

# **First International Investment Bank Limited**

## **Annual Report 1998**

### **CONTENTS**

|  |
|--|
| Company Information                        |
| Notice of Meeting                          |
| Directors' Report                          |
| Auditors' Report                           |
| Balance Sheet                              |
| Profit & Loss Account                      |
| Statement of Changes in Financial Position |
| Notes to the Accounts                      |
| Pattern of Shareholding                    |

### **COMPANY INFORMATION**

|                                     |  |
|-------------------------------------|--|
| <b>Board of Directors</b>           | Syed Babar Ali<br>Chairman   |
|                                     | Fakir Syed Aijazuddin<br>Managing Director & Chief Executive   |
|                                     | Pir Ali Gohar<br>Mr. Tawfiq A. Husain<br>Mr. M. Rashid Zahir<br>Mr. Nasim Beg<br>Mr. S. Lachlan Hough  |
| <b>Company Secretary</b>            | Syed Zia-ul-Hasan  |
| <b>Auditors</b>                     | Messrs. Ford, Rhodes, Robson, Morrow<br>Chartered Accountants  |
| <b>Legal Advisers</b>               | Messrs. Orr, Dignam & Co.<br>Advocates   |
|                                     | Messrs. Mohsin Tayebaly & Co.<br>Advocates & Legal Consultants   |
| <b>Bankers</b>                      | American Express Bank Ltd.<br>Muslim Commercial Bank Ltd.  |
| <b>Registrars</b>                   | Noble Computer Services (Pvt.) Ltd.<br>Al-Manzoor Building,<br>Dr. Ziauddin Ahmad Road,<br>Karachi.  |
| <b>Lahore<br/>Registered Office</b> | 2nd Floor<br>Babar Ali Foundation Building,<br>308, Upper Mall, Lahore<br>Telephones: (042) 5753414-6, 5710597,<br>111-234-234<br>Fax: (042) 5710598 / 111-567-567 |

**Karachi Office**

7th Floor,  
Shaheen Commercial Complex,  
Dr. Ziauddin Ahmad Road,  
Karachi.  
Telephones: (021) 2639042-46,  
111-234-234  
Fax: (021) 2630678 / 111-567-567

**Islamabad Office**

Mezzanine Floor,  
Razia Sharif Plaza,  
90, Blue Area, G/7, Islamabad.  
Telephones: (051) 275256-58, 111-234-234  
Fax: (051) 273861 / 111-567-567

**NOTICE OF THE EIGHTH ANNUAL GENERAL MEETING**

Notice is hereby given that the eighth Annual General Meeting of First International Investment Bank Limited will be held at 10:00 a.m. on Friday, November 20, 1998 at the Company's Registered Office, 2nd Floor, Babar Ali Foundation Building, 308 Upper Mall, Lahore to transact the following business:

**ORDINARY BUSINESS:**

1. To receive and consider the Accounts of the Company for the year ended June 30, 1998 together with the Directors' and Auditors' Reports thereon.
2. To declare a final dividend @7.5% for the year ended June 30, 1998.
3. To appoint auditors and to fix their remuneration.

**SPECIAL BUSINESS:**

4. To consider and if thought fit, to approve the remuneration payable to the Managing Director and Chief Executive.
5. To transact any other business with the permission of the Chair.

**NOTES:**

1. The share transfer books of the Company will remain closed from November 13, 1998 to November 20, 1998 (both days inclusive).
2. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on a member's behalf. A Proxy need not be a member of the Company.
3. Duly completed forms of proxy must be deposited with the Company Secretary at the Head Office of the Company not later than 48 hours before the time appointed for the meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. Shareholders are requested to notify any change in their address immediately.

**DIRECTORS' REPORT**

The Board of Directors of First International Investment Bank Limited (Interbank) has pleasure in presenting its Report and the Accounts for the twelve months ended June 30, 1998 to the Eighth Annual General Meeting.

Your Bank has been operating in a market which has witnessed considerable volatility, the most

notable feature of which was the decision of the Government of Pakistan on 28 May 1998 in regard to the maintenance and operation of Foreign Currency Accounts. Although a final decision is still awaited regarding encashment/conversion of such deposits, most of the funds received by your Bank under this scheme were long-term in nature and provided a hedging mechanism for clients.

The policy of your Bank is to remain prudent in its activities and to pursue any new lines of business which will help diversify its operations. It is with this objective that your Bank embarked upon leasing operations and more recently has initiated a Micro Credit Finance Scheme for milk farmers. This scheme has been launched in collaboration with Nestle Milkpak and is proceeding as planned.

Interbank's pre-tax profit for the twelve months ended June 30, 1998 was Rs. 28.50 million. The Bank's after tax profit of Rs. 21.00 million was achieved through improved spreads and diversification of Interbank's product range.

**SUMMARY:**

|  | <b>Rs. million</b> |
|--|--------------------|
| After tax the Bank made a profit of                        | 21.00              |
| Adding thereto the unappropriated profit at<br>1 July 1997 | 0.12               |
|  | -----              |
| makes available for appropriation a sum of                 | 21.12              |
| from which the Directors recommend                         |                    |
| - transfer to special reserve                              | 4.20               |
| - final dividend   | 13.50              |
|  | -----              |
| and propose to carry forward the balance of                | 3.42               |
|  | =====              |

After consideration of the results for the twelve months ended June 30, 1998, the Board of Directors decided to recommend a dividend at the rate of 7.5 percent of the paid up capital, representing Rs. 0.75 per ordinary share.

The business focus of your Bank continues to be the exploration and development of investment banking opportunities, especially the design and launching of innovative products and new types of financing instruments.

The Bank had initiated steps as far back as 1996 to make our computer-based systems Year 2000 compliant. We are pleased to report that our investment banking and leasing systems are already Year 2000 compliant. The Operating Systems will also be Year 2000 compliant latest by mid-1999.

Before concluding, we would like to place on record the management's appreciation to all its employees at all levels. They continue to support the endeavours of the Bank with zeal and dedication.

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of FIRST INTERNATIONAL INVESTMENT BANK LIMITED as at June 30, 1998 and the related profit and loss account and statement of changes in financial position (cash flow statement), together with the statement of accounting policies and 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 (cash flow statement), together with the statement of accounting policies and 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 profit and the changes in financial position for the year then ended; and

(d) in our opinion Zakat deductible at source 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.

## BALANCE SHEET AS AT JUNE 30, 1998

|   | Note | 1998<br>Rupees | 1997<br>Rupees |
|---|------|----------------|----------------|
| <b>SHARE CAPITAL AND RESERVES</b>                               |      |                |                |
| Authorised capital<br>20,000,000 ordinary shares of Rs. 10 each |      | 200,000,000    | 200,000,000    |
| Issued and paid-up-capital                                      | 3    | 180,000,000    | 180,000,000    |
| <b>Capital reserves</b>   |      |                |                |
| Special reserve   | 4    | 32,794,000     | 28,594,000     |
| Share premium   |      | 70,000,000     | 70,000,000     |
|   |      | 102,794,000    | 98,594,000     |
| <b>Revenue reserves</b>   |      |                |                |
| General reserve   |      | 44,000,000     | 44,000,000     |
| Unappropriated profit   |      | 3,420,859      | 121,557        |
|   |      | 47,420,859     | 44,121,557     |
|   |      | 330,214,859    | 322,715,557    |
| <b>DEFERRED LIABILITIES</b>                                     |      |                |                |
| Provision for gratuity  |      | 1,372,502      | 485,786        |
| <b>LONG TERM BORROWING</b>                                      | 5    | 114,965,612    | --             |
| <b>LONG TERM DEPOSITS</b>                                       | 6    | 1,606,029,513  | 1,470,322,665  |
| <b>DEPOSITS ON LEASE CONTRACTS</b>                              | 7    | 7,299,185      | 2,680,285      |
| <b>CURRENT LIABILITIES AND PROVISIONS</b>                       |      |                |                |

|  |    |               |               |
|--|----|---------------|---------------|
| Deposits                                     | 8  | 1,108,989,346 | 1,065,197,806 |
| Current portion of long term borrowing       | 5  | 17,687,017    | --            |
| Accrued expenses and other liabilities       | 9  | 73,544,346    | 74,836,274    |
| Proposed final dividend                      |    | 13,500,000    | 22,500,000    |
|  |    | -----         | -----         |
|  |    | 1,213,720,709 | 1,162,534,080 |
| <b>CONTINGENCIES AND COMMITMENTS</b>         | 10 |               |               |
|  |    | -----         | -----         |
|  |    | 3,273,602,380 | 2,958,738,373 |
|  |    | =====         | =====         |
| <b>CURRENT ASSETS</b>                        |    |               |               |
| Cash and bank balances                       | 11 | 33,442,269    | 31,659,243    |
| Trading investments                          | 12 | 447,776,550   | 395,246,677   |
| Net Investment in lease finance              | 13 | 17,618,871    | 3,533,726     |
| Finance                                      | 14 | 658,515,552   | 807,779,457   |
| Fund placements with investment              |    |               |               |
| banks/other companies                        | 15 | 544,000,000   | 446,000,000   |
| Demand promissory note                       | 16 | 20,000,000    | --            |
| Bankers' acceptances                         |    | --            | 18,000,000    |
| Income accrued or receivable                 |    | 99,851,795    | 84,985,274    |
| Other receivables                            | 17 | 5,554,493     | 5,562,584     |
| Payments less provision for taxation         | 18 | 67,107,433    | 21,864,039    |
| Prepayments                                  | 19 | 94,648,338    | 80,224,802    |
|  |    | -----         | -----         |
|  |    | 1,988,515,301 | 1,894,855,802 |
| <b>LONG TERM INVESTMENTS</b>                 | 20 | 222,286,649   | 61,129,620    |
| <b>NET INVESTMENT IN LEASE FINANCE</b>       | 13 | 57,121,013    | 23,316,306    |
| <b>LONG TERM FINANCE</b>                     | 21 | 913,009,461   | 887,320,530   |
| <b>LONG TERM DEMAND PROMISSORY NOTES</b>     | 22 | 78,000,000    | 78,000,000    |
| <b>LONG TERM DEPOSITS AND DEFERRED COSTS</b> | 23 | 5,638,826     | 3,850,212     |
| <b>TANGIBLE FIXED ASSETS</b>                 | 24 | 9,031,130     | 10,265,903    |
|  |    | -----         | -----         |
|  |    | 3,273,602,380 | 2,958,738,373 |
|  |    | =====         | =====         |

The annexed notes form an integral part of these accounts.

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

|                                     | <b>Note</b> | <b>1998<br/>Rupees</b> | <b>1997<br/>Rupees</b> |
|-------------------------------------|-------------|------------------------|------------------------|
| <b>INCOME</b>                       |             |                        |                        |
| Income from finance provided        |             | 225,335,141            | 233,135,856            |
| Income from bills receivable        |             | --                     | 8,729,188              |
| Income from investments             | 25          | 70,016,277             | 64,036,727             |
| Income from lease finance           |             | 10,965,264             | 89,291                 |
| Income from demand promissory notes |             | 14,075,767             | 12,158,793             |
| Income from bankers' acceptances    |             | 612,779                | 605,550                |
| Income from fund placements         |             | 85,016,062             | 74,083,084             |
| Commissions and fees                |             | 2,877,289              | 3,037,442              |
| Other income                        | 26          | 8,729,153              | 1,036,243              |
|                                     |             | -----                  | -----                  |
|                                     |             | 417,627,732            | 396,912,174            |

### **EXPENDITURE**

|  |    |             |             |
|--|----|-------------|-------------|
| Return on deposits   |    | 310,759,877 | 306,197,521 |
| Financial charges  | 27 | 17,084,216  | 4,186,701   |
| Administration and operating expenses                      | 28 | 55,723,070  | 48,596,212  |
| Provision for diminution in value of investments           |    | (1,614,188) | 1,499,172   |
| Provision for potential lease losses                       |    | 242,677     | 121,007     |
| Provision under SBP NBFIs Regulations against finance debt |    | 6,932,778   | (1,055,076) |
|  |    | 389,128,430 | 359,545,537 |
| Profit before taxation                                     |    | 28,499,302  | 37,366,637  |
| Taxation   | 18 | 7,500,000   | 11,300,000  |
| Profit after taxation                                      |    | 20,999,302  | 26,066,637  |
| Unappropriated profit brought forward                      |    | 121,557     | 1,854,920   |
| Available for appropriation                                |    | 21,120,859  | 27,921,557  |
| <b>APPROPRIATIONS</b>                                      |    |             |             |
| Transfer to special reserve                                |    | 4,200,000   | 5,300,000   |
| Proposed final dividend @ 7.5% (1997: @ 12.5%)             |    | 13,500,000  | 22,500,000  |
|  |    | 17,700,000  | 27,800,000  |
| Unappropriated profit carried forward                      |    | 3,420,859   | 121,557     |

The annexed notes form an integral part of these accounts.

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

|  | <b>1998</b>   | <b>1997</b>   |
|--|---------------|---------------|
|  | <b>Rupees</b> | <b>Rupees</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>      |               |               |
| Profit before taxation                           | 28,499,302    | 37,366,637    |
| <b>Adjustments for:</b>                          |               |               |
| Depreciation                                     | 3,251,704     | 2,753,973     |
| Deferred costs                                   | 1,320,466     | 337,113       |
| Gain on disposal of fixed assets                 | (34,292)      | (75)          |
| Provision for diminution in value of investments | (1,614,188)   | 1,499,172     |
| Provision for doubtful debts                     | 6,932,778     | (1,055,076)   |
| Provision for potential lease losses             | 242,677       | 121,007       |
| Provision for gratuity                           | 917,316       | 485,786       |
|  | 11,016,461    | 4,141,900     |
|  | 39,515,763    | 41,508,537    |
| <b>(Increase)/decrease in current assets:</b>    |               |               |
| Trading investments                              | (50,915,685)  | (17,293,411)  |
| Finance  | 142,331,127   | (80,894,035)  |
| Fund placements                                  | (98,000,000)  | 176,000,000   |

|  |               |               |
|--|---------------|---------------|
| Bills receivable   | --            | 50,997,835    |
| Demand promissory note   | (20,000,000)  | --            |
| Bankers' acceptance  | 18,000,000    | (18,000,000)  |
| Income accrued or receivable   | (14,866,521)  | (3,491,514)   |
| Other receivables  | 763,091       | 5,734,307     |
| P repayments   | (14,423,536)  | (3,938,118)   |
|  | -----         | -----         |
|  | (37,111,524)  | 109,115,064   |
| <b>(Decrease)/increase in current liabilities:</b>                   |               |               |
| Deposits   | 43,791,540    | 5,713,228     |
| Accrued expenses and other liabilities                               | (8,558,986)   | 8,070,692     |
|  | -----         | -----         |
|  | 35,232,554    | 13,783,920    |
|  | -----         | -----         |
| Increase in long term finance  | (25,688,931)  | (92,204,917)  |
| Increase in long term deposits and deferred costs                    | (3,109,080)   | (4,015,365)   |
| Increase in long term demand promissory notes                        | --            | (78,000,000)  |
| Increase in net investment in lease finance                          | (48,132,529)  | (26,850,032)  |
| Increase in deposits on lease contracts                              | 4,618,900     | 2,680,285     |
|  | -----         | -----         |
|  | (72,311,640)  | (198,390,029) |
| Net cash from operating activities<br>before income-tax and gratuity | -----         | -----         |
|  | (34,674,847)  | (33,982,508)  |
|  | -----         | -----         |
| Total carried forward  | (34,674,847)  | (33,982,508)  |
|  | -----         | -----         |
| Total brought forward  | (34,674,847)  | (33,982,508)  |
|  | -----         | -----         |
| Income-tax paid  | (52,743,394)  | (30,025,091)  |
| Gratuity paid  | {30,600}      | --            |
|  | -----         | -----         |
| Net cash from operating activities                                   | (87,448,841)  | (64,007,599)  |
| <b>Cash flows from investing activities:</b>                         |               |               |
| Long term investments  | (161,157,029) | (11,200,000)  |
| Acquisition of fixed assets  | (2,737,639)   | (3,452,384)   |
| Sale proceeds of fixed assets  | --            | 300           |
|  | -----         | -----         |
| Net cash used in investing activities                                | (163,894,668) | (14,652,084)  |
| <b>Cash flows from financing activities:</b>                         |               |               |
| Payment of dividend  | (15,232,942)  | --            |
| Long term borrowing - net  | 132,652,629   | --            |
| Long term deposits   | 135,706,848   | 80,775,000    |
|  | -----         | -----         |
| Net cash from financing activities                                   | 253,126,535   | 80,775,000    |
|  | -----         | -----         |
| Net increase in cash   | 1,783,026     | 2,115,317     |
| Cash and bank balances at the beginning of the year                  | 31,659,243    | 29,543,926    |
|  | -----         | -----         |
| Cash and bank balances at the end of the year                        | 33,442,269    | 31,659,243    |
|  | =====         | =====         |

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

### **1. LEGAL STATUS AND OPERATIONS**

First International Investment Bank Limited (Interbank) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. Interbank is licensed to carry out all investment finance activities described under SRO 585(1)/87 dated July 13, 1987, issued by the Ministry of Finance. Its shares are quoted on the Karachi and Lahore Stock Exchanges.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Accounting convention**

The accounts are prepared under the historical cost convention.

#### **2.2 Taxation**

Provision for current taxation is based on taxable income at the current rate after taking into account applicable tax credits, rebates and exemptions.

Provision for deferred taxation is made on all material timing differences expected to reverse in the foreseeable future, using the liability method. Also see note 18.

#### **2.3 Tangible fixed assets**

These are stated at cost less accumulated depreciation. Depreciation charge is based on the straight line method whereby the cost of an asset is written off over its estimated useful life without taking into account any residual value. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of fixed assets are taken to Profit and Loss account.

#### **2.4 Investments**

Long term investments are valued at cost.

Short term government securities are carried at their realisable values.

Other trading investments (including NIT Units) are valued at the lower of cost and market value on category of investment basis.

Cost is taken as estimated realisable value for unquoted investments.

#### **2.5 Securities under repurchase/resale agreements**

Transactions of repurchase/resale of government securities, term finance certificates and shares are entered into at contracted rates for specified periods of time.

The securities sold under repurchase obligations are deleted from investments and are reinstated upon maturity of the respective repurchase obligations. The differential between the initial and maturity values of the contracts is amortised over the period of the contract and recorded under income from trading investments.

The securities purchased under resale obligations are recognized as investments and deleted upon resale. The differential between the initial and maturity values of the contracts is amortised over the period of the contract and recorded under income from trading investments.

#### **2.6 Exchange risk cover fee**

The fee for exchange risk cover obtained in respect of foreign currency certificates of deposit is amortised over the term of the respective forward exchange contracts.



**2.7 Revenue recognition**

Mark-up/return on finance provided, bills receivable, bankers acceptances, term finance certificates and fund placements are recognised on a time proportion basis taking account of the relevant maturity dates and the applicable mark-up/return in respect thereof. Mark-up/return on demand promissory notes (DPNs) is recognised on a time proportion basis taking into account the relevant DPNs purchase dates and final maturity dates as specified in the DPN investment agreements.

The Company follows the finance method for recognition of lease income. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of leased assets, apart from an amount equal to the allowance for potential lease losses (which is transferred to income at the inception of lease), is taken to income over the term of the lease, so as to produce a systematic return on the net investment in the lease.

Dividend income is recognised upon receipt of respective warrants.

Commissions and fees are taken to income currently.

**2.8 Foreign currency transactions**

Assets and liabilities in foreign currencies are translated into Pak rupees at the rates prevailing on the balance sheet date except those which have forward exchange cover. Gains and losses on translation are taken to income currently.

**2.9 Provision for potential lease losses**

The provision for potential lease losses is maintained at a level which is considered reasonably adequate at the time of execution of the leases to provide for potential losses on the company's lease portfolio.

**2.10 Staff retirement benefits**

The Company operates a contributory provident fund for all its permanent employees and contributions are made by the Company in accordance with the fund rules. The Company also has an unfunded staff gratuity scheme in respect of which provisions are made.

|  | <b>1998</b>   | <b>1997</b>   |
|--|---------------|---------------|
|  | <b>Rupees</b> | <b>Rupees</b> |
| <b>3. ISSUED AND PAID-UP CAPITAL</b>   |               |               |
| 15,000,000 (1997:15,000,000) ordinary shares of Rs.10 each fully paid in cash    | 150,000,000   | 150,000,000   |
| 3,000,000 (1997: 3,000,000) ordinary shares of Rs.10 each issued as bonus shares | 30,000,000    | 30,000,000    |
|  | -----         | -----         |
|  | 180,000,000   | 180,000,000   |
|  | =====         | =====         |
| <b>4. CAPITAL RESERVE - SPECIAL RESERVE</b>                                      |               |               |
| Brought forward  | 28,594,000    | 23,294,000    |
| Transfer from profit and loss account  | 4,200,000     | 5,300,000     |
|  | -----         | -----         |
|  | 32,794,000    | 28,594,000    |
|  | =====         | =====         |

This represents a statutory reserve created (at 20% of after tax profits) in compliance with the State Bank of Pakistan NBFIs Circular No.1 dated December 5, 1991.

**5. LONG TERM BORROWING - UNSECURED**

The Company has entered into a financing agreement with the International Finance Corporation (IFC) to be utilised for term and lease financing. The financing agreement comprises:

Loan 'A' for US\$ 7.5 million, and

Loan 'B' for US\$ 2.5 million.

The draw-down of US\$ 3,076,003 was made from loan 'A'. The return on this fund is 9.5625% per annum payable semi-annually directly to IFC. The loan is repayable in sixteen semi-annual equal installments which commenced from June 15, 1998.

The commitment charge in respect of the 'A' loan is 1% per annum on the unutilised credit line, commencing from April 26, 1996. No commitment charge is as yet to be accrued in respect of the 'B' loan.

**6. LONG TERM DEPOSITS**

These represent certificates of deposit of customers maturing one year after the balance sheet date. Expected rates of return payable on long term deposits are 15% per annum for Pak. rupee deposits (the amount outstanding at June 30, 1998, was Rs.78,000,000 - 1997: Rs.78,635,000) and 5.3125% to 7.75% per annum for foreign currency deposits (the amount outstanding at June 30, 1998, was Rs.1,528,029,513 - 1997: Rs.1,391,687,665). Foreign currency is exchanged for Pak rupees by State Bank of Pakistan which provided the foreign exchange risk cover.

**7. DEPOSITS ON LEASE CONTRACTS**

These represent security deposits against lease contracts repayable on the expiry of the lease.

**8. DEPOSITS - CURRENT**

These represent deposits having maturities of 30 days to one year and Rs.236,293,650 long term deposits maturing within one year after the balance sheet date. Expected rates of return payable on current deposits range from approximately 12.0% to 16.5% per annum for Pak rupee deposits and 4.25% to 8.625% per annum for foreign currency deposits. Foreign currency was exchanged for Pak rupees by State Bank of Pakistan which provided the foreign exchange risk cover.

**9. ACCRUED EXPENSES AND OTHER LIABILITIES**

|   | <b>1998</b>   | <b>1997</b>   |
|---|---------------|---------------|
|   | <b>Rupees</b> | <b>Rupees</b> |
| Accrued return on deposits                    | 60,809,111    | 64,426,964    |
| Interest payable to IFC                       | 563,774       | --            |
| Unearned income                               | --            | 3,033,354     |
| Accrued expenses                              | 1,554,732     | 3,189,073     |
| Accrued mark-up on short term running finance | 1,101,000     | 115,500       |
| Excise duty                                   | 163,670       | 1,456,790     |
| Unclaimed dividends                           | 7,466,343     | 199,285       |
| Other   | 1,885,716     | 2,415,308     |
|   | -----         | -----         |
|   | 73,544,346    | 74,836,274    |
|   | =====         | =====         |

**10. CONTINGENCIES AND COMMITMENTS**

- Commitments for rentals under lease agreements for motor vehicles and office equipment are payable as follows:

**Year**

|         |         |           |
|---------|---------|-----------|
| 1997-98 | --      | 1,266,765 |
| 1998-99 | 102,964 | 102,964   |
|         | -----   | -----     |
|         | 102,964 | 1,369,729 |
|         | =====   | =====     |

- Commitments to repurchase/purchase securities are as follows:

|                       |            |             |
|-----------------------|------------|-------------|
| Government securities | 87,871,489 | 119,136,785 |
| TFCs                  | 35,115,080 | 20,961,640  |
|                       | =====      | =====       |

These include Rs.26,043,394 (1997: Rs.20,961,640) from an associated company.

- Commitments to resell/sell securities are as follows:

|                       |             |             |
|-----------------------|-------------|-------------|
| Government securities | 226,442,922 | 191,991,499 |
| Shares                | --          | 12,714,435  |
|                       | =====       | =====       |

These include Rs.40,855,900 (1997: Rs.12,714,435) to associated companies.

|   |            |            |
|---|------------|------------|
| Guarantees issued   | 62,000,000 | 62,000,000 |
|   | =====      | =====      |
| Contingency in respect of 5ankers<br>acceptances rediscounted | --         | 54,500,000 |
|   | =====      | =====      |

|               |               |
|---------------|---------------|
| <b>1998</b>   | <b>1997</b>   |
| <b>Rupees</b> | <b>Rupees</b> |

**11. CASH AND BANK BALANCES**

|                                    |            |            |
|------------------------------------|------------|------------|
| In hand                            | 1,927      | 1,992      |
| With banks - on current account:   |            |            |
| State Bank of Pakistan - note 11.1 | 22,458,603 | 19,869,792 |
| Others                             | 2,817,406  | 3,928,924  |
| - on PLS short term deposits       | 8,164,333  | 7,858,535  |
|                                    | -----      | -----      |
|                                    | 33,442,269 | 31,659,243 |
|                                    | =====      | =====      |

11.1 This includes Rs.19,362,000 (1997: Rs.18,236,000) to meet the additional liquidity reserve of 1% of specified liabilities as required by SBP's prudential regulations.

Included above are balances with American Express Bank Ltd. - an associated undertaking - of Rs.7,084,753 (1997: Rs.3,843,756).

**12. TRADING INVESTMENTS**

|  |             |             |
|--|-------------|-------------|
| Investment in government securities - note 12.1                | 419,334,100 | 339,514,553 |
| Investment in listed companies<br>and modarabas - note 12.2    | 9,044,872   | 19,783,458  |
| Investment in National<br>Investment Trust (Units) - note 12.3 | 113,400     | 1,064,079   |
| Investment in listed TFCs                                      |             |             |

|                                  |             |             |
|----------------------------------|-------------|-------------|
| (redeemable capital) - note 12.4 | 9,284,188   | 34,884,587  |
| Investment in unlisted TFCs      |             |             |
| (redeemable capital) - note 12.5 | 9,999,990   | --          |
|                                  | -----       | -----       |
|                                  | 447,776,550 | 395,246,677 |
|                                  | =====       | =====       |

See also notes 2.5 and 10.

12.1 This represents the realisable value of:

|  |             |             |
|--|-------------|-------------|
| - Short Term Federal Bonds (STFBs)                         | --          | 19,000,000  |
| - Federal Investment Bonds (FIBs)                          | 419,661,820 | 322,840,553 |
|  | -----       | -----       |
|  | 419,661,820 | 341,840,553 |
| Less: Provision for diminution in the value of investments | 327,720     | 2,326,000   |
|  | -----       | -----       |
|  | 419,334,100 | 339,514,553 |
|  | =====       | =====       |

The STFBs have a maturity of 6 months with income payable at 15%.

The FIBs have 5 and 10 year terms with income payable at 14% and 15% respectively.

12.2 Investment in listed companies and modarabas

**No. of shares/certificates  
of Rs. 10/- each**

| <b>1997</b>                 | <b>1998</b> | <b>Name</b>  | <b>1998<br/>Rupees</b> | <b>1997<br/>Rupees</b> |
|-----------------------------|-------------|--|------------------------|------------------------|
| <b>Associated companies</b> |             |  |                        |                        |
| 5,000*                      | 5,000*      | Lever Brothers Pakistan Limited                                | 3,690,000              | 3,690,000              |
| 8,712                       | 15,688      | International General Insurance<br>Company of Pakistan Limited | 815,046                | 495,046                |
| 234,900                     | --          | Sitara Chemicals Limited                                       | --                     | 10,662,000             |
| 20,003                      | 20,003      | Nestle Milkpak Limited   | 2,179,534              | 2,179,534              |
| --                          | 1,000       | Engro Chemicals Limited  | 67,000                 | --                     |
| <b>Others</b>               |             |  |                        |                        |
| 9,430                       | 11,316      | Soneri Bank Limited  | 323,900                | 323,900                |
| 2,500                       | 2,500       | Service Fabrics & Allied Products<br>Limited                   | 23,750                 | 23,750                 |
| 4,058                       | 4,058       | Nishat Mills Limited   | 267,852                | 267,852                |
| 32,900                      | 32,900      | Nishat Fabrics Limited   | 329,000                | 329,000                |
| 24,600                      | 24,600      | 1st B.R.R. Capital Modaraba                                    | 442,800                | 442,800                |
| 1,872                       | 1,872       | AI-Zamin Leasing Modaraba                                      | 385                    | 385                    |
| 5,000                       | 5,000       | Sapphire Fibres Limited  | 205,000                | 205,000                |
| 10,500                      | 13,12       | Bank AI-Habib Limited  | 362,250                | 362,250                |
| 5,667                       | 4,950       | Union Bank Limited   | 167,063                | 167,063                |
| 11,000                      | 11,000      | Saitex Spinning Mills Limited                                  | 53,900                 | 53,900                 |
| 5,305                       | 5,305       | Umer Fabrics Limited   | 55,800                 | 55,800                 |
| 20                          | 20          | First Hajveri Modaraba   | 160                    | 160                    |
| 32,600                      | 32,600      | Kohinoor Weaving Mills Limited                                 | 594,950                | 594,950                |

|  |                                       |            |            |
|--|---------------------------------------|------------|------------|
| 20,872   | 20,872 Askari Commercial Bank Limited | 442,500    | 442,500    |
| 4,809  | 9,618 Wazir Ali Industries Limited    | 242,435    | 194,345    |
|  |                                       | -----      | -----      |
|  |                                       | 10,263,325 | 20,490,235 |
| Less: Provision for diminution in the value of investments |                                       | 1,218,453  | 706,777    |
|  |                                       | -----      | -----      |
|  |                                       | 9,044,872  | 19,783,458 |
|  |                                       | =====      | =====      |
| Aggregate market value                                     |                                       | 9,044,872  | 19,783,458 |
|  |                                       | =====      | =====      |

\* Nominal value Rs.50/- each.

12.3 This represents realisable value of 16,900 (1997: 77,670) NIT Units net of provision of Rs.148,720 (1997: Rs.143,685).

12.4 Investments in listed Term Finance Certificates:

| No. of certificates  |      | Name                                  | 1998      | 1997       |
|--|------|---------------------------------------|-----------|------------|
| 1997   | 1998 |                                       | Rupees    | Rupees     |
| 1,810  |      | 672 Packages Limited - note 12.4.1    | 2,554,013 | 13,174,927 |
| 2,173  |      | -- Nishat Tek Limited                 | --        | 13,794,726 |
| 88   |      | 88 ICI Pakistan Limited - note 12.4.2 | 6,730,175 | 8,047,553  |
|  |      |                                       | -----     | -----      |
|  |      |                                       | 9,284,188 | 35,017,206 |
| Less: Provision for diminution in the value of investments |      |                                       | --        | 132,619    |
|  |      |                                       | -----     | -----      |
|  |      |                                       | 9,284,188 | 34,884,587 |
|  |      |                                       | =====     | =====      |
|  |      |                                       | 9,416,070 | 34,884,587 |
|  |      |                                       | =====     | =====      |
| Aggregate market value                                     |      |                                       |           |            |

#### 12.4.1 Packages Limited:

These certificates (632 of Rs.5,000/- each and 40 of Rs.100,000/- each) will be redeemed over a period of five years from the date of issue and carry an expected profit of 18.5% per annum payable semi-annually.

#### 12.4.2 ICI Pakistan Limited:

These certificates (88 of Rs.100,000 each) will be redeemed over a period of five years from the date of issue and carry an expected profit of 18.7% per annum payable semi-annually.

12.5 Investments in unlisted Term Finance Certificates:

| No. of certificates |      | Name                      | 1998      | 1997   |
|---------------------|------|---------------------------|-----------|--------|
| 1997                | 1998 |                           | Rupees    | Rupees |
| --                  |      | 10 Askari Leasing Limited | 9,999,990 | --     |
|                     |      |                           | -----     | -----  |
|                     |      |                           | 9,999,990 | --     |
|                     |      |                           | =====     | =====  |

These certificates (10 of Rs.1,000,000 each) will be redeemed over a period of three years from the date of issue and carry an expected profit of 17.1% per annum payable semi-annually.

|   | <b>1998</b>   | <b>1997</b>   |
|---|---------------|---------------|
|   | <b>Rupees</b> | <b>Rupees</b> |
| <b>13. NET INVESTMENT IN LEASE FINANCE</b>            |               |               |
| Minimum lease payments receivable                     | 92,384,383    | 38,498,532    |
| Add: Residual value of leased assets                  | 7,521,048     | 2,680,285     |
|   | -----         | -----         |
|   | 99,905,431    | 41,178,817    |
| Less: Unearned income                                 | 24,801,863    | 14,207,778    |
|   | -----         | -----         |
| Net investment in lease finance                       | 75,103,568    | 26,971,039    |
| Less: Current portion of net investment - note 13.1   | 17,982,555    | 3,654,733     |
|   | -----         | -----         |
|   | 57,121,013    | 23,316,306    |
|   | =====         | =====         |
| <br>  |               |               |
| 13.1 Current portion of net investment                | 17,982,555    | 3,654,733     |
| Less: Provision for potential lease losses - note 2.9 | 363,684       | 121,007       |
|   | -----         | -----         |
|   | 17,618,871    | 3,533,726     |
|   | =====         | =====         |

The net investment in lease finance includes Rs.4,083,666 (1997: Rs. Nil) in respect of an associated undertaking. Maximum outstanding in this respect during the period was Rs.5,027,784 (1997: Rs. Nil).

#### **14. FINANCE - CONSIDERED GOOD**

|   |             |             |
|---|-------------|-------------|
| Finance - maturity within one year              | 423,208,139 | 496,134,249 |
| Less: Provision under SBP NBFIs Regulations     | 6,932,778   | --          |
|   | -----       | -----       |
|   | 416,275,361 | 496,134,249 |
| Associated undertakings                         | --          | 39,000,000  |
| Current maturity of long term finance - note 21 | 242,240,191 | 272,645,208 |
|   | -----       | -----       |
|   | 658,515,552 | 807,779,457 |
|   | =====       | =====       |

Included above is finance provided to executives Rs.439,533 (1997: Rs.397,598). The maximum aggregate amount due at the end of any month during the period from associated undertakings was Rs.20,000,000 (1997: Rs.40,000,000) and from executives was Rs.683,145 (1997: Rs.922,742).

#### **15. FUND PLACEMENTS WITH INVESTMENT BANKS/OTHER COMPANIES**

These include fund placements with associated companies of Rs.314,000,000 (1997: Rs.304,000,000).

#### **16. DEMAND PROMISSORY NOTE (DPN) - CONSIDERED GOOD**

The DPN principal will mature on September 7, 1998. The applicable discount rate is 17.85 % per annum.

Borrower:

|                        |            |       |
|------------------------|------------|-------|
| Askari Leasing Limited | 20,000,000 | --    |
|                        | =====      | ===== |

|               |               |
|---------------|---------------|
| <b>1998</b>   | <b>1997</b>   |
| <b>Rupees</b> | <b>Rupees</b> |

#### 17. OTHER RECEIVABLES - CONSIDERED GOOD

|                    |           |           |
|--------------------|-----------|-----------|
| Sundry receivables | 5,554,493 | 5,562,584 |
|                    | =====     | =====     |

This includes receivables of Rs.1,234,350 (1997:Rs.518,169) from associated undertakings.

#### 18. TAXATION

The provision for taxation has been computed by the Company at the rate applicable to it as a listed company. In the initial assessments made by the Deputy Commissioner of Income-tax, the rate for the assessment years 1991-92 to 1994-95 applied in determining the tax liability was that applicable to banking companies. However, in the appeals against the initial assessments upto the assessment year 1994-95 the Commissioner of Income-tax (Appeals) directed the Deputy Commissioner of Income-tax to apply the rates applicable to listed companies and revised orders were duly passed thereby. The Income-tax Department has filed appeals before the Income-tax Appellate Tribunal against these directions.

For the assessment years 1995-96 and 1996-97 the Deputy Commissioner of Income-tax has again applied the rate applicable to banking companies. However, the Company has again referred appeals to the Commissioner of Income-tax (Appeals) against the above orders for these two years. These appeals are as yet pending.

If the provision for taxation were to be made at the rate applicable to a banking company the additional provision would be approximately Rs.62 million as of June 30, 1998.

|               |               |
|---------------|---------------|
| <b>1998</b>   | <b>1997</b>   |
| <b>Rupees</b> | <b>Rupees</b> |

The charge in the accounts during the year is as follows:

|         |           |            |
|---------|-----------|------------|
| Prior   | --        | 1,200,000  |
| Current | 7,500,000 | 10,100,000 |
|         | -----     | -----      |
|         | 7,500,000 | 11,300,000 |
|         | =====     | =====      |

Deferred taxation arising out of timing differences between book and income-tax revenue or charges is estimated at Rs.3,205,303 (1997: Rs.2,781,000). As of June 30, 1998 no provision has been made for these timing differences as these are not expected to reverse in the foreseeable future.

#### 19. PREPAYMENTS - CURRENT:

Included under prepayments is Rs.89,262,439 (1997: Rs.75,864,705) representing the unamortised portion in respect of forward exchange cover fees (for foreign currency deposits) paid to the State Bank of Pakistan, which are being amortised over the duration of the respective forward exchange contracts.

Prepayments include the current portion of Rs.1,170,781 (1997: Rs.249,390) of advance rent in respect of leased premises.

|   | <b>1998</b>        | <b>1997</b>       |
|---|--------------------|-------------------|
|   | <b>Rupees</b>      | <b>Rupees</b>     |
| <b>20. LONG TERM INVESTMENTS</b>  |                    |                   |
| Investment in listed companies - Note 20.1                                | 61,129,620         | 61,129,620        |
| Investment in Foreign Currency Bearer<br>Certificates (FCBCs) - Note 20.2 | 161,157,029        | --                |
|   | -----              | -----             |
|   | <u>222,286,649</u> | <u>61,129,620</u> |

**20.1 Investment in listed companies**

| <b>No. of shares/certificates<br/>of Rs. 10/- each</b> |             |  |                   |                   |
|--|-------------|--|-------------------|-------------------|
| <b>1997</b>  | <b>1998</b> | <b>Name</b>                              | <b>1998</b>       | <b>1997</b>       |
|  |             |  | <b>Rupees</b>     | <b>Rupees</b>     |
| 705,300  | 705,300     | Shifa International Hospitals<br>Limited | 6,347,700         | 6,347,700         |
| 498,800  | 498,800     | 24th ICP Mutual Fund                     | 4,638,840         | 4,638,840         |
| 327,750  | 327,750     | First Equity Modaraba                    | 2,425,350         | 2,425,350         |
| 192,900  | 192,900     | Pak Apex Leasing Limited                 | 1,929,000         | 1,929,000         |
| 431,011  | 431,011     | Packages Limited                         | 45,788,730        | 45,788,730        |
|  |             |  | -----             | -----             |
|  |             |  | <u>61,129,620</u> | <u>61,129,620</u> |
| Aggregate market value                                 |             |  | <u>25,948,395</u> | <u>35,107,287</u> |

**20.2 Investment in Foreign Currency Bearer Certificates (FCBCs)**

The FCBCs have a maturity of 5 years with income payable at 8.25% per annum payable semi-annually.

|  | <b>1998</b>        | <b>1997</b>        |
|--|--------------------|--------------------|
|  | <b>Rupees</b>      | <b>Rupees</b>      |
| <b>21. LONG TERM FINANCE - CONSIDERED GOOD</b> |                    |                    |
| Chief Executive and Executives - note 21.1     | 16,804,674         | 11,112,337         |
| Associated undertaking- note 21.2              | 30,000,000         | --                 |
| Others - note 21.3                             | 1,108,444,978      | 1,148,853,401      |
|  | -----              | -----              |
|  | *1,155,249,652     | *1,159,965,738     |
| Less: Current maturity - note 14               | 242,240,191        | 272,645,208        |
|  | -----              | -----              |
|  | <u>913,009,461</u> | <u>887,320,530</u> |

\* Outstanding for periods exceeding three years is Rs.376,814,848 (1997:Rs.690,252,634).

21.1 This represents finance provided to the Chief Executive and Executives for purchase of houses and other purposes for periods ranging from 4 to 20 years at mark-up rates ranging from 2.5% to 6.5% per annum. The maximum aggregate amount in this respect at the end of any month during the period was Rs.16,968,555 (1997: Rs.12,016,095).

21.2 This represents finance provided at mark-up rate of 18.75% per annum repayable in June 2000. The maximum aggregate amount in this respect at the end of any month during the period was Rs.30,000,000 (1997: Rs. Nil)



| <b>Borrower</b>                      | <b>1998<br/>Rupees</b> | <b>1997<br/>Rupees</b> | <b>Collateral</b>  |
|--------------------------------------|------------------------|------------------------|--|
| Saudi Pak Leasing<br>Company Limited | 30,000,000             |                        | -- Secured against first charge on specific lease<br>assets and corresponding lease rentals. |

21.3 This represents finance provided at mark-up rates from 13.05% to 21.5% (employees 2.5% to 6.5%) per annum repayable within 2 to 8 (employees 6 to 25) years from the date of financing. Particulars are as follows:

|         | <b>Borrower</b>                                  | <b>1998<br/>Rupees</b> | <b>1997<br/>Rupees</b> | <b>Collateral</b>   |
|---------|--|------------------------|------------------------|---|
| 21.3.1  | B.R.R. Capital Modaraba                          | --                     | 4,000,000              | Secured against joint pari-passu charge on<br>specific book debts and leased assets.  |
| 21.3.2  | ORIX Leasing Pakistan<br>Limited                 | 16,700,701             | 33,798,223             | Secured against hypothecation of specific leased<br>assets and book debts.  |
| 21.3.3  | Packages Limited                                 | 547,325,370            | 521,196,000            | Secured against lien on Interbank's FCY<br>certificates of deposit.   |
| 21.3.4  | National Development<br>Leasing Corporation Ltd. | 257,087,500            | 313,600,000            | Secured against lien on Interbank's FCY<br>certificates of deposit and second charge over<br>leased assets and book debts.  |
| 21.3.5  | Pakistan Industrial<br>Leasing Corporation Ltd.  | 182,410,492            | 163,704,150            | Secured against lien on Interbank's FCY<br>certificates of deposit and second charge over<br>leased assets.   |
| 21.3.6  | First UDL Modaraba                               | --                     | 326,637                | Secured against hypothecation of moveable<br>assets and specific leased assets.   |
| 21.3.7  | Individuals<br>(including employees)             | 2,374,617              | 3,478,391              | Secured against mortgage of property, shares of<br>listed companies, Interbank's FCY certificates of<br>deposit and vehicles (which are in the joint name<br>of Interbank). |
| 21.3.8  | Atlas Lease Limited                              | 18,750,000             | 56,250,000             | Secured against lien on Interbank's FCY<br>certificates of deposit and pledge of Government<br>Securities.  |
| 21.3.9  | Emco Industries<br>(Pvt.) Limited                | 20,000,000             | 17,500,000             | Secured against equitable mortgage of<br>property.  |
| 21.3.10 | Kohinoor Textile<br>Mills Limited                | --                     | 20,000,000             | Secured against pledge of shares.   |
| 21.3.11 | Loads Limited                                    | 10,000,000             | 15,000,000             | Secured against equitable mortgage of property.   |
| 21.3.12 | Shakarganj Mills Limited                         | 30,000,000             | --                     | Secured against charge over fixed assets.   |
| 21.3.13 | Zafa Pharmaceutical<br>Laboratories (Pvt.) Ltd.  | 23,796,298             | --                     | Secured against first charge on land and building<br>and first floating charge on all present and future<br>fixed assets at factory located at F.B. Industrial              |

|               |               |                         |
|---------------|---------------|-------------------------|
| -----         | -----         | Area Block 22, Karachi. |
| 1,108,444,978 | 1,148,853,401 |                         |
| =====         | =====         |                         |

## 22. LONG TERM DEMAND PROMISSORY NOTES (DPNs) - CONSIDERED GOOD

The DPNs principal will mature in December 2001 .The applicable discount rate is 16% per annum.

| Name            | 1998<br>Rupees | 1997<br>Rupees | Collateral   |
|-----------------|----------------|----------------|--|
| Rupafab Limited | 78,000,000     | 78,000,000     | Secured against lien on<br>Interbank's certificates of<br>deposit. |
|                 | =====          | =====          |  |

## 23. LONG TERM DEPOSITS AND DEFERRED COSTS

|                          | 1998<br>Rupees | 1997<br>Rupees |
|--------------------------|----------------|----------------|
| Security deposits        | 491,960        | 191,960        |
| Deferred costs-note 23.1 | 5,146,866      | 3,658,252      |
|                          | -----          | -----          |
|                          | 5,638,826      | 3,850,212      |
|                          | =====          | =====          |

### 23.1 Deferred costs

|   |           |           |
|---|-----------|-----------|
| Front end fee paid to IFC               | 2,852,784 | 3,658,252 |
| Premium on purchase of foreign currency | 2,294,082 | --        |
|   | -----     | -----     |
|   | 5,146,866 | 3,658,252 |
|   | =====     | =====     |

As the benefit of these costs are expected to materialise over an extended period these are being amortised over a period of five years commencing from the date of incurrence.

## 24. TANGIBLE FIXED ASSETS

|                                    | Cost at the<br>beginning<br>of the year<br>Rupees | Additions/<br>(disposals)<br>Rupees | Cost at the<br>end of<br>the year<br>Rupees | Accumulated<br>depreciation<br>at the end of<br>the year<br>Rupees | Book value<br>at the end<br>of the year<br>Rupees | Depreciation<br>For the<br>year<br>Rupees | Rate per<br>annum<br>% |
|------------------------------------|---|-------------------------------------|---|--|---|---|------------------------|
| Office equipment                   | 7,006,231   | 619,739                             | 7,625,970                                   | 5,075,399  | 2,550,571   | 1,285,681                                 | 20                     |
| Furniture and fittings             | 2,921,488   | 70,700                              | 2,992,188                                   | 1,547,739  | 1,444,449   | 338,256                                   | 10-20                  |
| Improvements to leased<br>premises | 3,288,332   | --                                  | 3,288,332                                   | 2,758,632  | 529,700   | 277,443                                   | 20                     |
| Vehicles                           | 6,128,523   | 2,047,200<br>(940,060)              | 7,235,663                                   | 2,729,253  | 4,506,410   | 1,350,324                                 | 20                     |
| 1998                               | 19,344,574  | 1,797,579                           | 21,142,153                                  | 12,111,023   | 9,031,130   | 3,251,704                                 |                        |
|                                    | =====   | =====                               | =====                                       | =====  | =====   | =====                                     |                        |

|      |            |           |            |           |            |           |
|------|------------|-----------|------------|-----------|------------|-----------|
| 1997 | 15,896,690 | 3,447,884 | 19,344,574 | 9,078,671 | 10,265,903 | 2,753,973 |
|------|------------|-----------|------------|-----------|------------|-----------|

**24.1 Disposal of fixed assets**

|             | Original cost<br>Rupees | Accumulated<br>depreciation<br>Rupees | Written<br>down value<br>Rupees | Proceeds<br>of sale<br>Rupees | Profit/(Loss)<br>on sale<br>Rupees | Mode of<br>disposal | Particulars<br>of purchaser  |
|-------------|-------------------------|---------------------------------------|---------------------------------|-------------------------------|------------------------------------|---------------------|--|
| Honda Civic | 940,060                 | 219,352                               | 720,708                         | 755,000                       | 34,292                             | Insurance<br>Claim  | International<br>General Insurance<br>Company of<br>Pakistan Limited |

|               |               |
|---------------|---------------|
| <b>1998</b>   | <b>1997</b>   |
| <b>Rupees</b> | <b>Rupees</b> |

**25. INCOME FROM INVESTMENTS**

|   |            |            |
|---|------------|------------|
| Net Gain/(Loss) on sale/maturity of trading investments | 1,292,622  | (144,279)  |
| Dividend income   | 1,777,958  | 1,155,469  |
| Other income from trading investments                   | 66,945,697 | 63,025,537 |
|   | -----      | -----      |
|   | 70,016,277 | 64,036,727 |
|   | =====      | =====      |

**26. OTHER INCOME**

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Income from deposits with banks      | 4,922,808 | 1,025,168 |
| Net exchange gain                    | 2,737,936 | --        |
| Net gain on disposal of fixed assets | 34,292    | 75        |
| Other                                | 1,034,117 | 11,000    |
|                                      | -----     | -----     |
|                                      | 8,729,153 | 1,036,243 |
|                                      | =====     | =====     |

**27. FINANCIAL CHARGES**

|                                       |            |           |
|---------------------------------------|------------|-----------|
| Interest on IFC borrowing             | 11,945,047 | --        |
| Commitment fee - IFC                  | 2,389,194  | 3,412,111 |
| Amortisation of deferred costs        | 1,320,466  | 337,113   |
| Mark-up on short term running finance | 1,429,509  | 437,477   |
|                                       | -----      | -----     |
|                                       | 17,084,216 | 4,186,701 |
|                                       | =====      | =====     |

**28. ADMINISTRATION AND OPERATING EXPENSES**

|                                    |            |            |
|------------------------------------|------------|------------|
| Salaries, allowances and benefits  | 28,815,011 | 23,509,205 |
| Depreciation - note 24             | 3,251,704  | 2,753,973  |
| Lease and other rentals            | 6,633,937  | 5,182,590  |
| Travelling and entertainment       | 1,659,783  | 1,271,668  |
| Telephone, telex and fax           | 1,808,181  | 2,187,079  |
| Printing, postage and stationery   | 1,533,947  | 1,384,149  |
| Insurance                          | 2,509,408  | 1,881,062  |
| Lighting, heating and cooling      | 1,605,754  | 1,349,091  |
| Auditors' remuneration - note 28.1 | 330,000    | 470,000    |
| Repairs and maintenance            | 2,330,786  | 2,036,840  |
| Brokerage and commission           | 906,288    | 866,744    |
| Donations - note 28.2              | 1,080,000  | 1,095,000  |
| Other expenses                     | 3,258,271  | 4,608,811  |
|                                    | -----      | -----      |

|            |            |
|------------|------------|
| 55,723,070 | 48,596,212 |
| =====      | =====      |

|               |               |
|---------------|---------------|
| <b>1998</b>   | <b>1997</b>   |
| <b>Rupees</b> | <b>Rupees</b> |

**28.1 Analysis of auditors' remuneration**

|                        |         |         |
|------------------------|---------|---------|
| Audit fees             | 130,000 | 115,000 |
| Taxation               | 175,000 | 290,000 |
| Out-of-pocket expenses | 25,000  | 65,000  |
|                        | -----   | -----   |
|                        | 330,000 | 470,000 |
|                        | =====   | =====   |

28.2 This includes Rs.80,000 donation given to World Wide Fund for Nature, situated at Ali Industrial Technical Institute, Ferozepur Road, Lahore in which Syed Babar Ali (Chairman of Interbank) is President and Rs.675,000 to Lahore University of Management Sciences, Opp: Sector U, LCCHS, Lahore Cantt., Lahore in which Syed Babar Ali (Chairman of Interbank) is Pro-Chancellor.

**29. REMUNERATION OF DIRECTORS AND EXECUTIVES**

|                         | Chief Executive |                | Executives     |                | Total          |                |
|-------------------------|-----------------|----------------|----------------|----------------|----------------|----------------|
|                         | 1998<br>Rupees  | 1997<br>Rupees | 1998<br>Rupees | 1997<br>Rupees | 1998<br>Rupees | 1997<br>Rupees |
| Managerial remuneration | 1,632,349       | 1,391,904      | 9,248,631      | 7,374,822      | 10,880,980     | 8,766,726      |
| Housing                 | 702,006         | 572,994        | 3,729,767      | 3,037,853      | 4,431,773      | 3,610,847      |
| Utilities               | 195,085         | 109,374        | 828,837        | 675,078        | 1,023,922      | 784,452        |
| Retirement benefits     | 484,543         | 200,599        | 1,372,992      | 747,497        | 1,857,535      | 948,096        |
| Medical expenses        | 45,553          | 42,801         | 588,982        | 384,473        | 634,535        | 427,274        |
| Conveyance              | 124,156         | 91,679         | 1,086,486      | 870,554        | 1,210,642      | 962,233        |
| Others                  | 419,245         | 338,187        | 1,575,026      | 1,090,951      | 1,994,271      | 1,429,138      |
|                         | -----           | -----          | -----          | -----          | -----          | -----          |
|                         | 3,602,937       | 2,747,538      | 18,430,721     | 14,181,228     | 22,033,658     | 16,928,766     |
|                         | =====           | =====          | =====          | =====          | =====          | =====          |
| Number of persons       | 1               | 1              | 28             | 26             | 29             | 27             |
|                         | =====           | =====          | =====          | =====          | =====          | =====          |

The Chief Executive was provided a house rent allowance in lieu of free furnished accommodation. Free use of cars is provided to the Chief Executive and Senior Executives.

**30. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS**

The aggregate amount in respect of transactions with associated undertakings during the year are: cumulative sum of deposits received Rs.289,300,000 (1997: Rs.756,084,485), return on deposits Rs.26,947,290 (1997: Rs.46,789,232), cumulative sum of money market instruments sold Rs.1,112,000,000 (1997: Rs.276,728,945), cumulative sum of money market instruments purchased Rs.1,279,000,000 (1997: Rs.483,500,000), net income/(expense) on money market transactions Rs.3,235,804 (1997: Rs.(4,493,488)), cumulative sum of funds placed Rs.247,000,000 (1997: Rs.451,000,000), income on funds placed Rs.18,903,937 (1997: Rs.31,785,526), cumulative sum of guarantees received Rs.51,822,671 (1997:Rs.51,822,671 ), cumulative sum of guarantees issued Rs.62,000,000 (1997: Rs.62,000,000) financial charges Rs.1,429,509 (1997: Rs.437,477). In addition, various amounts were utilized during the year

out of the short term running finance facility available from American Express Bank Ltd.

### 31. TRANSACTIONS WITH RELATED PARTIES

Investment made in International General Insurance Company of Pakistan Limited amounted to Rs.815,046 (1997: Rs.495,046) and dividend received thereon Rs.33,780 (1997: Rs.36,060). Mr. Fakir S. Aijazuddin - Managing Director and Chief Executive of Interbank - is Chairman of International General Insurance Company of Pakistan Limited.

Receivable from First International Fund Management (Pvt.) Limited for expenses paid of Rs.355,000 (1997: Rs.289,000). Three directors of Interbank are common to First International Fund Management (Pvt.) Limited.

### 32. COMPARATIVE FIGURES

The prior year's figures have been rearranged wherever considered necessary.

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

| Number of Shareholders |      | Shareholdings |    | Total Shares held |           |
|------------------------|------|---------------|----|-------------------|-----------|
| 192                    | From | 1             | To | 100               | 11,242    |
| 305                    | From | 101           | To | 500               | 79,975    |
| 411                    | From | 501           | To | 1000              | 305,035   |
| 288                    | From | 1001          | To | 5000              | 640,630   |
| 72                     | From | 5001          | To | 10000             | 495,900   |
| 12                     | From | 10001         | To | 15000             | 149,940   |
| 7                      | From | 15001         | To | 20000             | 129,660   |
| 7                      | From | 20001         | To | 25000             | 163,200   |
| 5                      | From | 25001         | To | 30000             | 136,440   |
| 2                      | From | 30001         | To | 35000             | 63,120    |
| 1                      | From | 40001         | To | 45000             | 44,920    |
| 1                      | From | 45001         | To | 50000             | 46,800    |
| 3                      | From | 50001         | To | 55000             | 158,060   |
| 1                      | From | 60001         | To | 65000             | 63,420    |
| 2                      | From | 85001         | To | 90000             | 177,960   |
| 1                      | From | 105001        | To | 110000            | 105,600   |
| 1                      | From | 115001        | To | 120000            | 120,000   |
| 2                      | From | 175001        | To | 180000            | 360,000   |
| 1                      | From | 230001        | To | 235000            | 233,300   |
| 1                      | From | 320001        | To | 325000            | 322,400   |
| 1                      | From | 335001        | To | 340000            | 336,100   |
| 1                      | From | 500001        | To | 505000            | 500,600   |
| 1                      | From | 540001        | To | 545000            | 540,900   |
| 1                      | From | 1255001       | To | 1260000           | 1,260,000 |
| 1                      | From | 1645001       | To | 1650000           | 1,646,500 |
| 1                      | From | 1795001       | To | 1800000           | 1,799,998 |
| 1                      | From | 1825001       | To | 1830000           | 1,826,300 |
| 1                      | From | 2680001       | To | 2685000           | 2,682,000 |
| 1                      | From | 3595001       | To | 3600000           | 3,600,000 |
| -----                  |      |               |    | -----             |           |
| 1,324                  |      |               |    | 18,000,000        |           |
| =====                  |      |               |    | =====             |           |

| S. NO. | Categories of Shareholders | Number of | Shares held | Percentage |
|--------|----------------------------|-----------|-------------|------------|
|--------|----------------------------|-----------|-------------|------------|

### Shareholders

|    |                        |       |            |         |
|----|------------------------|-------|------------|---------|
| 1  | INDIVIDUALS            | 1,272 | 4,694,415  | 26.08   |
| 2  | INVESTMENT COMPANIES   | 8     | 869,060    | 4.83    |
| 3  | INSURANCE COMPANIES    | 7     | 1,910,920  | 10.62   |
| 4  | JOINT STOCK COMPANIES  | 22    | 5,029,503  | 27.94   |
| 5  | FINANCIAL INSTITUTIONS | 1     | 1,826,300  | 10.15   |
| 6  | MODARABA               | 7     | 30,460     | 0.17    |
| 7  | FOREIGN INVESTORS      | 5     | 3,638,440  | 20.21   |
| 8  | CO-OPERATIVE SOCIETIES | --    | --         | --      |
| 9  | CHARITABLE TRUSTS      | 2     | 902        | 0.01    |
| 10 | OTHER                  | --    | --         | --      |
|    |                        | ----- | -----      | -----   |
|    | TOTAL                  | 1,324 | 18,000,000 | 100.000 |
|    |                        | ===== | =====      | =====   |