

ASSET INVESTMENT BANK LIMITED

Annual Report 1997

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COMPANY INFORMATION

CHAIRMAN

S. M. Abdullah

CHIEF EXECUTIVE

Syed Naveed H. Zaidi

DIRECTORS

Dr. Khahd Iqbal
Mohammad Ashiq Rehmani
Rana M. Abu Obaida
Azhar Tariq Khan
Sohail Ali
Shamim Ahmed Junejo

COMPANY SECRETARY

Ayyaz Ahmed

BANKERS

Habib Bank Limited
Muslim Commercial Bank Limited
National Development Finance Corporation
The Bank of Khyber
Habib American Bank

AUDITORS

Ford, Rhodes, Robson, Morrow
Chartered Accountants

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) 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 5th 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 29, 1997, at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the minutes of the Annual General Meeting held on December 30, 1996.
- 2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 1997 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.
- 4) To transact any other business with the permission of the chair.

By order of the Board

Islamabad
December 05, 1997

Ayyaz Ahmed
Company Secretary

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 23, 1997 to December 29, 1997 both days inclusive.

DIRECTORS' REPORT

The directors of Asset Investment Bank Limited are pleased to present the fifth annual accounts of the Bank for the year ended June 30, 1997.

FINANCIAL INFORMATION

The financial review of the banks' affairs as at June 30, 1997 and results of its operations for the year then ended are summarized below:

	Year ended June 30 1997 Rupees	Eighteen months ended June 30 1996 Rupees
Total income	56,440,727	68,842,255
Expenditure	60,946,591	67,126,581
Profit/(Loss) before taxation	(4,505,864)	1,715,674
Provision for taxation (Net)	900,000	(1,245,451)
Net profit/(loss) after taxation	(5,405,864)	2,961,125

Unappropriated profit brought forward	9,551,162	7,182,262
---------------------------------------	-----------	-----------

APPROPRIATIONS

Transfer to statutory/special reserve	--	592,225
Unappropriated profit carried forward	4,145,298	9,551,162

Other key financial items:

Total assets	449,118,807	349,794,195
Investment in shares/certificates	85,938,299	81,335,824
Investment in Government securities	6,500,000	8,000,000
Loans and advances	183,160,187	114,854,976
Deposits	203,709,970	108,516,651

REVIEW OF OPERATIONS

Asset Investment Bank earned a total income of Rs. 56.44 million during the year ended June 30, 1997. Out of the total income, 43.70%, was generated from profit/discount on loans and advances. Other sources include income from Government securities 0.91%, income from fee and commission 18.83%, income from bank deposits 20.59% and dividend income 1.76%.

Due to various economic factors the year 1996-97 has seen a very deteriorating socio-economic situation of the country. This also effected the capital market. The Stock market remained in uncertain conditions and the investment activities were restricted. Therefore, we could not produce the results which were desired.

The auditors' observation in para (c) of their report has been explained in note 19 of notes to the accounts.

RESOURCE MOBILIZATION

Despite continued restrictions on the government corporations to place their funds with nationalized banks only, and adverse market conditions our deposits have shown substantial rise of

87.7% from the previous year. We managed to generate additional resources to the tune of Rs. 273.950 million in the shape of private placements under our Funds Management Scheme.

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. Due to government's policy of deregulation and privatization, which encourages rapid industrialization, it is expected that foreign investment would flow into Pakistan. The recently announced investment policy, in which government has opened many non traditional sectors for foreign investment and introduced a new concept of local and foreign joint ventures, is also likely to attract greater inflow of long term investments. This would result in augmentation of capital market.

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 1997 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 also extend appreciation to depositors, clients and correspondents for their trust and support and for recognition of Banks' services.

The Board would like to convey appreciation of the work and concerted efforts made by all members of staff.

On behalf of the Board

Islamabad
December 01, 1997

S.M. Abdullah
Chairman

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Asset Investment Bank Limited as at June 30, 1997 and the related Profit and Loss Account and Statement of Changes in Financial Position, 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 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 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) as explained in note 19 to the accounts, the property acquired by the Company through auction carried out by the Banking Tribunal, Karachi in October 1996 has been sold under an agreement of sale entered into on June 16, 1997 with an entity which was legally incorporated on August 27, 1997. The Company has recognized a profit of Rs. 8.850 million on this transaction in the current year although the sale was not completed upto June 30, 1997;
- d) 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, 1997 and of the loss and changes in financial position for the year then ended;
- e) 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.

Islamabad
December 01, 1997

Ford, Rhodes, Robson, Morrow
Chartered Accountants

BALANCE SHEET AS AT June 30, 1997

	June 30 1997	June 30 1996
Note	Rupees	Rupees
SHARE CAPITAL AND RESERVES		
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	3	2,387,791	2,387,791
Revenue reserve -			
Unappropriated profit		4,145,298	9,551,162
		-----	-----
		6,533,089	11,938,953
		-----	-----
		106,533,089	111,938,953
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	4	778,599	2,015,330
LONG TERM DEPOSITS	5	14,137,095	10,000,000
CURRENT LIABILITIES			
Deposits	6	189,572,875	98,516,651
Short term finances	7	104,484,856	89,822,351
Creditors, accrued and other liabilities	8	33,612,293	37,500,910
		327,670,024	225,839,912
CONTINGENCIES AND COMMITMENTS	9	--	--
		-----	-----
		449,118,807	349,794,195
		=====	=====

The annexed notes form an integral part of these accounts.
The auditors' report dated December 01, 1997 is annexed hereto

TANGIBLE FIXED ASSETS	10	9,930,694	9,176,943
LONG TERM INVESTMENTS	11	85,938,299	81,335,824
LONG TERM LOANS	12	34,066,674	40,806,672
LONG TERM PREPAYMENTS AND DEFERRED COSTS	13	1,821,201	3,050,341
CURRENT ASSETS			
Short term investments	14	6,500,000	8,000,000
Loans and advances	15	149,093,513	74,048,304
Income accrued and receivables	16	31,832,940	18,134,072
Advances, deposits, prepayments and other receivables	17	70,833,389	11,721,901
Cash and bank balances	18	59,102,097	103,520,138
		-----	-----
		317,361,939	215,424,415
		-----	-----
		449,118,807	349,794,195
		=====	=====

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE, 30 1997

		Year ended June 30, 1997	Eighteen months ended June 30, 1996
	Note	Rupees	Rupees
INCOME			

Income from bank deposits		11,619,458	16,870,650
Income from loans and advances		24,664,571	38,230,308
Income from investments in			
Government securities		511,025	3,496,467
Commission and fees		10,625,632	10,969,683
Dividend income		993,978	2,563,987
Gain/(loss) on sale of shares and certificates		(1,353,470)	(3,400,699)
Gain/(loss) on sale of fixed assets	10.1	150,868	108,880
Profit on sale of property	19	8,850,000	--
Other income		378,665	2,979

56,440,727 68,842,255

EXPENDITURE

Return on deposits, borrowings and running finance		36,807,788	45,983,690
Administrative and operating	20	17,109,701	24,945,631
Provision for doubtful debts		7,029,102	(3,802,740)
		60,946,591	67,126,581

Profit/ (loss) before taxation (4,505,864) 1,715,674

Provision for taxation			
- Current year		900,000	495,602
- Prior year		--	(1,741,053)
		900,000	(1,245,451)

Profit/(loss) after taxation		(5,405,864)	2,961,125
Profit brought forward		9,551,162	7,182,262
		4,145,298	10,143,387

APPROPRIATION

Transfer to statutory/special reserve		--	592,225
Unappropriated profit carried forward		4,145,298	9,551,162

The annexed notes form an integral part of these accounts
The auditors' report dated December 01, 1997 is annexed hereto.

Syed Naveed H. Zaidi
Chief Executive

Rana M. Abu Obaida
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1997**

Year	Eighteen
ended	months ended
June 30,	June 30,
1997	1996
Rupees	Rupees

CASH FLOW FROM OPERATING ACTIVITIES

Return, commission and other receipts	47,799,351	69,570,087
Return on deposits, borrowings and running finance	(36,807,788)	(45,983,690)
Administrative and operating expenses	(21,837,175)	(20,925,312)
Provision for doubtful debts	(7,029,102)	3,802,740

(17,874,714) 6,463,825

(Increase)/decrease in assets		
Loans and advances	(68,305,211)	(73,978,017)
Income accrued and receivables	(13,698,868)	12,424,915
Advances, deposits, prepayments and other receivables	(58,361,488)	(11,454,585)
Increase/(decrease) in liabilities		
Deposits	95,193,319	18,836,032
Creditors, accrued and other liabilities	4,460,334	(2,375,687)
	-----	-----
Net cash flow from operating activities before tax	(58,586,628)	(50,083,517)
Income tax paid	(1,404,043)	(2,124,978)
	-----	-----
Net cash generated/(used) in operating activities	(59,990,671)	(52,208,495)

CASH FLOW FROM INVESTING ACTIVITIES

Dividend received	993,978	2,563,987
Purchase of fixed assets	(18,759,811)	(595,887)
Proceeds from sale of fixed assets and property	25,310,000	450,000
Proceeds from sale of investments	83,270,430	102,903,991
Purchase of investments	(87,726,375)	(126,148,083)
Net cash generated/(used) in investing activities	3,088,222	(20,825,992)

CASH FLOW FROM FINANCING ACTIVITIES

Short term finances	14,662,505	22,689,725
Repayment of obligation under finance lease	(2,178,097)	(3,403,080)
	-----	-----
Net cash generated/(used) in financing activities	12,484,408	19,286,645
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(44,418,041)	(53,747,842)
Cash and cash equivalents at the beginning of year	103,520,138	157,267,980
	-----	-----
Cash and cash equivalents at the end of year	59,102,097	103,520,138
	=====	=====

Syed Naveed H. Zaidi
Chief Executive

Rana M.Abu Obaida
Director

NOTES TO THE ACCOUNTS
FOR YEAR ENDED JUNE 30, 1997

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. SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

2.2 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 10.

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.

2.3 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 10. Amortisation of the leased assets is charged to income.

2.4 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.

2.5 Deferred costs

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

2.6 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.

2.7 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.

2.8 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.

2.9 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.

2.10 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.

3. STATUTORY/SPECIAL RESERVE

	Year ended June 30, 1997 Rupees	Eighteen months ended June 30, 1996 Rupees
At the beginning of year	2,387,791	1,795,566
Transfer from profit and account	--	592,225
	-----	-----
	2,387,791	2,387,791
	=====	=====

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.

4. 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% (1996: 19.99% to 25.62%) 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:

	Year ended June 30, 1997 Rupees	Eighteen months ended June 30, 1996 Rupees
During the year 1996-97	--	2,780,602
During the year 1997-98	1,562,120	1,562,120

During the year 1998-99	872,260	872,260
	-----	-----
	2,434,380	5,214,982
Less: Finance charge allocated to future periods	419,052	1,147,117
	-----	-----
4.1	2,015,328	4,067,865
Less: Current liability	1,236,729	2,052,535
	-----	-----
	778,599	2,015,330
	=====	=====
4.1 Obligations under finance lease	2,575,323	4,956,040
Less: Lease security deposits	559,995	888,175
	-----	-----
	2,015,328	4,067,865
	=====	=====
5. LONG TERM DEPOSITS	14,137,095	10,000,000
	=====	=====

These deposits are held for 5 years and the expected rate of return payable on these deposits is 18% (1996: 10%) per annum.

6. DEPOSITS

	Year ended June 30, 1997 Rupees	Eighteen months ended June 30, 1996 Rupees
Banks and financial institutions		
Local currency	90,380,467	79,100,000
Foreign currency	80,780,000	--
	171,160,467	79,100,000
Other-		
Local currency	13,217,400	17,547,531
Foreign currency	5,195,008	1,869,120
	-----	-----
	18,412,408	19,416,651
	-----	-----
	189,572,875	98,516,651
	=====	=====

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 6.12% to 6.875% (1996: 4% to 6.8125%) per annum on US dollar deposits and from 12% to 21.5% (1996: 12% to 24%) per annum on Rupee deposits.

7. SHORT TERM FINANCES

From Investment Banks

Secured	11,500,000	10,000,000
Un-secured	--	10,000,000
	7.1	11,500,000
From Muslim Commercial Bank Ltd.	7.2	62,974,011
From Habib Bank Ltd.	7.3	30,010,845
	-----	-----
	104,484,856	89,822,351
	=====	=====

7.1 These represent short term finances from investment banks @ 18% to 23% (1996: 17.75% to 19%) per annum. These are secured by pledge of shares and are repayable in July 1997.

7.2 This represents running finance out of total sanctioned facility of Rs. 50 million. The rate of mark-up is 17% (1996: 17%) per annum. The company has also obtained a trust receipt facility of Rs. 15 million. The facility is secured by way of charge on book debts/receivables and pledge of shares of quoted companies. The facility will expire on December 31, 1997.

7.3 This represents running finance out of total sanctioned facility of Rs. 30 million. The rate of mark-up is 17.52% per annum (1996: 17.52%). The facility is secured by way of charge on book debts/receivables and pledge of shares of quoted companies. The facility will expire on December 31, 1997.

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Year ended June 30, 1997 Rupees	Eighteen months ended June 30, 1996 Rupees
Accrued return on deposits	9,462,026	7,643,358
Accrued return on finances	14,656,322	7,493,503
Accrued liabilities	514,531	353,560
Margin against letters of guarantees	5,990,063	12,132,814
Provision for taxation	2,794,697	1,894,697
Less: Tax deducted at source	(5,900,310)	(4,496,267)
	-----	-----
	(3,105,613)	(2,601,570)
Withholding tax payable	1,041,871	178,600
Excise duty payable	90,094	54,031
Excise duty received in advance	72	2,118
Commission and fee received in advance	138,825	71,486
Current portion of obligations under finance lease	1,236,729	2,052,535
Other payables	3,587,373	10,120,475
	-----	-----
	33,612,293	37,500,910
	=====	=====

9. CONTINGENCIES AND COMMITMENTS

Guarantees issued on behalf of customers	64,789,698	102,874,409
Commitments for repurchase of Government securities	34,582,500	29,990,000
Underwriting of public issue of shares	9.10 --	15,000,000
Tax demands assessed but not provided pending decision of appeals	7,173,623	--
	-----	-----
	106,545,821	147,864,409
	=====	=====

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

10. TANGIBLE FIXED ASSETS

C O S T					D E P R E C I A T I O N						Written Down
As at 7/1/1996 Rupees	Additions Rupees	Transfer Rupees	Deletion Rupees	As at 6/30/1997 Rupees	Rate %	As at 7/1/1996 Rupees	For the Year Rupees	On Transfer Rupees	On Deletion Rupees	As at 6/30/1997 Rupees	Values as at 6/30/1997 Rupees

Office equipment	1,561,553	77,811	--	--	1,639,364	10	364,241	127,512	--	--	491,753	1,147,611
Furniture and fixture	1,212,402	12,000	--	--	1,224,402	10	267,072	95,733	--	--	362,805	861,597
Lease-hold improvements	1,475,425	--	--	--	1,475,425	33.33	927,054	182,772	--	--	1,109,826	365,599
Vehicle 10.1	743,800	--	4,270,839	(283,030)	4,731,609	20	319,265	509,440	1,989,040	(123,898)	2,693,847	2,037,762
Premises for car parking	--	2,520,000	--	--	2,520,000	5	--	126,000	--	--	126,000	2,394,000
	4,993,180	2,609,811	4,270,839	(283,030)	11,590,800		1,977,632	1,041,457	1,989,040	(123,898)	4,784,231	6,806,569
Assets subject to finance lease-vehicles	9,092,062	125,560	(94,270,839)	--	4,946,783	20	3,030,667	781,031	(1,989,040)	--	1,822,658	3,124,125
June 30, 1997	14,085,242	2,735,371	--	(283,030)	16,537,583		4,908,299	1,822,488	--	(123,898)	6,606,889	9,930,694
June 30, 1996	10,293,356	4,458,136	--	(666,250)	14,085,242		2,436,666	2,796,763	--	(325,130)	4,908,299	9,176,943

10.1 Statement of disposal of fixed assets

Item description	Cost Rupees	Accumulated depreciation Rupees	Book value Rupees	Sale proceeds Rupees	Gain/(Loss) Rupees	Mode of disposal	Purchaser
Suzuki Khyber Motor Cycle --	249,230	105,673	143,557	310,000	166,443	By negotiation	Mr. Nasim
Honda CD 70	33,800	18,225	15,575	--	(15,575)	Stolen	
	283,030	123,898	159,132	310,000	150,868		

11. LONG TERM INVESTMENTS

	Note	Year ended June 30, 1997 Rupees	Eighteen months ended June 30, 1996 Rupees
Shares and certificates of listed companies and modarabas	11.1	75,938,299	61,335,824
Shares of unlisted companies	11.2	10,000,000	20,000,000
		85,938,299	81,333,824

11.1 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 (1996: 800,000)

11.1.1 10,122,000 10,122,000

Other companies and modarabas-

First General Leasing Modaraba 902,163 certificates including 101,963 bonus certificates

(1996: 902,163)	11.1.2	8,019,205	8,019,205
LTV Capital Modaraba NIL (1996:14,000 certificates of Rs. 5 each including 3,500 bonus certificates)		--	148,960
First Islamic Modaraba 25,000 certificates of Rs. 10 each (1996: 25,000)		250,000	250,000
First Punjab Modaraba 50,000 certificates of Rs. 10 each including 14,000 bonus certificates (1996: 50,000)		925,900	925,900
Bankers Equity Limited 23,000 ordinary shares of Rs. 10 each including 3,000 bonus shares (1996: 23,000)		1,102,012	1,102,012
		Year ended June 30, 1997 Rupees	Eighteen months ended June 30, 1996 Rupees
Khadim All Shah Bukhari & Co. Limited 6,600 ordinary shares of Rs. 10 each including 1,600 bonus shares (1996: 6,600)		355,958	355,958
Crescent Investment Bank Limited 8,400 ordinary shares of Rs. 10 each including 4,400 bonus shares (1996: 8,400)		169,450	169,450
' 172,500 ordinary shares of Rs. 10 each (1996: 172,500)		1,725,000	1,725,000
Schon Bank Limited 500 ordinary shares of Rs. 10 each (1996: 10,500)		11,500	242,300
Indus Bank Limited 100,500 ordinary shares of Rs. 10 each (1996: 100,500)		1,653,660	1,939,035
Hamraz Industries Limited NIL (1996: 10,000)		--	125,900
Gulistan Spinning Mills Limited 34,500 ordinary shares of Rs. 10 each (1996: 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 (1996:9,843 including 3,543 bonus shares)		806,757	806,757
Dadabhoy Cement Limited 6,000 ordinary shares of Rs. 10 each (1996: 6,000)		315,960	315,960

Pioneer Cement Limited 40,000 ordinary shares of Rs. 10 each (1996: 40,000)	2,036,615	2,036,615
Cherat Cement Limited 35,000 ordinary shares of Rs. 10 each including 2,000 bonus shares (1996: 35,000)	2,730,400	2,730,400
Baluchistan Wheels Limited 250 ordinary shares of Rs. 10 each (1996:76,250 including 17,050 bonus shares)	16,232	4,910,632
Searle Pakistan Limited 1,388 ordinary shares of Rs. 10 each including 338 bonus shares (1996: 1,207)	109,940	109,940
Nishat Tek Limited 24,600 ordinary shares of Rs. 10 each including 1,100 bonus shares (1996: 23,500)	928,825	928,825
Pakistan Industrial Leasing Corporation Limited 20,000 ordinary shares of Rs. 10 each (1996: 20,000)	724,000	724,000
Security Leasing Corporation Limited 167,400 ordinary shares of Rs. 10 each (1996: 167,400)	1,674,000	1,674,000
Askari Commercial Bank Limited 3,932 ordinary shares of Rs. 10 each including 1,182 bonus shares (1996: 3,575)	111,655	111,655
Nayab Spinning Mills Limited 700,000 ordinary shares of Rs. 10 each (1996: 700,000)	6,300,000	6,300,000
Genertech Pak 10,000 ordinary shares of Rs. 10 each (1996: 10,000)	254,500	254,500
Lucky Cement Limited 2,500 ordinary shares of Rs. 10 each (1996: 2,500)	51,500	51,500
KASB Premier Fund 100,000 ordinary shares of Rs. 10 each (1996: 100,000)	1,024,150	1,024,150
Pak Apex Leasing Limited 192,900 ordinary shares of Rs. 10 each (1996: 192,900)	1,929,000	1,929,000
Dewan Salman Fibers Limited NIL (1996: 10,000)	--	620,150
Pak Datacom Limited 10,000 ordinary shares of Rs. 10 each (1996: 10,000)	408,000	408,000
Sui Northern Gas Pipelines Limited 142,500 ordinary shares of Rs. 10 each (1996: 250,000)	4,956,810	10,000,000
Caravan East Fabrics Limited 2,423,050 ordinary shares of Rs. 10 each	11.1.3	

(1996: 1,000,000)	24,230,500	--
Sui Southern Pipelines Limited 317 bonus shares of Rs. 10 each	--	--
FFC Jordan 83,500 ordinary shares of Rs. 10 each	1,223,750	--
Engro Chemicals Limited 325 bonus shares of Rs. 10 each	--	--
I.C.I. (Pak) Limited 20,000 ordinary shares of Rs. 10 each	497,000	--
Aggregate market value: Rs. 50,790,466 (1996: Rs. 44,323,914)	75,938,299	61,335,824

11.2 Investment in unlisted companies

Sihala Biotech Limited Break-up value Rs. 10,000,000 (1996: Rs. 10,000,000)	11.2.1	10,000,000	10,000,000
Caravan East Fabrics Limited (Break-up value 1996: Rs. 10,531,755)	11.1.3	--	10,000,000
		10,000,000	20,000,000

- 11.1.1 Percentage of equity held in the investee company is 8.39% (1996: 8.39%)
- 11.1.2 Percentage of equity held in the investee company is 16.03% (1996: 16.03%)
- 11.1.3 Percentage of equity held in the investee company is 24.23% (1996: 20%)
- 11.2.1 Percentage of equity held in the investee company is 36.60% (1996: 36.60%)

12. LONG TERM LOANS

		Year ended June 30, 1997 Rupees	Eighteen months ended June 30, 1996 Rupees
Caravan East Fabrics Limited	12.1	30,000,000	30,000,000
Mina Leathers Limited	12.2	20,000,000	20,000,000
Other		843,338	880,004
		50,843,338	50,880,004
Less: Current portion taken to current assets	15	16,776,664	10,073,332
		34,066,674	40,806,672

12.1 The loan carries mark-up of 24% 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, 1997.

12.2 The loan carries mark-up of 24% 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.

13. LONG TERM PREPAYMENTS AND DEFERRED COSTS

Prepaid office rent	2,604,550	4,030,950
---------------------	-----------	-----------

Less: Current portion shown under current assets	17	854,550	1,530,950
		-----	-----
		1,750,000	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		3,406,284	2,927,144
		-----	-----
		71,201	550,341
		-----	-----
		1,821,201	3,050,341
		=====	=====

14. SHORT TERM INVESTMENTS

Federal Investment Bonds, at cost			
Face value: Rs. 6,500,000			
(1996: Rs. 8,000,000)	14.1	6,500,000	8,000,000
		-----	-----
		6,500,000	8,000,000
		=====	=====

14.1 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 14% per annum (1996: 12% to 15% p.a.)

15. LOANS AND ADVANCES- SECURED

Promissory notes discounted and margin loans, considered good		136,577,388	63,974,972
Less: Provision for doubtful debts		(4,260,539)	--
		132,316,849	63,974,972
Add: Current portion of long term loans	12	16,776,664	10,073,332
		-----	-----
		149,093,513	74,048,304
		=====	=====

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 15% to 25.9% (1996: 9.5%, to 24%) per annum.

16. INCOME ACCRUED AND RECEIVABLES

On bank deposits		13,145,957	6,902,659
On loans and advances		24,558,497	10,721,146
Less: Provisions for doubtful receivable		6,367,521	904,315
		-----	-----
		18,190,976	9,816,831
On Government securities		492,497	1,411,072
Dividend receivable		3,510	3,510
		-----	-----
		31,832,940	18,134,072
		=====	=====

17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Year	Eighteen
	ended	months ended
	June 30,	June 30,
	1997	1996
	Rupees	Rupees

Advances for expenses		848,445	749,111
Prepayments-			
Office rent	13	854,550	1,530,950
Exchange risk coverage		4,088,700	86,275
Insurance		313,243	401,520
		-----	-----
		5,256,493	2,018,745
Receivables against sale of investments		735,000	--
Commission and fee		14,331,649	6,531,479
Excise duty		1,671,605	926,939
Other receivables		47,865,850	1,285,327
Security deposits		51,850	86,850
Share transfer stamps		56,239	41,239
Staff loans		16,258	82,211
		-----	-----
		70,833,389	11,721,901
		=====	=====

18. CASH AND BANK BALANCES

Cash in hand		15,247	--
Balance with banks			
- on current accounts		2,128,619	1,765,961
- on deposit accounts		56,958,231	101,754,177
		-----	-----
		59,086,850	103,520,138
		-----	-----
		59,102,097	103,520,138
		=====	=====

19. PROFIT ON SALE OF PROPERTY

Total cost of property		16,150,000	--
Less: Sale price		25,000,000	--
		-----	-----
Profit		8,850,000	--
		=====	=====

The Company initially acquired for self use a property measuring 9,604 sq. ft at 6th Floor, Lakson Square Building, Karachi through auction carried out by the Banking Tribunal, Karachi which was sold under an agreement of sale signed with OXUS International (Pvt) Ltd. on June 16, 1997. The buyer has paid Rs. 100,000/- at the time of signing of the agreement. The agreement provides that the title of the property shall be transferred to the buyer upon receipt of full and final payment. The buyer has arranged a deposit of Rs. 2.5 million with the bank in August 1997 which shall be utilised towards settlement of sale proceeds.

20. ADMINISTRATIVE AND OPERATING EXPENSES

	Year ended June 30, 1997 Rupees	Eighteen months ended June 30, 1996 Rupees
Salaries, allowances and benefits	7,233,575	10,070,968
Rents and utilities	2,684,108	3,872,257
Amortisation of deferred costs	479,140	1,223,556
Depreciation	1,822,488	2,796,763
Travelling and conveyance	679,166	1,267,114
Lease finance charges	752,994	1,203,927
Vehicle running	654,480	758,076

Printing and stationery		319,269	454 314
Advertisement and publicity		73,387	332 347
Insurance		546,092	750 528
Repair and maintenance		112,070	229 363
Postage		82,769	118.51
Legal and professional charges	20.1	263,766	129 647
Exchange risk coverage fee		879,204	488 054
Other		527,193	1,250,206
		-----	-----
		17,109,701	24,945,631
		=====	=====

20.1 These include auditors' remuneration and expenses as follows:

Audit fee - current		50,000	60,000
- prior year		87,400	--
Tax consultancy charges		38,500	--
Other services		--	14,250
Out of pocket expenses including prior year		21,120	6,050
		-----	-----
		197,020	80,300
		=====	=====

21. TRANSACTIONS WITH ASSOCIATED COMPANIES

Other than those already stated above, balances as at June 30, 1997 in respect of, and income and expenditure arising out of, transactions with the associated companies are summarised below:

Dividend on investment in shares	--	1,200,000
Rent payments	--	3,750,000
Deposits received	7,200,000	7,850,000
Return on deposits	210,105	65,211
Advances given and settled	--	71,049,413
Mark up/excise duty on advances received	--	28,834,542
Funds borrowed	1,000,000	--
Mark-up on borrowings	31,836	--
Sundries payable	2,193,892	--
	-----	-----
	10,635,833	112,749,166
	=====	=====

22. FUND MANAGEMENT ACCOUNT

The company had received Rs. 273,950,875/- as at June 30, 1997 under the Fund Management Scheme, offered to its customers. The funds received under this scheme have been invested in advances on the authority of the customers. These amounts were received and utilized without any liability on the part of the bank.

23. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Year ended June 30, 1997 Rupees			Eighteen months ended June 30, 1996 Rupees		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	-----	-----	-----	-----	-----	-----
Managerial remuneration	580,644	1,741,932	745,137	870,966	1,815,772	1,700,319
Housing and utilities	319,356	958,068	409,826	479,034	998,680	943,660
	-----	-----	-----	-----	-----	-----
	900,000	2,700,000	1,154,963	1,350,000	2,814,452	2,643,979
	=====	=====	=====	=====	=====	=====
Number	1	3	4	1	3	8
	=====	=====	=====	=====	=====	=====

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.

24. GENERAL

All figures have been rounded off to the nearest Rupee.

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

Syed Naveed H. Zaidi
Chief Executive

Rana M. Abu Obaida
Director

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1997

Number of Shareholders	SHAREHOLDINGS From	To	Total Shares held
1,578	100	500	766,300
76	501	1,000	74,000
101	1,001	5,000	306,900
24	5,001	10,000	223,400
6	10,001	15,000	82,000
10	15,001	20,000	192,800
3	20,001	25,000	72,000
5	25,001	30,000	144,800
3	45,001	50,000	140,100
1	55,001	60,000	57,400
1	85,001	90,000	88,400
1	95,001	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	366,900
4	445,001	450,000	1,799,000
1	460,001	465,000	460,500
1	525,001	530,000	529,200
1	695,001	700,000	700,000
1	965,001	970,000	965,500
2	995,001	1,000,000	2,000,000
1,824			10,000,000

Categories of Shareholders	Number of Shareholders	Shares held	Percentage held
1. Individuals	1,802	2,912,200	29.122
2. Investment Companies	5	783,700	7.837
3. Insurance Companies	2	301,000	3.010
4. Joint Stock Companies	5	1,074,500	10.745
5. Financial Institutions	6	2,254,900	22.549
6. Modaraba Companies	2	708,200	7.082
7. Foreign Investors	1	965,500	9.655
8. Leasing Companies	1	1,000,000	10.000
TOTAL	1,824	10,000,000	100.000