURE OF BUSINESS**

Asset Investment Bank Limited was incorporated in Pakistan on June 9, 1992 as a public limited company and is listed on the Karachi, Lahore and Islamabad stock exchanges. The company is principally engaged in the business of investment banking under the provisions of SRO 585(1)/87 dated July 13, 1987 issued by the Ministry of Finance, Government of Pakistan.

### **2. ACCOUNTING YEAR**

The Company has changed its accounting year from December 31 closing to June 30 and hence these accounts are prepared for eighteen months from January 1, 1995 to June 30, 1996 in accordance with the permission granted to the Company by the Registrar of Companies u/s 233(2) of the Companies Ordinance, 1984.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

#### **3.2 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation on all operating fixed assets is charged to income on reducing balance method at the rates given in note 11.

Full year's depreciation is provided in the year of purchase and no depreciation is charged on assets deleted during the year.

Minor renewals or replacements, maintenance, repair, gains or losses on disposal of fixed assets are included in income currently. Major renewals and replacements are capitalised.

#### **3.3 Assets subject to finance lease**

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and fair value of the assets. The related obligations of the lease are accounted for as liabilities.

Assets acquired under a finance lease are amortised over their useful lives on reducing balance method at the rates given in note 11. Amortisation of the leased assets is charged to income.

#### **3.4 Employees retirement benefits**

The company operates a contributory provident fund for all its permanent employees and contributions to the fund are made by the company and the employees in accordance with the fund rules.

#### **3.5 Deferred costs**

These are being amortised over a period of five years commencing from the financial year in which costs were incurred.

#### **3.6 Taxation**

Provision for current taxation is based on taxable income at the current rate of taxation after considering all applicable tax credits, rebates and exemptions. The company accounts for deferred tax using the liability method on all major timing differences.

#### **3.7 Investments**

Long term investments are stated at moving average cost of the respective entities' shares/certificates. Provision is made if the diminution in the value of investment is considered permanent.

Short term investments are stated at moving average cost of the respective entities' shares/certificates less provision for diminution in market value. The provision for diminution in market value is determined on portfolio basis and is charged to income currently.

Profit or loss on sale of investments is accounted for currently.

### 3.8 Government securities repurchase/resale transactions

The company enters into transactions of repurchase or resale in registered Government securities at contracted rates for specified periods of time. These are recorded as follows:

(a) in the case of sale under repurchase obligations, the securities are deleted from the books at cost (whilst the coupon income continues to be accrued) and the charges arising from the differential in sale and repurchase values are accrued on pro-rata basis and recorded under income from Government securities. Upon repurchase the securities are reinstated at their respective original cost.

(b) in the case of purchases under the resale obligations the securities are booked at the contracted purchase price and the differential of the contracted purchase and resale prices is amortised over the period of the contract and recorded under income from Government securities.

### 3.9 Revenue recognition

Mark-up/return on finance provided is recognised on a time proportion basis taking account of the relevant maturity dates. Commission and fees are taken to income currently.

Dividend income from investment in shares/certificates is recognised at the time of declaration of dividend by the investee companies.

Income on Government securities is recognised by pro-rata accruals of the differential in cost and maturity Values and/or the coupon rate applicable.

Project examination, consultancy, commitment and other charges are recognized as income on receipt basis.

### 3.10 Foreign currency translations

Assets and liabilities in foreign currencies are translated into Rupees at the exchange rates prevailing on the balance sheet date. However, liabilities representing deposits in foreign currencies and return on them are converted at the rate prevailing on the date of deposits where the option of exchange risk coverage has been exercised. Other foreign currency transactions are converted at the rate prevailing on the date of transaction. Exchange differences are included in income currently.

## 4. STATUTORY/SPECIAL RESERVE

	Eighteen months ended June 30, 1996 Rupees	Year ended December 31, 1994 Rupees
At the beginning of year	1,795,566	1,744,192
Transfer from profit and loss account	592,225	51,374
	-----	-----
	2,387,791	1,795,566
	=====	=====

The statutory/special reserve is created by transferring 20% of the profit for the year. This reserve is required to be maintained under the provisions of the regulations of the State Bank of Pakistan for Non-Banking Financial Institutions.

**5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

This represents the outstanding balance against obligations under finance leases. The rate of return used as discounting factor is from 19.99% to 25.62% (1994: 19.99% to 24.4%) per annum. The lease rentals are payable in equal monthly instalments.

The future minimum lease payments to which the company is committed under the lease agreements are due as follows.

	Eighteen months ended June 30, 1996	Year ended December 31, 1994
Note	Rupees	Rupees
Upto June 1995	--	1,188,042
During the year 1995-96	--	2,044,240
During the year 1996-97	2,780,602	1,225,242
During the year 1997-98	1,562,120	167,315
During the year 1998-99	872,260	--
	-----	-----
	5,214,982	4,624,839
Less: Finance charge allocated to future periods	1,147,117	1,016,143
	-----	-----
	5.1 4,067,865	3,608,696
Less: Current liability	2,052,535	1,712,949
	2,015,330	1,895,747
5.1 Obligations under finance lease	4,956,040	4,221,601
Less: Lease security deposits	888,175	612,905
	-----	-----
	4,067,865	3,608,696
	=====	=====
<b>6. LONG TERM DEPOSITS</b>	10,000,000	10,000,000
	=====	=====

These deposits are held for 5 years and the expected rate of return payable on these deposits is 16.5% per annum.

**7. DEPOSITS**

Banks and financial institutions

Local currency	79,100,000	65,000,000
Other-		
Local currency	17,547,531	9,330,597
Foreign currency	1,869,120	5,350,022
	-----	-----
	19,416,651	14,680,619
	-----	-----
	98,516,651	79,680,619
	=====	=====

These represent deposits received from customers with maturity periods ranging between 30 days to one year. Expected return is payable at the rates varying from 4%-to 6.8125% (1994: 3.75% to 6.0625%) per annum on US dollar and Pound Sterling deposits and from 12% to 24% (1994: 10% to 19.1%) per annum on Rupee deposits.

**8. SHORT TERM FINANCES**

	Eighteen months ended June 30, 1996	Year ended December 31, 1994
Note	Rupees	Rupees

From Investment Banks			
Secured		10,000,000	22,000,000
Un-secured		10,000,000	10,000,000
		-----	-----
	8.1	20,000,000	32,000,000
From Muslim Commercial Bank Ltd.	8.2	49,943,392	35,132,626
From Habib Bank Ltd.	8.3	19,878,959	--
		-----	-----
		89,822,351	67,132,626
		=====	=====

8.1 These represent short term finances from investment banks @ 17.75% to 19% (1994: 15% to 19%) per annum.

8.2 This represents running finance out of total sanctioned facility of Rs. 50 million from Muslim Commercial Bank Limited. The rate of mark-up is 17% (1994: 18.98%) per annum. The facility is secured by way of charge on book debts/receivables and pledge of shares of quoted companies.

8.3 This represents running finance out of total sanctioned facility of Rs. 20 million from Habib Bank Limited. The rate of mark-up is 17.52% per annum (1994: Nil) The facility is secured by way of charge on book debts/receivables and pledge of shares of quoted companies.

#### 9. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Eighteen months ended June 30, 1996	Year ended December 31, 1994
Note	Rupees	Rupees
Accrued return on deposits	7,643,358	6,167,280
Accrued return on finances	7,493,503	6,684,176
Accrued liabilities	353,560	521,583
Margin against letters of guarantees	12,132,814	7,960,650
	-----	-----
Provision for taxation	1,894,697	3,140,148
Less: Tax deducted at source	(4,496,267)	(2,371,289)
	-----	-----
	(2,601,570)	768,859
Withholding tax payable	178,600	128,087
Excise duty payable	54,031	84,106
Excise duty received in advance	2,118	--
Commission and fee received in advance	71,486	165,983
Provision for bonus to employees	--	184,785
Current portion of obligations under finance lease	2,052,535	1,712,949
Other payables	10,120,475	18,528,982
	-----	-----
	37,500,910	42,907,440
	=====	=====

#### 10. CONTINGENCIES AND COMMITMENTS

Guarantees issued on behalf of customers	102,874,409	150,456,683
Commitments for repurchase of Government securities	29,990,000	9,600,000
Underwriting of public		

issue of shares	10.1	15,000,000	--
		-----	
		147,864,409	160,056,683
		=====	

10.1 Shares for Rs. 14,230,500 have been taken up by the Company in July 1996.

#### 11. TANGIBLE FIXED ASSETS

	COST				As at 30-06-96	Rate
	As at 01-01-95	Additions	Transfer	Deletion		
	Rupees	Rupees	Rupees	Rupees		
Office equipment	1,219,316	342,237	--	--	1,561,553	10
Furniture and fixtures	968,752	243,650	--	--	1,212,402	10
Lease-hold improvements	1,465,425	10,000	--	--	1,475,425	33.33
Vehicles 11.1	743,800	--	666,250	(666,250)	743,800	20
	-----	-----	-----	-----	-----	
	4,397,293	595,887	666,250	(666,250)	4,993,180	
Assets subject to finance lease- vehicles	5,896,063	3,862,249	(666,250)	--	9,092,062	20
	-----	-----	-----	-----	-----	
June 30,1996	#####	4,458,136	--	(666,250)	14,085,242	
	=====	=====	=====	=====	=====	
December 31, 1994	2,747,963	7,545,393	--	--	10,293,356	
	=====	=====	=====	=====	=====	

	DEPRECIATION				As at 30-06-96	Written Down Value as at 30-06-9 Rupees
	As at 01-01-95	For eighteen months	On Transfer	On Deletion		
	Rupees	Rupees	Rupees	Rupees		
Office equipment	161,185	203,056	--	--	364,241	1,197,312
Furniture and fixtures	106,754	160,318	--	--	267,072	945,330
Lease-hold improvements	488,426	438,628	--	--	927,054	548,371
Vehicles 11.1	154,168	165,097	325,130	(325,130)	319,265	424,535
	-----	-----	-----	-----	-----	-----
	910,533	967,099	325,130	(325,130)	1,877,632	31,155
Assets subject to finance lease- vehicles	1,526,133	1,829,664	(325,130)	--	3,030,667	6,061,395
	-----	-----	-----	-----	-----	-----
June 30,1996	2,436,666	2,796,763	--	(325,130)	4,908,299	91,769
	=====	=====	=====	=====	=====	=====
December 31, 1994	495,001	1,941,665	--	--	2,436,666	7,856,690
	=====	=====	=====	=====	=====	=====

**11.1 Statement of disposal of fixed assets**

Item description	Cost Rupees	Accumulated depreciation Rupees	Book value Rupees	Sale proceeds Rupees	Gain Rupees	Mode of disposal	Purchaser
Mitsubishi Lancer	666,250	325,130	341,120	450,000	108,880	Insurance claim	Prime Insurance Company Ltd.

**12. LONG TERM INVESTMENTS**

	Note	Eighteen months ended June 30, 1996 Rupees	Year ended December 31, 1994 Rupees
Shares and certificates of listed companies and modarabas	12.1	61,335,824	46,877,131
Shares of unlisted companies	12.2	20,000,000	5,500,000
		-----	-----
		81,335,824	52,377,131
		=====	=====
12.1 Investments in shares and certificates of listed companies and modarabas			
Associated company- National Asset Leasing Corporation Ltd. 800,000 ordinary shares of Rs. 10 each (1994: 800,000)	12.1.1	10,122,000	10,122,000
Other companies and modarabas-			
First General Leasing Modaraba 902,163 certificates of Rs. 10 each including 101,963 bonus certificates (1994: 902,163)	12.1.2	8,019,205	8,019,205
LTV Capital Modaraba 14,000 certificates of Rs. 5 each including 3,500 bonus certificates (1994: 10,500)		148,960	148,960
Second Prudential Modaraba Nil (1994: 200)		--	2,000
First Islamic Modaraba 25,000 certificates of Rs. 10 each (1994: 25,000)		250,000	250,000
First Punjab Modaraba 50,000 certificates of Rs. 10 each including 14,000 bonus certificates (1994: 50,000)		925,900	925,225
		Eighteen months ended June 30, 1996 Rupees	Year ended December 31, 1994 Rupees

Bankers Equity Limited 23,000 ordinary shares of Rs. 10 each including 3,000 bonus shares (1994: 20,000)	1,102,012	1,101,664
Khadim Ali shah Bukhari & Co. Limited 6,600 ordinary shares of Rs. 10 each including 1,600 bonus shares (1994: 5,000)	355,958	355,958
Crescent Investment Bank Limited 8,400 ordinary shares of Rs. 10 each including 4,400 bonus shares (1994: 10,000)	169,450	533,000
Asian Stock Fund 172,500 ordinary shares of Rs. 10 each (1994: 200,000)	1,725,000	2,000,000
Schon Bank Limited 10,500 ordinary shares of Rs. 10 each (1994: 20,500)	242,300	473,000
Indus Bank Limited 100,500 ordinary shares of Rs. 10 each (1994: 120,500)	1,939,035	2,324,835
Faysal Bank Limited 1,000 ordinary shares (bonus) of Rs. 10 each (1994: 25,000)	--	927,000
Tawakkal Garments Industries Limited Nil (1994: 42,000)	--	1,651,660
Hamraz Industries Limited 10,000 ordinary shares of Rs. 10 each (1994: 10,000)	125,900	125,900
Gulistan Spinning Mills Limited 34,500 ordinary shares of Rs. 10 each (1994: 34,500)	1,274,020	1,274,020
Gadoon Textile Mills Limited 9,843 ordinary shares of Rs. 10 each including 3,543 bonus shares (1994:7,875 including 1,575 bonus shares)	806,757	806,757
Dadabhoy Cement Limited 6,000 ordinary shares of Rs. 10 each (1994: 5,000)	315,960	363,700
Pioneer Cement Limited 40,000 ordinary shares of Rs. 10 each (1994: 100,000)	2,036,615	5,091,815
Cherat Cement Limited 35,000 ordinary shares of Rs. 10 each including 2,000 bonus shares (1994: 12,000)	2,730,400	1,435,000
Baluchistan Wheels Limited 76,250 ordinary shares of Rs. 10 each including 17,050 bonus shares (1994: 68,200)	4,910,632	5,790,742
Searle Pakistan Limited 1,207 ordinary shares of Rs. 10 each		

including 157 bonus shares (1994: 1,050)	109,940	109,940
Nishat Tek Limited		
23,500 ordinary shares of Rs. 10 each (-1994: 5,000)	928,825	231,500
Pakistan Industrial Leasing Corporation Limited		
20,000 ordinary shares of Rs. 10 each	724,000	--
Security Leasing Corporation Limited		
167,400 ordinary shares of Rs. 10 each	1,674,000	--
Askari Commercial Bank Limited		
3,575 ordinary shares of Rs. 10 each including 825 bonus shares	111,655	--
Nayab Spinning Mills Limited		
700,000 ordinary shares of Rs. 10 each	6,300,000	--
Genertech Pak		
10,000 ordinary shares of Rs. 10 each	254,500	--
Lucky Cement Limited		
2,500 ordinary shares of Rs. 10 each	51,500	--

	Eighteen	Year
	months ended	ended
	June 30,	December 31,
	1996	1994
	Rupees	Rupees

KASB Premier Fund		
100,000 ordinary shares of Rs. 10 each	1,024,150	--
Pak Apex Leasing Limited		
192,900 ordinary shares of Rs. 10 each	192,900	--
Dewan Salman Fibers Limited		
10,000 ordinary shares of Rs. 10 each	620,150	--
Pak Datacom Limited		
10,000 ordinary shares of Rs. 10 each	408,000	--
Sui Northern Gas Pipelines Limited		
250,000 ordinary shares of Rs. 10 each	10,000,000	--
Pakistan Telecommunication Corporation		
Nil (1994:600 vouchers of Rs. 3,000 each convertible into 60,000 shares of Rs. 10 each)	--	2,813,250
-----		
Aggregate market value: Rs. 34,323,914 (1994: Rs. 36,565,790)	61,335,824	46,877,131
=====		

12.2 Investment in unlisted companies

Sihala Biotech Limited		10,000,000	--
(Break-up value Rs. 10,000,000)			
Caravan East Fabrics Limited	12.2.1	10,000,000	5,500,000
(Break-up value Rs. 10,531,755)			
		-----	
		20,000,000	5,500,000
		=====	

12.1.1 Percentage of equity held in the investee company is 8.39% (1994: 8.39%)

12.1.2 Percentage of equity held in the investee company is 16.03% (1994: 16.03%)

12.2.1 Percentage of equity held in the investee company is 20.0% (1994:11%)

This company has been listed on Karachi Stock Exchange subsequent to the balance sheet date.

### 13. LONG TERM LOANS

	Note	Eighteen months ended June 30, 1996 Rupees	Year ended December 31, 1994 Rupees
Caravan East Fabrics Limited	13.1	30,000,000	--
Mina Leathers Limited	13.2	20,000,000	--
Other		880,004	1,008,335
		-----	-----
		50,880,004	1,008,335
Less: Current portion taken to current assets	16	10,073,332	73,332
		-----	-----
		40,806,672	935,003
		=====	=====

13.1 The loan carries mark-up of 20% per annum and is secured by a first charge on fixed assets of the company. The loan is repayable in six equal half-yearly instalments of Rs. 5,000,000 each commencing from December 31, 1996.

13.2 The loan carries mark-up of 20% per annum and is secured by a first and floating charge on the whole project including fixed and other assets of the company. The loan is repayable in six equal half yearly instalments of Rs. 3,333,333 each commencing from December 31, 1997.

### 14. LONG TERM PREPAYMENTS AND DEFERRED COSTS

Prepaid office rent		4,030,950	550,060
Less: Current portion shown under current assets	18	1,530,950	550,060
		-----	-----
		2,500,000	--
Deferred Costs			
Preliminary expenses		324,150	324,150
Share floatation expenses		2,440,139	2,440,139
Others		713,196	713,196
		-----	-----
		3,477,485	3,477,485
Less: Amortized to date		2,927,144	1,703,588
		-----	-----
		550,341	1,773,897
		-----	-----
		3,050,341	1,773,897
		=====	=====

### 15. SHORT TERM INVESTMENTS

	Note	Eighteen months ended June 30, 1996 Rupees	Year ended December 31, 1994 Rupees
Federal Investment Bonds, at cost Face value: Rs. 8,000,000 (1994: Rs. 17,000,000)	15.10	8,000,000	17,000,000

Investments in shares and certificates

of listed companies .

Askari Leasing Limited

Nil( 1994:5,000 shares of Rs. 10 each)

-- 115,300

8,000,000 17,115,300

15.1 Investment in Federal Investment Bonds is made to meet the liquidity requirement as per State Bank of Pakistan regulations. The rate of return varies from 12% to 15% per annum.

#### 16. LOANS AND ADVANCES -SECURED

Promissory notes discounted

and margin loans, considered good

16.1 63,974,972 39,868,624

Add: Current portion of

long term loans

13 10,073,332 73,332

74,048,304 39,941,956

These are principally secured by hypothecation of or a charge on assets of customers, lien on deposits from customers in local/foreign currency, bank guarantees and pledge of shares of listed companies. The bills have been discounted at rates ranging between 9.5% to 24% (1994: 8.75% to 24%) per annum.

16.1 Provision amounting to Rs. 4,851,329 due on certain loans classified under Prudential Regulations of the State Bank of Pakistan has not been made in these accounts due to partial realizations and effective arrangements made for recovery/settlement of these loans subsequent to the balance sheet date.

#### 17. INCOME ACCRUED AND RECEIVABLES

On bank deposits

6,902,659 22,098,436

On loans and advances

17.1 10,721,146 12,016,155

Less: Provisions for doubtful receivable

904,315 4,201,267

9,816,831 7,814,888

On Government securities

1,411,072 642,303

Dividend receivable

3,510 3,360

18,134,072 30,558,987

17.1 These include mark-up of Rs. 4,865,648 on certain classified loans which are not reversed as required under the Prudential Regulations of the State Bank of Pakistan due to partial adjustments and effective arrangements made for recovery subsequent to the balance sheet date.

#### 18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Eighteen months ended June 30, 1996	Year ended December 31, 1994
Note	Rupees	Rupees

Advances-

Expenses

749,111 24,420

Salary

-- 4,222

749,111 28,642

Prepayments-

Office rent

14 1,530,950 550,060

Exchange risk coverage

86,275 27,742

Insurance	401,520	178,104
Others	--	5,130
	-----	-----
	2,018,745	761,036
Receivables against sale of investments	--	3,374
Commission and fee	6,531,479	531,926
Excise duty	926,939	872,292
Other receivables	1,285,327	483,332
Security depo. sits	86,850	41,850
Share transfer stamps	41,239	25,337
Staff loans	82,211	19,527
	-----	-----
	11,721,901	2,767,316
	=====	=====

**19. CASH AND BANK BALANCES**

Cash in hand	-	8,789
Balance with banks		
- on current accounts	19.1	1,765,961 109,906,845
- on deposit accounts		101,754,177 47,352,346
		-----
		103,520,138 157,259,191
		-----
		103,520,138 157,267,980
		=====

19.1 As fully explained in note 17.1 of the accounts for the year ended December 31, 1994, the bank has obtained final settlement of the unauthorised withdrawals of Rs. 99 million through settlement arrangements entered into with National Bank of Pakistan during the current period.

**20. ADMINISTRATIVE AND OPERATING EXPENSES**

		Eighteen months ended June 30, 1996 Rupees	Year ended December 31, 1994 Rupees
Salaries, allowances and benefits		10,070,968	4,928,796
Rents and utilities		3,872,257	2,344,355
Amortisation of deferred costs		1,223,556	815,630
Depreciation		2,796,763	1,941,665
Travelling and conveyance		1,267,114	1,271,743
Lease finance charges		1,203,927	625,365
Vehicle running		758,076	365,625
Printing and stationery		454,314	404,971
Advertisement and publicity		332,347	58,086
Insurance		750,528	309,588
Repair and maintenance		229,363	164,186
Postage		118,511	97,286
Legal and professional charges	20.1	129,647	229,852
Exchange loss on foreign currency deposit		--	536,441
Exchange risk coverage fee		488,054	3,197,582
Other	20.2	1,250,206	911,862
		-----	-----
		24,945,631	18,203,033
		=====	=====

20.1 These include auditors' remuneration and expenses as follows.

Audit fee		60,000	40,000
-----------	--	--------	--------

Tax consultancy charges	--	10,000
Other services	14,250	--
Out of pocket expenses	6,050	8,100
	-----	-----
	80,300	58,100
	=====	=====

20.2 This includes penalties amounting to Rs. 62,861 (1994: Rs. 355, 396) imposed by State Bank of Pakistan for incidences of liquidity shortfalls and late filing of returns.

## 21. TRANSACTIONS WITH ASSOCIATED COMPANIES

Other than those already stated above, balances as at June 30, 1996 in respect of, and income and expenditure arising out of, transactions with the associated companies are summarised below.

	Eighteen months ended June 30, 1996 Rupees	Year ended December 31, 1994 Rupees
Dividend on investment in shares	1,200,000	--
Underwriting commission, processing and consultancy fees	--	15,149
Rent payments	3,750,000	--
Deposits received	7,850,000	13,100,000
Return on deposits	65,211	275,754
Advances given and settled	71,049,413	5,160,313
Mark up/excise duty on advances received	28,834,542	517,717
Underwriting commission paid	--	137,425
Advance for expenses	--	173,835
	-----	-----
	112,749,166	19,380,193
	=====	=====

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

	Eighteen months ended June 30,1996 Rupees			Year ended. December 31, 1994 Rupees		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	870,966	1,815,772	1,700,319	437,097	874,194	1,026,325
Housing and utilities	479,034	998,680	943,660	212,903	425,806	493,012
	-----	-----	-----	-----	-----	-----
	1,350,000	2,814,452	2,643,979	65,000	1,300,000	1,519,337
	=====	=====	=====	=====	=====	=====
Number	1	3	8	1	2	6
	=====	=====	=====	=====	=====	=====

The chairman, chief executive and two executive directors are allowed the use of chauffeur driven company maintained cars. Some executives are also allowed to use company maintained cars.

## 23. GENERAL

All figures have been rounded off to the nearest Rupee.

Previous year's figures have been rearranged and regrouped, wherever necessary, for the purpose of comparison.

## PATTERN OF SHAREHOLDING

AS AT JUNE 30, 1996

Number of Shareholders	SHAREHOLDINGS		Total Shares held
	From	To	
1,571	100	500	772,400
75	501	1,000	72,400
85	1,001	5,000	272,200
24	5,001	10,000	225,000
6	10,001	15,000	83,000
10	15,001	20,000	193,300
3	20,001	25,000	72,300
5	25,001	30,000	145,300
3	45,001	50,000	142,400
1	55,001	60,000	57,400
1	85,001	90,000	89,300
1	90,001	100,000	97,200
1	185,001	190,000	189,200
1	190,001	195,000	194,400
1	245,001	250,000	250,000
1	295,001	300,000	300,000
1	365,001	370,000	370,000
4	445,001	450,000	1,799,000
1	465,001	470,000	466,200
1	535,001	540,000	536,500
1	695,001	700,000	700,000
1	970,001	975,000	972,500
2	995,001	1,000,000	2,000,000
-----			-----
1,800			10,000,000
=====			=====

Categories of Shareholders	Number of Shareholders		Percentage Shares held
	Number of Shareholders	Shares held	
1. Individuals	1,780	2,908,800	29.09
2. Investment Companies	2	189,800	1.90
3. Insurance Companies	2	301,000	3.01
4. Joint Stock Companies	3	1,064,900	10.65
5. Financial Institutions	8	2,806,800	28.07
6. Modaraba Companies	3	756,200	7.56
7. Foreign Investors	1	972,500	9.73
8. Leasing Companies	1	1,000,000	10.00
-----			-----
TOTAL	1,800	10,000,000	100.00
=====			=====