

Asset Investment Bank Limited
Annual Report 1997-98

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COMPANY INFORMATION

CHAIRMAN

S. M. Abdullah

CHIEF EXECUTIVE

Syed Naveed H. Zaidi

DIRECTORS

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

COMPANY SECRETARY

Muhammad Naeem Aslam

BANKERS

Habib Bank Limited
Muslim Commercial Bank Limited
National Development Finance Corporation
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 6th 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 Tuesday, December 29, 1998, at 1.00 p.m. to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the minutes of the 5th Annual General Meeting held on December 29, 1997
- 2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 1998 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

Sd/-

Islamabad
December 05, 1998

Muhammad Naeem Aslam
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, 1998 to December 29, 1998 both days inclusive.

DIRECTORS' REPORT

The directors of Asset Investment Bank Limited are submitting the sixth annual report of the Bank together with the audited accounts of the company for the year ended June 30, 1998.

FINANCIAL REVIEW

The Financial review of the banks' affairs as at June 30, 1998 and results of its operations for the year then ended are summarized below:

	1998	1997
	Rupees	Rupees
Total income	56,513,447	56,440,727
Expenditure	77,906,103	60,946,591
Loss before taxation	(21,392,656)	(4,505,864)
Provision for taxation	300,000	900,000
Net loss after taxation	(21,692,656)	(5,405,864)
Unappropriated profit brought forward	4,145,298	9,551,162
Unappropriated profit/(loss) carried forward	(17,547,358)	4,145,298
Other key financial items:		
Total assets	496,361,121	449,678,802
Long Term Investment in shares/certificates (Net of provision for diminution in value)	81,679,614	85,938,299
Investment in Government securities	7,000,000	6,500,000
Loans and advances	245,567,707	183,160,187
Deposits	257,880,530	203,709,970

The Bank has shown a loss of Rs. 17.5 million after adjustment of unappropriated profit of Rs. 4.14 million of the last year. Following are the major factors for such a situation:

1. Economic turmoil faced by the country in general and the industry in particular, the financial sector has been hit the most. In view of this severe economic crunch is being faced by the country.

2. As is well known, that the stock market over all has been showing continuous decline and its performance is very dismal. It is generally believed that in view of the fresh investment in the country not forthcoming, it cannot be said with certainty that the conditions will improve in the near future. Hence the Asset Bank, as recommended by our auditors had to make substantial provisions for the diminution in the value of our investment portfolio.

3. Substantial Provisions, as recommended by our auditors, had to be made for doubtful debts this year.

4. Sale agreement of property signed in the previous year could not materialize as the buyer backed out due to slump in the property market. However, a new agreement has been signed with Saudi Pak Leasing Company Ltd., but at a lessor price resulting in the previous year's excess profit of Rs. 6.0 million having had to be reversed.

5. Commission earning from our non fund based activities viz-a-viz guarantees, underwriting, L/C's, etc. has decreased from Rs. 10.6 million to Rs. 2.6 million.

Despite general slowdown in the economic activities and decline in the public savings due to heavy inflationary pressures, our deposits have shown rise of 26.59% from the previous year. We also managed to generate additional resources to the tune of Rs. 288.50 million in the shape of private placements under our Funds Management Scheme.

FUTURE OUTLOOK

It is hoped that economic sanctions on Pakistan would be removed, resulting in greater inflow of investment in the country and that it is strongly expected for the economic conditions to improve substantially.

Meanwhile we are in the process of setting up of a joint venture with reliable parties within and outside Pakistan so as to induct substantial funds not only in the shape of increase in the equity of your Bank, but also to further improve the deposits.

These measures are expected to improve the financial position of your bank in due course.

RECTIFICATION OF COMPUTER SYSTEM REGARDING ADVENT OF NEXT CENTURY

Asset Investment Bank Limited has made necessary changes in its MIS and the year 2000 problem "The Millennium Bug" has been solved.

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 1998 is annexed.

AUDITORS

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

ACKNOWLEDGEMENT

Our thanks are due to the State Bank of Pakistan and the Corporation 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 Bank's services.

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

We seek Allah's guidance and His blessings in achieving our objectives.

On behalf of the Board

Sd/-

Islamabad
December 02, 1998

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, 1998 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) 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, 1998 and of the loss and changes in financial position for the year 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.

Islamabad
December 02, 1998

Ford, Rhodes, Robson, Morrow
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1998

	Note	1998 Rupees	1997 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/(loss)		(17,547,358)	4,145,298
		-----	-----
		(15,159,567)	6,533,089
		-----	-----
		84,840,433	106,533,089
LONG TERM FINANCES	4	56,713,781	-
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	5	-	1,103,010

LONG TERM DEPOSITS	6	13,050,530	14,137,095
CURRENT LIABILITIES			
Deposits	7	244,830,000	189,572,875
Short term finances	8	59,128,046	104,484,856
Creditors, accrued and other liabilities	9	37,798,331	33,847,877
		-----	-----
		341,756,377	327,905,608
CONTINGENCIES AND COMMITMENTS	10	-	-
		-----	-----
		496,361,121	449,678,802
		=====	=====
TANGIBLE FIXED ASSETS	11	7,998,510	9,930,694
LONG TERM INVESTMENTS	12	81,679,614	85,938,299
LONG TERM LOANS	13	125,456,107	34,066,674
LONG TERM PREPAYMENTS			
AND DEFERRED COSTS	14	980,000	1,821,201
CURRENT ASSETS			
Short term investments	15	7,000,000	6,500,000
Loans and advances	16	120,111,600	149,093,513
Income accrued and receivables	17	37,435,617	31,832,940
Advances, deposits, prepayments and other receivables	18	60,524,135	71,393,384
Cash and bank balances	19	55,175,538	59,102,097
		-----	-----
		280,246,890	317,921,934
		-----	-----
		496,361,121	449,678,802
		=====	=====

The annexed notes form an integral part of these accounts.
The auditors' report dated December 02, 1998 is annexed hereto

Sd/-
Syed Naveed H. Zaidi
Chief Executive

Sd/-
Rana M. Abu Obaida
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE, 30 1998

	Note	1998 Rupees	1997 Rupees
INCOME			
Income from bank deposits		8,935,514	11,619,458
Income from loans and advances		43,412,110	24,664,571
Income from investments in Government securities		731,280	511,025
Commission and fees		2,626,636	10,625,632
Dividend income		580,286	993,978
Gain/(loss) on sale of shares and certificates		6,150,202	(1,353,470)
Gain on sale of fixed assets	11.1	77,419	150,868
Profit/(loss) on sale of property	20	(6,000,000)	8,850,000
Other income		-	378,665
		-----	-----
		56,513,447	56,440,727
EXPENDITURE			
Return on deposits, borrowings and running finance		56,248,910	37,686,992
Administrative and operating	21	15,186,311	16,230,497
Provision for doubtful debts		4,502,079	7,029,102
Provision for diminution in value of long term investments		1,968,803	-
		-----	-----
		77,906,103	60,946,591

Loss before taxation	(21,392,656)	(4,505,864)
Provision for taxation	300,000	900,000
Loss after taxation	(21,692,656)	(5,405,864)
Unappropriated profit brought forward	4,145,298	9,551,162
Unappropriated profit/(loss) carried forward	(17,547,358)	4,145,298
	=====	=====

The annexed notes form an integral part of these accounts
The auditors' report dated December 02, 1998 is annexed hereto.

Sd/-
Syed Naveed H. Zaidi
Chief Executive

Sd/-
Rana M. Abu Obaida
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1998**

	1998 Rupees	1997 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Return, commission and other receipts	55,705,540	47,799,351
Return on deposits, borrowings and running finance	(56,248,910)	(37,686,992)
Administrative and operating expenses	(13,736,948)	(20,957,971)
	-----	-----
	(14,280,318)	(10,845,612)
(Increase)/decrease in assets		
Loans and advances	(66,909,599)	(68,305,211)
Income accrued and receivables	(5,602,677)	(13,698,868)
Advances, deposits, prepayments and other receivables	11,639,249	(58,361,488)
Increase / (decrease) in liabilities		
Deposits	54,170,560	95,193,319
Creditors, accrued and other liabilities	6,824,780	(2,568,768)
	-----	-----
Net cash flow from operating activities before tax	(14,158,005)	(58,586,628)
Income tax paid	(2,805,023)	(1,404,043)
	-----	-----
Net cash used in operating activities	(16,963,028)	(59,990,671)
CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received	580,286	993,978
Purchase of fixed assets	(135,560)	(18,759,811)
Proceeds from sale of fixed assets and property	(5,233,000)	25,310,000
Proceeds from sale of investments	23,955,085	83,270,430
Purchase of investments	(16,015,000)	(87,726,375)
	-----	-----
Net cash generated in investing activities	3,151,811	3,088,222
CASH FLOW FROM FINANCING ACTIVITIES		
Short term finances	11,356,971	14,662,505
Repayment of obligation under finance lease	(1,472,313)	(2,178,097)
	-----	-----
Net cash generated in financing activities	9,884,658	12,484,408
Net decrease in cash and cash equivalents	(3,926,559)	(44,418,041)
Cash and cash equivalents at the beginning of year	59,102,097	103,520,138
	-----	-----
Cash and cash equivalents at the end of year	55,175,538	59,102,097
	=====	=====

Sd/-
Syed Naveed H. Zaidi

Sd/-
Rana M. Abu Obaida

**NOTES TO THE ACCOUNTS
FOR YEAR ENDED JUNE 30, 1998****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 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.

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 11. 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 Govern-

ment 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 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 i- 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, 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

	1998 Rupees	1997 Rupees
At the beginning of year	2,387,791	2,387,791
Transfer from profit and loss account	-	-
	-----	-----
	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. LONG TERM FINANCES

Muslim Commercial Bank (DF-I)	63,015,325	-
Less: Current maturity shown under current liabilities	9	-
	6,301,544	-
	-----	-----
	56,713,781	-
	=====	=====

This represents Demand Finance which is payable in 5 years in 20 equal quarterly installments of Rs. 3,150,772 each starting from January 01, 1999 with mark-up @ 14% p.a. payable on monthly basis commencing from July 01, 1998. The facility is secured by way of charge on book debts/receivables and pledge of shares of quoted companies amounting to Rs. 36,096,043.

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 23.49% to 25.01% (1997: 19.99% to 25.62%) per

annum. The lease rentals are payable in equal monthly installments.

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

During the year 1997-98	-	1,797,616
During the year 1998-99	1,196,759	1,196,759
	-----	-----
	1,196,759	2,994,375
Less: Finance charge allocated to future periods	93,749	419,052
	-----	-----
	1,103,010	2,575,323
Less: Current liability	1,103,010	1,472,313
	-----	-----
	-	1,103,010
	=====	=====
6. LONG TERM DEPOSITS	13,050,530	14,137,095
	=====	=====

These deposits are held for 5 years and the expected rate of return payable on these deposits is 18% to 19.5% (1997: 18%) per annum.

	1998 Rupees	1997 Rupees
7. DEPOSITS		
Banks and financial institutions-		
Local currency	44,908,000	90,380,467
Foreign currency	80,780,000	80,780,000
	-----	-----
	125,688,000	171,160,467
Other-		
Local currency	112,116,050	13,217,400
Foreign currency	7,025,950	5,195,008
	-----	-----
	119,142,000	18,412,408
	-----	-----
	244,830,000	189,572,875
	=====	=====

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 6.40% to 6.8438% (1997: 6.12% to 6.8750%) per annum on US dollar deposits and from 13% to 23% (1997: 12% to 21.50%) per annum on Rupee deposits.

8. SHORT TERM FINANCES

From Investment Banks

Secured	8.1	7,000,000	11,500,000
Un-secured	8.2	9,600,000	-
		-----	-----
		16,600,000	11,500,000
Muslim Commercial Bank Ltd.	8.3	-	62,974,011
Muslim Commercial Bank Ltd. (DF-II)	8.4	12,630,746	-
Habib Bank Ltd.	8.5	29,897,300	30,010,845
		-----	-----
		59,128,046	104,484,856
		=====	=====

8.1 These carry mark-up of 18% (1997: 18% to 23%) per annum. These are secured by pledge of Federal Investment Bonds and are repayable in July 1998.

8.2 These carry mark-up of 21% to 23.5% p.a. and are repayable by July 1998.

8.3 These facilities have been converted into long term and short term Demand Finances as reported in not 4 and 8.4

8.4 This represents Demand Finance repayable in six monthly installments of Rs. 2,105,124 each starting from July 01, 1998. No mark-up is payable on the facility.

8.5 This represents running finance out of total sanctioned facility of Rs. 30 million. The rate of mark-up is 17.52% p.a. (1997: 17.52%) The facility is secured by way of charge on book debts/receivables and pledge of shares of quoted companies amounting to Rs. 31,843,141

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	1998 Rupees	1997 Rupees
Accrued return on deposits		22,995,265	9,462,026
Accrued return on finances		5,745,309	14,656,322
Accrued liabilities		370,050	514,531
Margin against letters of guarantees		3,364,432	5,990,063
		-----	-----
Provision for taxation		3,094,697	2,794,697
Less: Tax deducted at source and advance tax		(8,705,333)	(5,900,310)
		-----	-----
		(5,610,636)	(3,105,613)
Withholding tax payable		534,049	1,041,871
Excise duty payable		-	90,094
Commission and fee received in advance		182,194	138,825
Current portion of long term finances	4	6,301,544	-
Current portion of obligations under finance lease		1,103,010	1,472,313
Other payables		2,813,114	3,587,445
		-----	-----
		37,798,331	33,847,877
		=====	=====

10. CONTINGENCIES AND COMMITMENTS

Guarantees issued on behalf of customers	36,195,763	64,789,698
Commitments for repurchase of Government securities	14,000,000	34,582,500
Tax demands assessed but not provided pending decision of appeals	10,931,310	7,173,623
	-----	-----
	61,127,073	106,545,821
	=====	=====

11. TANGIBLE FIXED ASSETS

	COST						DEPRECIATION				Written Down	
	As at	Additions	Transfer	Deletion	As at	Rate	As at	For the	On	On	As at	Value as at
	01-07-97				30-06-98	%	01-07-97	Year	Transfer	Deletion	30-06-98	30-06-98
	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Office equipment	1,639,364	35,560	-	-	1,674,924	10	491,753	118,317	-	-	610,070	1,064,854
Furniture and fixtures	1,224,402	100,000	-	-	1,324,402	10	362,805	123,831	-	-	486,636	837,766
Lease-hold improvements	1,475,425	-	-	-	1,475,425	33.33	1,109,826	121,854	-	-	1,231,680	243,745
Vehicles 11.1	4,731,609	-	2,354,923	(1,619,250)	5,467,282	20	2,693,847	518,828	1,108,962	(929,669)	3,391,968	2,075,314
Premises for car parking	2,520,000	-	-	-	2,520,000	5	126,000	119,700	-	-	245,700	2,274,300
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	11,590,800	135,560	2,354,923	(1,619,250)	12,462,033		4,784,231	1,002,530	1,108,962	(929,669)	5,966,054	6,495,979
Assets subject to finance lease-vehicles	4,946,783	-	(2,354,923)	-	2,591,860	20	1,822,658	375,633	(1,108,962)	-	1,089,329	1,502,531
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
June 30, 1998	16,537,583	135,560	-	(1,619,250)	15,053,893		6,606,889	1,378,163	-	(929,669)	7,055,383	7,998,510
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
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
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

11.1 Statement of disposal of fixed assets

	Cost	Accumulated depreciation Rupees	Book Value Rupees	Sale proceeds Rupees	Gain/(Loss) Rupees	Mode of disposal	Purchase
Honda Civic	710,000	383,000	327,000	327,000	-	By negotiation	Mrs. Samina Khalid
Suzuki Khyber	297,250	160,277	136,973	150,000	13,027	By negotiation	Captain Imran Malik
Toyota Corolla	612,000	386,392	225,608	290,000	64,392	By negotiation	Mr. Najamuddin Syed
	1,619,250	929,669	689,581	767,000	77,419		

12. LONG TERM INVESTMENTS

	Note	1998 Rupees	1997 Rupees
Shares and certificates of listed companies and modarabas	12.1	73,648,417	75,938,299
Shares of unlisted companies	12.2	10,000,000	10,000,000
		83,648,417	85,938,299
Provision for diminution in value of long term investments		(1,968,803)	-
	12.3	81,679,614	85,938,299
		=====	=====
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 (1997: 800,000)	12.1.1	10,122,000	10,122,000
Other companies and modarabas-			
First General Leasing Modaraba 902,163 certificates including 101,963 bonus certificates (1997: 902,163, including bonus certificates 101,963)	12.1.2	8,019,205	8,019,205
First Islamic Modaraba 25,000 certificates of Rs. 10 each (1997: 25,000)		250,000	250,000
First Punjab Modaraba 63,130 certificates of Rs. 10 each including 27,130 bonus certificates (1997:50,000 including 14,000 bonus certificates)		925,900	925,900
Bankers Equity Limited 23,000 ordinary shares of Rs. 10 each including 3,000 bonus shares (1997:23,000 including 3,000 bonus shares)		1,102,012	1,102,012
Khadim Ali Shah Bukhari & Co. Limited 6,600 ordinary shares of Rs. 10 each including 1,600 bonus shares (1997:6,600 including 1,600 bonus shares)		355,958	355,958

	1998	1997
	Rupees	Rupees
Crescent Investment Bank Limited 8,400 ordinary shares of Rs. 10 each including 4,400 bonus shares (1997:8,400 including 4,400 bonus shares)	169,450	169,450
Asian Stock Fund 172,500 ordinary shares of Rs. 10 each (1997: 172,500)	1,725,000	1,725,000
Gulf Commercial Bank (formerly Schon Bank Limited) NIL (1997: 500)	-	11,500
Indus Bank Limited 100,500 ordinary shares of Rs. 10 each (1997: 100,500)	1,653,660	1,653,660
Gulistan Spinning Mills Limited 34,500 ordinary shares of Rs. 10 each (1997: 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 (1997:9,843 including 3,543 bonus shares)	806,757	806,757
Dadabhoj Cement Limited 6,000 ordinary shares of Rs. 10 each (1997: 6,000)	315,960	315,960
Pioneer Cement Limited 40,000 ordinary shares of Rs. 10 each (1997: 40,000)	2,036,615	2,036,615
Cherat Cement Limited 43,750 ordinary shares of Rs. 10 each including 10,750 bonus shares (1997: 35,000) including 2,000 bonus shares)	2,730,400	2,730,400
Baluchistan Wheels Limited NIL (1997:250 bonus shares)	-	16,232
Searle Pakistan Limited 1,596 ordinary shares of Rs. 10 each including 546 bonus shares (1997:1,388 including 338 bonus shares)	109,940	109,940
Nishat Tek Limited 24,600 ordinary shares of Rs. 10 each including 1,100 bonus shares (1997:24,600 including 1,100 bonus shares)	928,825	928,825
	1998	1997
	Rupees	Rupees
Pakistan Industrial Leasing Corporation Limited 20,000 ordinary shares of Rs. 10 each (1997: 20,000)	724,000	724,000
Security Leasing Corporation Limited 167,400 ordinary shares of Rs. 10 each (1997: 167,400)	1,674,000	1,674,000
Askari Commercial Bank Limited 4,747 ordinary shares of Rs. 10 each including 1,997 bonus shares (1997:3,932 including 1,182 bonus shares)	111,655	111,655

Nayab Spinning Mills Limited 700,000 ordinary shares of Rs. 10 each (1997: 700,000)		6,300,000	6,300,000
Genertech Pak 10,000 ordinary shares of Rs. 10 each (1997: 10,000)		254,500	254,500
Lucky Cement Limited 2,500 ordinary shares of Rs. 10 each (1997: 2,500)		51,500	51,500
KASB Premier Fund 100,000 ordinary shares of Rs. 10 each (1997: 100,000)		1,024,150	1,024,150
Pak Apex Leasing Limited 192,900 ordinary shares of Rs. 10 each (1997: 192,900)		1,934,000	1,929,000
Pak Datacom Limited 11,000 ordinary shares of Rs. 10 each including 1,000 bonus shares (1997: 10,000)		408,000	408,000
Sui Northern Gas Pipelines Limited 112,500 ordinary shares of Rs. 10 each (1997: 142,500)		3,913,410	4,956,810
Caravan East Fabrics Limited 2,423,050 ordinary shares of Rs. 10 each (1997: 2,423,050)	12.1.3	24,230,500	24,230,500
Sui Southern Gas Pipelines Limited 452 bonus shares of Rs. 10 each (1997:452 bonus shares)		-	-
FFC Jordan NIL (1997: 83,500)		-	1,223,750

Note	1998 Rupees	1997 Rupees
------	----------------	----------------

Engro Chemicals Limited 373 bonus shares of Rs. 10 each (1997:373 bonus shares)		-	-
I.C.I. (Pak) Limited 20,000 ordinary shares of Rs. 10 each (1997: 20,000)		497,000	497,000
Aggregate market value: Rs. 46,44,890 (1997: Rs. 50,790,466)		73,648,417	75,938,299
		=====	=====

12.2 Investment in unlisted companies

Sihala Biotech Limited	12.2.1		
Break-up value Rs. 10,000,000 (1997: Rs. 10,000,000)		10,000,000	10,000,000
		-----	-----
		10,000,000	10,000,000
		=====	=====

12.1.1 Percentage of equity held in the investee company is 8.39% (1997: 8.39%)
 12.1.2 Percentage of equity held in the investee company is 16.03% (1997: 16.03%)
 12.1.3 Percentage of equity held in the investee company is 24.23% (1997: 24.23%)
 12.2.1 Percentage of equity held in the investee company is 36.60% (1997: 36.60%)
 12.3 Shares amounting to Rs. 67,939,184 are pledged with banks against loans taken from them.

13. LONG TERM LOANS

Lease Pak Limited	13.1	20,000,000	-
Caravan East Fabrics Limited	13.2	43,182,534	30,000,000
Mina Leathers Limited	13.3	29,827,630	20,000,000
Sihala Biotech Limited	13.4	40,295,926	-
Other		838,339	843,338
		-----	-----
		134,144,429	50,843,338
Less: Current portion taken to current assets	16	8,688,322	16,776,664
		-----	-----
		125,456,107	34,066,674
		=====	=====

13.1 The loan carries mark-up of 20% per annum and is secured by specific charge on the machinery leased to their clients. The loan is repayable in three years by quarterly installments.

13.2 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 twelve equal quarterly installments commencing after a grace period of two years.

13.3 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 twelve equal quarterly installments commencing from December 1999.

13.4 The loan carries mark-up of 20% per annum. Refinancing of the project has been provided by M.C.B. The loan is secured by mortgage of factory land, building and machinery and is repayable in twelve equal quarterly installments commencing from June 2000.

14. LONG TERM PREPAYMENTS AND DEFERRED COSTS

	Note	1998 Rupees	1997 Rupees
Prepaid office rent		2,257,300	2,604,550
Less: Current portion shown under current assets	18	1,277,300	854,550
		-----	-----
		980,000	1,750,000
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		3,477,485	3,406,284
		-----	-----
		-	71,201
		-----	-----
		980,000	1,821,201
		=====	=====

15. SHORT TERM INVESTMENTS

Federal Investment Bonds, at cost			
Face value: Rs. 7,000,000			
(1997: Rs. 6,500,000)	15.1	7,000,000	6,500,000
		=====	=====

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 14% to 18% per annum (1997: 12% to 14% p.a.)

16. LOANS AND ADVANCES-SECURED

1998 1997

	Note	Rupees	Rupees
Promissory notes discounted and margin loans		120,185,896	136,577,388
Less: Provision for doubtful debts		(8,762,618)	(4,260,539)
		-----	-----
Considered good		111,423,278	132,316,849
Add: Current portion of long term loans	13	8,688,322	16,776,664
		-----	-----
		120,111,600	149,093,513
		=====	=====

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 24% (1997: 15% to 25.9%) per annum.

17. INCOME ACCRUED AND RECEIVABLES

On bank deposits		15,850,851	13,145,957
		-----	-----
On loans and advances		28,252,489	24,558,497
Less: Provision for doubtful receivable		6,986,836	6,367,521
		-----	-----
		21,265,653	18,190,976
On Government securities		317,478	492,497
Dividend receivable		1,635	3,510
		-----	-----
		37,435,617	31,832,940
		=====	=====

18. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advance for expenses	18.1	899,223	848,445
Prepayments-			
Office rent	14	1,277,300	854,550
Exchange risk coverage		234,820	4,088,700
Insurance		204,456	313,243
		-----	-----
		1,716,576	5,256,493
Receivables against sale of investments		429,250	735,000
Commission and fee		15,224,117	14,331,649
Excise duty		700,352	1,671,605
Other receivables		40,894,582	47,865,850
Security deposits		576,350	611,845
Share transfer stamps		56,239	56,239
Staff loans		27,446	16,258
		-----	-----
		60,524,135	71,393,384
		=====	=====

18.1 This includes amount of Rs. 585,361 (1997: 485,361) due from directors. During the year maximum amount due from directors is Rs. 585,361.

19. CASH AND BANK BALANCES

	Note	1998 Rupees	1997 Rupees
Cash in hand		4,844	15,247
Balance with banks			
- on current accounts		2,762,341	2,128,619
- on deposit accounts		52,408,353	56,958,231
		-----	-----
		55,170,694	59,086,850
		-----	-----
		55,175,538	59,102,097
		=====	=====

20. PROFIT ON SALE OF PROPERTY

Total cost of property	16,150,000	16,150,000
Less: Sale price	19,000,000	25,000,000
	-----	-----
Profit on current sale	2,850,000	8,850,000
Less: Reversal of profit recognized last year	8,850,000	-
	-----	-----
	(6,000,000)	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. This agreement was cancelled and a new agreement was signed with Saudi Pak Leasing Company Limited for Rs. 19,000,000. The amount of excess profit of Rs. 6,000,000 has been reversed in the current year.

21. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and benefits	6,929,585	7,233,575
Rents and utilities	2,767,066	2,684,108
Amortisation of deferred costs	71,201	479,140
Depreciation	1,378,162	1,822,488
Travelling and conveyance	771,519	679,166
Lease finance charges	329,519	752,994
Vehicle running	675,383	654,480
Printing and stationery	268,889	319,2690
Advertisement and publicity	60,365	73,387
Insurance	421,135	546,092
Repair and maintenance	94,021	112,070
Postage	97,552	82,769
Legal and professional charges	21.1 271,605	263,766
Other	1,050,309	527,193
	-----	-----
	15,186,311	16,230,497
	=====	=====

21.1 These include auditors' remuneration and expenses as follows:

	1998	1997
	Rupees	Rupees
Audit fee - current	60,000	50,000
- prior year		87,400
Tax consultancy charges	-	38,500
Out of pocket expenses including prior year	8,900	21,120
	-----	-----
	68,900	197,020
	=====	=====

22. TRANSACTIONS WITH ASSOCIATED COMPANIES

Other than those already stated above, balances as at June 30, 1998 in respect of, and income and expenditure arising out of, transactions with the associated companies are summarised below:

Deposits received	6,958,000	7,200,000
Return on deposits	1,775,603	210,105
Funds borrowed	5,100,000	1,000,000
Mark-up on borrowings	1,000,003	31,836
Sundries payable	-	2,193,892
Other receivable	667,364	25
	-----	-----
	15,500,970	10,635,833
	=====	=====

23. FUND MANAGEMENT ACCOUNT

The company had received Rs. 288,500,000/- as at June 30, 1998 (1997: Rs. 273,950,875) 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. The Company's income on such transactions is 0.5% to 1.75% p.a.

24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	1998			1997		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Managerial remuneration	580,644	967,740	1,227,714	580,644	1,741,932	745,137
Housing and utilities	319,356	532,260	675,244	319,356	958,068	409,826
	900,000	1,500,000	1,902,958	900,000	2,700,000	1,154,963
Number	1	2	6	1	3	4

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.

25. 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.

Syed Naveed H. Zaidi
Chief Executive

Rana M. Abu Obaida
Director

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 1998**

Number of Shareholders	SHAREHOLDINGS		Total Shares held
	From	To	
28	1	100	2,800
1,486	101	500	724,300
77	501	1,000	75,500
106	1,001	5,000	319,600
25	5,001	10,000	230,000
5	10,001	15,000	69,400
10	15,001	20,000	186,600
3	20,001	25,000	70,500
5	25,001	30,000	142,500
2	40,001	45,000	86,700
1	45,001	50,000	47,700
1	55,001	60,000	56,300
1	80,001	85,000	83,100
1	95,001	100,000	97,200
1	140,001	145,000	140,800
1	145,001	150,000	150,000
1	165,001	170,000	165,300
1	180,001	185,000	181,900
1	245,001	250,000	247,500
2	295,001	300,000	600,000
1	355,001	360,000	356,600
4	445,001	450,000	1,798,200
1	510,001	515,000	514,300
1	695,001	700,000	700,000
1	950,001	955,000	953,200
2	995,001	1,000,000	2,000,000
-----		-----	
1,768			10,000,000

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Categories of Shareholders	Number of Shareholders		Percentage held
	Shareholders	Shares held	
1. Individuals	1,746	3,294,000	32.940
2. Investment Companies	4	712,100	7.121
3. Insurance Companies	2	301,000	3.010
4. Joint Stock Companies	8	2,253,000	22.530
5. Financial Institutions	5	1,778,600	17.786
6. Modaraba Companies	2	708,100	7.081
7. Foreign Investors	1	953,200	9.532
	-----	-----	-----
TOTAL	1,768	10,000,000	100.000
	=====	=====	=====