

## **CRESCENT INVESTMENT BANK LIMITED**

**ANNUAL REPORT 1997**

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### **COMPANY INFORMATION**

#### **Corporate Secretaries**

Zaheer A. Shaikh

Rashid Sadiq

#### **Auditors**

Riaz Ahmad & Company

Chartered Accountants

#### **Legal Advisors**

Hassan & Hassan Advocates

#### **Bankers**

Bank of America NT & SA

Deutsche Bank A.G.

Emirates Bank International PJSC

Faysal Bank Limited

Habib American Bank

Habib Bank A.G. Zurich

Habib Credit and Exchange Bank Limited

Industrial Development Bank of Pakistan

Metropolitan Bank Limited

Muslim Commercial Bank Limited

National Development Finance Corporation

Societe General -- The French and International Bank

Soneri Bank Limited

Standard Chartered Bank PLC

The Bank of Punjab

Bank AI-Habib Limited

**Registered Office**

83-Babar Block, New Garden Town, Lahore.

**BOARD OF DIRECTORS**

**Muhammad Rafi**

Chairman

**Nessar Ahmed**

Chief Executive

**Altaf M. Saleem**

Humayun Mazhar

M. Z. Hasan

Razi-ur-Rehman Khan

Tadq Shafi

Zahid Bashir

**DIRECTORS REPORT AND CHIEF EXECUTIVE'S REVIEW**

**Dear Shareholders:**

We are pleased to present the eight Annual Report of Crescent Investment Bank Limited (CresBank). This report covers the twelve months period ended June 30, 1997. CresBank earned an after tax profit of Rupees 66.88 million as against Rupees 18.02 million during the last year same period. Performance during the period under review needs to be seen in the light of the state and performance of the national economy during 1996-97, a synopsis of which is submitted below:

**Economic Scenario**

Against the backdrop of 3 per cent annual population growth, the country's economy remains relatively underdeveloped. Agriculture remains the mainstay of the economy, providing for 26 per cent of GDP and 50 per cent of employment, while semi processed agricultural goods account for 70 per cent of exports. In particular, the size of the annual cotton crop remained an important determinant of the economic growth during the year 1996-97 given that cotton exports make up around 60 per cent of exports. Moreover, the economy has grown at a rate below the expectation. Besides the poor weather conditions and a below expectation cotton crop, the economy has suffered from poor economic management and domestic political disturbances. As a result GDP fell to the level of 3.1 per cent during 1996-97 as against 4.6 per cent during 1995-96.

The economy's most pressing problem remained the weak fiscal position of the public sector. On the expenditure side, around 61 per cent of current budgetary spending was taken up by non-productive outlays for defense and debt servicing payments, with the later component rising rapidly due to recurring fiscal deficits and rising risk premia on domestic and foreign government debts. Although, total public sector account for only around 23 per cent of GDP, the government's fiscal base is weak with only around 60 per cent of expenditures being covered by tax receipts, mainly of indirect taxes, while the remainder is funded by foreign aid resources, borrowing from the domestic banking system and other domestic sources. Moreover, the imposition of high tax rate on a narrow base lead to enhanced tax evasion, increased corruption and a large black economy.

Government borrowing from the banking system has also severely impaired the conduct of monetary policy by the State

Bank of Pakistan (SBP). Excessive government borrowing from the banking system in the year 1996-97 frequently forced SBP to cap M2 growth by either restricting credit growth to the private sector or drawing down on net foreign assets. This has subjected the banking system, private sector and the economy at large to periodic liquidity crunches during most of the year 1996-97.

The severe liquidity crunch pockets throughout the year had an unfavorable effect on capital market which witnessed further bearish sentiments during the year, although subsequently there has been a significant improvement. The KSE 100 index declined from 1703 points as on June 30, 1996 to 1566 points as at end of June 1997, a decrease of 8 per cent. Market capitalization as on June 30, 1997 was Rs. 492.88 billion as compared to 371.32 billion (increase 33 per cent) mainly due to listing of new companies. The tone of the market remained highly speculative and the activity was confined to a few shares.

The commitment of new government towards implementing structural reforms is translating into visible improvements in economic and financial discipline. The outcome of this is leading towards renewed confidence in the country by the foreign investors. Incremental foreign investment flow is finding its way into equity and project financing.

The State Bank of Pakistan relaxed the statutory liquidity requirement by 5 per cent and decreased the discount window rate by 1 per cent which will result in freeing up liquidity for private sector allocation and reduce borrowing costs. On the investment bank's scenario, restrictions on government securities repo transactions with commercial banks and raising of foreign currency deposits place these institutions at a distinct disadvantage. The former restriction, in fact, prevents investment banks from carrying out one of their stated objectives of assisting and developing money markets.

#### Financing Activities

Our efforts during the year were again directed towards maintaining a "high quality low risk" portfolio. Outstanding position of financial assistance as on June 30, 1997 is given below:

	June 30, 1997	June 30, 1996	Growth over
	Rupees in	Rupees in	1996
	million	million	(Percentage)
<b>Fund Based:</b>	7,033.45	6,292.93	11.77
Commercial Papers	6,625.11	6,042.17	9.65
Project & Margin Finance/Others	408.34	250.76	62.84
<b>Non-Fund Based:</b>	1,631.01	1,491.74	9.34
Guarantees/Acceptances	1,611.01	1,296.74	24.24
Underwriting Commitments	20.00	195.00	(89.74)

#### Stock Market Operations/Investments

The return on Bank's investment portfolio was fairly good keeping in view the poor performance of capital market. During the year 1996-97 the bank earned dividends/capital gains of Rupees 136 million as against Rupees 143 million during the corresponding period last year. As on June 30, 1997 the Bank's investment in quoted shares was 1,571 million as against Rs. 840 million as on June 30, 1996 showing a net increase of Rs. 731 million during the period. Your company management is of the opinion that equity investments in the medium to long terms yield higher returns than any other investing avenues though in the short term returns can be volatile resulting in oscillation of profits. It is expected that a successful reform program of the new government will considerably ease the external and internal financing constraints facing the country's economy and significantly enhance the expectation of a potentially bullish medium term equity market.

During the year management of your company decided to bifurcate the equity investment portfolio into short term and long term as it felt that in the case of various investments the prices at which these shares are quoted are understated

when compared to their inherent strength based on the financial position and operating performance of respective investee companies. Accordingly where the breakup value of a share is higher than the respective acquisition cost of these shares, the same has been classified as "long term". Your company management feels that holding these investments will fetch realistic prices in the medium to long term. Against our total long term investments cost of Rupees 819 million, the breakup value of these investments was Rupees 1,176 million whereas the market value was Rupees 622 million. However, in the case of short term investments, an amount of Rupees 41 million has been provided this year to cover the diminution in the value of short term investments.

**Resources Mobilization**

Deposits: Under the foreign currency deposits scheme, Cresbank has outstanding deposits of around US Dollars 204.30 million as at June 30, 1997 (1996: US Dollars 203.77 million). Total deposits as at June 30, 1997 were Rupees 8,155 million as against Rupees 7,488 million as at June 30, 1996. Composition of the deposits portfolio as at June 30, 1997 is shown below:

Legal and policy constraints continues to hamper the flow of long term funds particularly from pension and provident fund into Investment Banks. An amendment in the Trust Act 1882 is required to enable us to mobilize deposit from these sources.

Borrowings: Besides utilization of existing ADD Line, US Dollars 12 million were also utilized during the year out of US Dollars 15 million line of credit provided by International Finance Corporation (IFC). CresBank is also an eligible PFI (Participating Financial Institution) in the Asian Development Bank (US Dollars 100 million) and World Bank (US Dollars 200 million) lines. In addition, CresBank has at its disposal a standby local currency credit line of Rupees 115 million.

**Balance Sheet & Operating Results**

Total assets of the CresBank increased by Rupees 1,383 million (an increase of 15.62 percent) during 1996-97 to Rupees 10,235 million.

CresBank earned an after tax profit to Rupees 66.88 million during the year as against Rupees 18.02 million last year. The composition of Profit (After Tax) and appropriation thereof is as follows:

	1996-97	(Rupees in million) (adjusted for 12 months)
Profit After Taxation	18.02	66.88
Unappropriated profit brought forward	81.50	77.62
Profit Available for Appropriation	99.52	144.50
<b>Appropriations</b>		
Special reserve	4.47	6.20
General reserve	50.20	-
Reserve for contingencies	22.20	15.70
Unappropriated Profit Carried Forward	67.63	77.62
	=====	=====

**Objectives**

The Bank's set objectives for 1996-97 included start of a brokerage operation and floatation of Mutual Funds. Keeping in view the performance of the capital market and of the private sector Mutual Funds which remained quoted at massive discounts to their offered price, the management had deferred the implementation of the objectives till conducive environment is created in the country for such activities.

The matters of financing Locally Manufactured Machinery (LMM) and allowing Provision for bad debts as a tax deductible expenses are being pursued with SBP and Central Board of Revenue respectively through the platform of the Investment Banks Association.

**Objectives for the year 1997-98**

Brokerage Division & Flootation of Mutual Funds: It may take sometime but the policies being pursued by the government are expected to put the economy back on the track. As and when the environment is conducive your company management will start the Brokerage house and launch the mutual fund.

Foreign Currency Lines of Credit: Efforts are under way for utilization of the foreign currency lines of credit provided by the various international lending agencies. The high cost of exchange risk cover is posing a major constraint in early utilization of the lines.

Investment Banking Advisory Services (IBAS): CresBank intends to play its due role as investment bank and also provide advisory services in the matters of financial engineering. For this purpose the Bank has further strengthened the division.

**Auditors**

The Auditors Messrs. Riaz Ahmad & Company, Chartered Accountants, retire and offer themselves for re-election.

We would also like to thank the State Bank of Pakistan for the continued guidance and support for the growth of the financial sector.

In the end, the Directors appreciate the dedication and hardwork put in by the officers and staff of the Bank.

**FORM '34'**

**Pattern of Holding of Shares as at 30th June 1997**

No. Of Shareholders	Shareholding		Total shares Held
	From	To	
327	1	100	17276
464	101	500	121934
334	501	1000	238498
706	1001	5000	1498514
114	5001	10000	780144
43	10001	15000	524119
25	15001	20000	413258
26	20001	25000	572153
8	25001	30000	216216
14	30001	35000	444591
8	35001	40000	297145
4	40001	45000	167590
5	45001	50000	241555
1	50001	55000	53445
1	55001	60000	59000
4	60001	65000	253341

1	65001	70000	67914
3	70001	75000	215901
2	75001	80000	153370
2	80001	85000	166334
2	85001	90000	172028
1	95001	100000	97707
1	100001	105000	104703
3	105001	110000	320676
4	115001	120000	469943
3	125001	130000	386522
1	135001	140000	138173
3	145001	150000	444499
1	150001	155000	154500
1	155001	160000	158180
1	175001	180000	177908
1	180001	185000	182677
1	190001	195000	193327
1	200001	205000	202502
1	210001	215000	215000
3	230001	235000	702335
1	265001	270000	267850
1	275001	280000	275111
1	295001	300000	300000
1	320001	325000	323168
1	430001	435000	430600
1	525001	530000	525855
1	550001	555000	550238
1	665001	670000	666500
3	820001	825000	2466750
1	955001	960000	956864
1	1055001	1060000	1058645
1	1245001	1250000	1249500
1	1535001	1540000	1539400
1	1890001	1895000	1890350
1	2390001	2395000	2393906
1	2740001	2745000	2740915
1	3455001	3460000	3457158
1	4570001	4575000	4574999
1	6465001	6470000	6466213

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2141

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42757000

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### Categories of shareholders

Type of Shareholders	Number	Shares Held	Percentage
Individuals	2021	7523062	17.59
Investment Companies	10	1139622	2.67
Insurance Companies	8	1160646	2.71

Joint Stock Companies	39	18433149	43.11
Financial Institutions	23	10962810	25.64
Others (Breakup given below)	40	3537711	8.28
-----	-----	-----	-----
Total	2141	42757000	100.00
=====	=====	=====	=====

Others			
Modarabas	22	732108	1.71
Non-Residents	17	2794870	6.54
Trust	1	10733	0.03
-----	-----	-----	-----
Total	40	3537711	8.28
=====	=====	=====	=====

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Crescent Investment Bank Limited as at 30 June 1997 and the related profit and loss account and statement of sources and application of funds, 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 except for the changes as stated in note 2.6 with which we concur;

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 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 sources and application of funds, 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 30 June 1997 and of the profit and the changes in sources and application of funds 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 the Ordinance.

**BALANCE SHEET AS AT 30 JUNE 1997**

	Note	Rupees in Thousand	
		1997	1996
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 100 000 000 (1996:50 000 000) Ordinary shares of Rupees 10 each		1,000,000 =====	500,000 =====
issued, subscribed and paid up capital 42 757 000 ordinary shares of Rupees 10 each	3	427,570	427,570
Reserves and surplus			
Capital reserves	4	353,900	331,700
Revenue reserves	5	239,470	184,800
Unappropriated profit		67,627	77,622
		-----	-----
		660,997	594,122
		-----	-----
		1,088,567	1,021,692
<b>DEPOSITS OF FIXED MATURITIES</b>	6	8,155,341	7,488,319
<b>BORROWINGS</b>	7	518,163	35,298
<b>OTHER LIABILITIES AND PROVISIONS</b>			
Liabilities against assets subject to finance lease	8	6,984	5,711
Profit accrued on deposits/borrowings		312,370	196,628
Accrued and other liabilities	9	153,186	104,303
		472,540	306,642
<b>COMMITMENTS AND CONTINGENTS</b>			
<b>LIABILITIES</b>	10	-----	-----
		10,234,611	8,851,951
		=====	=====
The annexed notes form an integral part of these accounts.			
<b>BALANCES WITH BANKS AND IN HAND</b>	11	130,045	343,328
<b>INVESTMENTS</b>			
Shares/certificates			
Quoted	12	1,570,629	840,107
Unquoted	13	107,966	108,512
Other investments			



Quoted	14	118,325	99,180
Unquoted	15	425,995	622,366
		-----	-----
		2,222,915	1,670,165
<b>COMMERCIAL PAPERS</b>	16	6,625,108	6,042,172
<b>LOANS AND ADVANCES</b>	17	408,337	250,760
<b>DEFERRED COSTS</b>	18	129	419
<b>OTHER ASSETS</b>			
Tangible fixed assets			
Operating fixed assets	19	116,447	39,462
Assets subject to finance lease	20	6,973	5,498
		-----	-----
		123,420	44,960
Advances, deposits, prepayments and sundry receivables	21	724,657	500,147
		-----	-----
		848,077	545,107
		-----	-----
		10,234,611	8,851,951
		=====	=====

**PROFIT AND LOSS ACCOUNT**  
for the year ended 30 June 1997

	Note	Rupees in Thousand	
		1997	1996
<b>INCOME</b>			
Discount/return/profit on commercial papers, Loans and advances		832,664	697,488
Income from investments			
Dividend		49,171	17,459
Profit/return on other investments and bank deposits		274,692	348,556
Gain on sale of investments		86,599	125,512
		-----	-----
		410,462	491,527
Fee, commission and other income	22	29,106	24,665
		-----	-----
		1,272,232	1,213,680
<b>EXPENDITURE</b>			
Profit/return on deposits/borrowings and other charges		1,08,062	950,990
Administrative and operating expenses	23	72,634	64,416
		-----	-----
		1,157,696	1,015,406
		-----	-----
Operating Income Before Provisions		114,536	198,274

Provision for diminution in Value of investments		40 661	165,250
		-----	-----
Profit before taxation		73 875	33,024
Provision for taxation	24	7 000	15,005
		-----	-----
Profit after taxation		66 875	18,019
Unappropriated profit brought Forward		77 622	81,503
		-----	-----
Profit available for Appropriations		144 497	99,522

**APPROPRIATIONS**

General Reserve		50,200	-
Special reserve		4,470	6,200
Reserve for contingencies		22,200	15,700
		-----	-----
		76,870	21,900
		-----	-----
<b>UNAPPROPRIATED PROFIT</b>		67,627	77,622
		=====	=====

The annexed notes form an integral part of these accounts.

**STATEMENT OF SOURCES AND APPLICATION OF FUNDS**

For the year ended 30 June 1997

	Rupees in Thousand	
	1997	1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	73,875	33,024
Adjustments to reconcile profit to net cash provided by operating activities		
Dividend income	(49,171)	(17,459)
Profit/return/gain on investments/bank deposits	(361,291)	(474,068)
Provision for diminution in value of investments	40,661	165,250
Depreciation/amortization	10,630	10,023
Deferred cost amortized	290	383
Gain on disposal of assets	(2,847)	(569)
	-----	-----
	(361,728)	(316,440)
Cash flows from operating activities before adjustments of working capital	(287,853)	(283,416)
Increase in commercial papers, loans and advances	(740,513)	(1,660,653)
Increase in advances, deposits, prepayments and sundry receivables	(157,496)	(58,442)
Increase/(decrease) in other liabilities	166,715	(38,336)

Increase in deposits of fixed maturities	667,022	1,665,725
Net cash flows from operating activities before income tax and dividend	(352,125)	(375,122)
Dividend paid	(2,089)	(55,910)
Income tax paid	(38,218)	(45,817)
	-----	-----
Net cash flows from operating activities	(392,432)	(476,849)
	=====	=====
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net decrease/(increase) in investments	(593,411)	146,033
Profit/return/gain on investment/bank deposits	336,019	468,416
Dividend received	38,647	26,413
	-----	-----
	(218,745)	640,862
Operating fixed assets		
Acquired	(91,754)	(11,729)
Sold	10,370	4,831
	-----	-----
	(81,384)	(6,898)
Deferred cost incurred	-	(112)
	-----	-----
Net cash flows from investing activities	(300,129)	633,852
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in borrowings	539,776	57,563
Repayment of borrowings	(56,912)	(49,343)
Lease rentals paid	(3,586)	(3,304)
	-----	-----
Net cash flows from financing activities	479,278	4,916
Net increase/(decrease)in cash and cash equivalent	(213,283)	161,919
Cash and cash equivalent at the beginning of the year	343,328	181,409
	-----	-----
<b>CASH AND CASH EQUIVALENT AT THE END OF THE YEAR</b>	130,045	343,328
	=====	=====

**NOTES TO THE ACCOUNTS**

for the year ended 30 June 1997

**1. Status and nature of business**

Crescent Investment bank Limited is a Public Limited Company quoted on the Stock Exchanges of Pakistan.

The principal object of the company is to conduct investment finance business in accordance with the permission granted by the Federal Government vide S.R.O. No. 585(1)/87 dated 13 July, 1987 as amended from time to time.

## **2. Summary of significant accounting policies**

### **2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

### **2.2 Employees retirement benefits**

The company operates a contributory provident fund scheme covering all its regular employees. Equal monthly contributions are made both by the company and its employees at the rate of ten percent of the basic salary to the fund.

The company also operates pension and gratuity fund schemes covering all its regular employees. Contributions are made annually to these funds on the basis of actuarial valuations carried out once in every three year. The benefits are payable to the employees on completion of prescribed qualifying period of service. (Refer to note 23.1)

The above schemes are recognized by the Commissioner of Income Tax and are administered by the respective Board of Trustees.

### **2.3 Provision for Contingencies**

Specific provisions for contingencies, if any, are made annually after review of outstanding portfolio at the year end on the basis of State Bank of Pakistan's Prudential Regulations as applicable to Non-Banking Financial Institutions (NBFIs).

### **2.4 Taxation**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax rebates a ~ 17

The Company accounts for deferred taxation on all major timing differences using the liability method, if they are likely to reverse in the foreseeable future.

### **2.5 Foreign currency transactions**

Assets and liabilities in foreign currencies are translated into Pak Rupees at the rates prevailing on the balance sheet date, except that deposits of fixed maturities and borrowings for which the Company has forward exchange cover are translated at rates applicable on the transaction dates. Gains and losses on translation are taken to income currently.

### **2.6 Investments**

Long term investments are stated at cost. Provision for diminution in the value of investment is made if considered permanent. Short term investments are stated at lower of cost and market value determined on an aggregate portfolio basis. In the previous years, the investments were stated at cost less provision for diminution in the value. Reasons and impact of the change in policy is stated in note 12.1

### **2.7 Operating fixed assets and depreciation**

These are stated at cost less accumulated depreciation except freehold land and capital work-in-progress, which are stated at cost. Depreciation on fixed assets is charged to income on a straight line basis over their

expected useful life.

Full year's depreciation is charged on additions while no depreciation is charged on assets deleted during the year. Minor renewals, replacements, maintenance, repairs and gains or losses on disposal of fixed assets are included in income currently. Major renewals and improvements are capitalized.

## 2.8 Assets subject to finance lease

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligations relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are amortized over the useful life of the assets or lease term, whichever is shorter. Amortization of leased assets is charged to current year's income.

## 2.9 Off-Setting of Financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has a legal enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## 2.10 Revenue recognition

Income on advances is recognized on a time proportion basis taking into account the principal/net investments outstanding and applicable rates of profit thereon. Income on commercial paper is recognized on a time proportion basis over the life of the instrument. Where recovery is considered doubtful or expectations of ultimate collection are uncertain, income is recognized on actual receipt basis.

Dividend on equity investments is recognized as income if declared on or before the balance sheet date. Gains and Losses on sale of investments during the year are included in income currently.

Fee, commission, liquidated damages etc. are recorded on actual receipt basis except guarantee commission received in advance which is deferred over the guarantee period.

	Rupees in Thousand	
	1997	1996
<b>3. Issued, subscribed and paid up Capital</b>		
34,970,000 ordinary shares of Rupees 10 each fully paid in cash	349,700	349,700
7,787,000 ordinary shares of Rupees 10 each issued as fully paid bonus shares	77,870	77,870
	-----	-----
	427,570	427,570
<b>4. Capital Reserves</b>	=====	=====
Reserve for contingencies (note 4.1 )	174,200	152,000
Share premium account	179,700	179,700
	-----	-----
	353,900	331,700
<b>4.1 Reserve for contingencies</b>	=====	=====

This reserve has been created to strengthen the financial soundness of the company and is earmarked by the

Board of Directors for meeting unforeseeable future losses.

## 5. Revenue Reserves

General reserve	192,200	142,000
Special reserve (Note 5.1)	47,270	42,800
	-----	-----
	239,470	184,800
	=====	=====

### 5.1 Special Reserve

This reserve has been created to avail the benefit under the provisions of Income Tax Ordinance, 1979 subject to approval of the Central Board of Revenue.

## 6. Deposits of fixed maturities

Due within one year	7,866,429	6,625,978
Due after one year	288,912	862,341
	-----	-----
	8,155,341	7,488,319
	=====	=====

The company has mobilized deposits in local and foreign currency under the various schemes with maturities ranging from one month to ten years. These schemes offer varying features and profits/returns depending upon the periods of deposits.

## Rupees in Thousand

	1997	1996
<b>7. Borrowings</b>		
<b>Foreign currency</b>		
Asian Development Bank (Note 7.1)	37,204	34,909
International Finance Corporation (Note 7.2)	480,959	-
<b>Local currency</b>		
Bank of America NT & SA (Note 7.3)	-	389
	-----	-----
	518,163	35,298
	=====	=====

These are regrouped as under:-

### Amount due within one year Foreign currency borrowings

Asian Development Bank	12,401	34,909
<b>Local Currency borrowings</b>		
Bank of America NT & SA	-	389
	-----	-----
	12,401	35,298

### Amount due after one year

**Foreign currency borrowings**

Asian Development Bank	24,803	-
International Finance Corporation	480,959	-
	-----	-----
	505,762	-
	518,163	35,298
	=====	=====

**7.1 Asian Development Bank**

The Asian Development Bank has provided a credit line of US Dollars 10 million, The loan is repayable in twelve equal semi-annual installments commencing from 15 July, 1994 and ending on 15 January, 2000, The loan is secured by hypothecation of specific book debts arising out of loan disbursements and a pledge of equities and carries an interest rate of 9.4 percent per annum. To cover against exchange fluctuation losses, the company has obtained foreign exchange risk cover from the State Bank of Pakistan effective from the date of opening of letter of credit. As at 30 June, 1997 the company had utilized an amount of US Dollars 6.056 million (As at 30 June, 1996 US Dollars 4.378 million)

**7.2 International Finance Corporation**

The International Finance Corporation (IFC) has extended a US Dollar 15 million credit line for financing to eligible sub-projects in the private sector. The loan carries an interest rate of 9.56 percent per annum and is repayable in sixteen semi-annual installments commencing from 15 December 1998 and ending on 15 June 2006. As of June 30, 1997, the line was utilized upto US Dollars 12 million. The loan is secured against a first pari passu charge on the assets of the company. IFC retains the option to convert upto 10 percent of the loan amount within the option period of three years (such conversion to be considered as partial repayment of the loan) into fully paid shares of the company. The price at which the loan may be converted into shares will be the break-up value per share of the company on the conversion date.

**7.3 Bank of America NT & SA**

A short term financing facility of Rupees 115 million is also available from bank of America NT & SA. It carries mark-up @20 percent per annum and is secured against pledge of WAPDA Bonds/Federal Investment Bonds.

**8. Liabilities against assets subject to finance lease**

These represent finance leases obtained from leasing companies and modarabas for vehicles. The outstanding balances are payable over a period from July 1997 to May 2001. The periodical lease payments include built-in rates of mark-up ranging from 18.74 percent to 24.80 percent per annum which are used as discounting factors. The present value of minimum lease payments outstanding and the period in which they become due are:

Year Ending	Rupees in Thousand	
	1997	1996
30 June 1997	-	3,315
30 June 1998	2,967	1,756
30 June 1999	2,236	640
30 June 2000	1,389	-
30 June 2001	392	-
	-----	-----

	6,984	5,711
	=====	=====
<b>9. Accrued and other liabilities</b>		
Pension/gratuity and sundry payables	70,621	51,937
Sundry accounts	72,386	40,164
Guarantee and underwriting commission in advance	4,607	5,435
Accrued expenses and other payables	5,265	4,372
Unclaimed dividend	307	2,395
	-----	-----
	153,186	104,303
	=====	=====

**Rupees in Thousand**

<b>1997</b>	<b>1996</b>
-------------	-------------

**10. Commitments and contingent Liabilities**

Outstanding for:

Advances/commercial papers	262,945	111,384
Guarantees issued (Note 10.1)	1,569,277	1,219,628
Underwriting commitments	20,000	195,000
Acceptances/undertakings against documentary Credits	41,732	77,109
Sale/Repurchase transactions (note 10.2)	1,039,525	1,284,246
	=====	=====

10.1 This includes guarantees issued on behalf of association undertakings amounting to Rupees 189 million (1996: Rupees 197 million).

10.2 The Company has entered into sale/repurchase transactions with various financial institutions for Government Treasury Bills and Federal Investment Bonds. Under the terms of arrangements, the bills/bonds are sold to the financial institutions with the stipulation that these would be bought back by the Company at agreed rates on future dates.

**11. Balances with banks and in hand****Balances held on:**

Current account-State Bank of Pakistan	81,424	82,073
Current accounts-Other Banks	17,126	198,338
Deposits accounts	30,938	62,183
	-----	-----
	129,488	342,594
Cash in hand	557	734
	-----	-----
	130,045	343,328



**12. Shares/certificates-Quoted**

	=====	=====
Long term investments (Note 12.1)	819,308	0
Short term investments (Note t2.4)	751,321	840,107
	-----	-----
	1,570,629	840,107
	=====	=====

Face value of the ordinary shares/certificates of each investee/company/modaraba is Rupees 10 per share/certificate with the exception of Long Term Venture Capital Modaraba and National Development Leasing Corporation Limited where the face value is Rupees 5 per share/certificate.

**Rupees in Thousand**

**1997                      1996**

**12.1 Long Term Investments**

Shares of joint stock companies (Note 12.2)	741,424	-
Modaraba and other certificates (Note 12.3)	77,884	-
	-----	-----
	819,308	-
	=====	=====

The aggregate market value of these shares/certificates was Rupees 622 million as on 30th June, 1997. The aggregate break-up value of these investments based on the latest published financial statements was Rupees 1,176 million. The management intends to retain these investments as the quoted prices are not truly reflective of the state of affairs and operating performance of investee companies. According to the changed accounting policy as stated in Note 2.6, the provision for diminution in value of investment is not required on "Long Term Investments". Had the policy been consistent with the previous years, an additional provision of Rupees 197 million would have been required.

Rupees in Thousand

**Rupees in Thousand**

**1996**

**1997**

No of Shares/ Certificates	Cost	Name	No of Shares/ Certificates	Cost
<b>12.2 Shares of joint stock companies</b>				
<b>Associated undertakings</b>				
-	-	Crescent Leasing Corporation Limited-Equity held 11.79 per cent	1,768,600	21,431
-	-	Pakistan Industrial Leasing Corporation Limited	81,780	1,917
-	-	The Crescent Textile Mills Limited	1,314,698	25,066
-	-	Trust Investment Bank Limited-Equity held 27.44 per cent	2,744,000	26,651
<b>Others</b>				
-	-	Al-Noor Sugar Mills Limited	94,707	1,515
-	-	Atlas Investment Bank Limited	187,100	2,152
-	-	Atlas Lease Limited	99,825	1,451
-	-	Brothers Textile Mills Limited	118,137	1,511

-	-	Dadabhoj Cement Industries Limited	3,167,750	38,015
-	-	Dawood Leasing Company Limited	1,139,100	11,387
-	-	D.G. Khan Cement Company Limited	1,997,921	32,227
-	-	Ellahi Electric Company Limited	1,374,500	11,001
-	-	Emco Industries Limited	568,958	9,903
-	-	Escorts Investment Bank Limited	836,312	7,844
-	-	First Capital Securities Corporation Limited	173,700	2,135
-	-	Gadoon Textile Mills Limited	112,000	3,240
-	-	Genertech Pakistan Limited	264,500	3,399
-	-	Gulistan Textile Mills Limited	294,000	8,975
-	-	Gulshan Spinning Mills Limited	239,937	5,091
-	-	Haji Mohammad Ismail Mills Limited		
		-Equity held 13.14 percent	1,135,000	11,066
-	-	Husein Sugar Mills Limited	74,498	1,321
-	-	Ibrahim Fibres Limited	4,618,500	41,377
-	-	Indus Bank Limited	134,100	1,102
-	-	InterAsia Leasing Company Limited	490,000	4,900
-	-	Kohinoor Energy Limited	1,289,000	20,712
-	-	Kohinoor Sugar Mills Limited	200,000	3,814
-	-	Kohinoor Textile Mills Limited	167,830	3,214
-	-	Maple Leaf Cement Factory Limited	3,357,559	78,685
-	-	Maple Leaf Electric Company Limited	561,400	6,690
-	-	National Development Leasing Corporation Limited	274,815	1,964
-	-	Network Leasing Corporation Limited		
		- Equity held 11.04 percent	1,103,850	10,175
-	-	Nishat Mills Limited	138,381	2,877
-	-	Pak Gulf Leasing Company Limited	235,175	2,171
-	-	Pakistan International Airlines Corporation	6,168,608	88,972
-	-	Pakistan Synthetics Limited	134,250	1,833
-	-	Pakland Cement Limited	3,923,350	56,431
-	-	Paramount Leasing Limited	382,000	3,820
-	-	Platinum Commercial Bank Limited-		
		Equity held 18.79 per cent	7,896,900	72,843
-	-	Prime Commercial Bank Limited	389,725	4,371
-	-	Prudential Discount and Guarantee House Limited	876,500	8,704
-	-	Saadi Cement Limited	4,040,000	39,390
-	-	Saif Textile Mills Limited	74,061	1,061
-	-	Sapphire Fibres Limited	70,500	1,671
-	-	Schon Bank Limited-Equity held 15.38 per cent	7,688,000	48,845
-	-	Security Leasing Company Limited	449,000	4,490
-	-	The Karachi Electric Supply Corporation Limited	119,753	4,014
				-----
				741,424
				=====

Rupees in Thousand  
1997

1996

No of Shares/  
Certificates

Cost

Name

No of Shares/  
Certificates

Cost

-----

**12.3 Modaraba and other certificates**

**Associated undertakings**

-	-	First UDL Modaraba	1,993,039	14,170
-	-	First Equity Modaraba	2,084,860	15,802
-	-	Al-Ata Leasing Modaraba - Equity held 30.45 per cent	1,758,757	15,147
-	-	First Crescent Modaraba	1,060,336	7,295
-	-	<b>Others</b>		
-	-	22nd ICP Mutual Fund	219,500	2,194
-	-	24th ICP Mutual Fund	210,800	2,108
-	-	Al-Zamin Leasing Modaraba	498,222	2,046
-	-	BRR 2nd Modaraba	151,000	1,822
-	-	BRR Capital Modaraba	664,830	5,826
-	-	First Elite Capital Modaraba	928,830	5,173
-	-	First Hajveri Modaraba	522,392	3,569
-	-	First Providence Modaraba	358,012	2,732

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77,884

**12.4 Short Term Investments**

=====

878,346	Shares of joint stock companies (Note 12.5)	898,133
127,011	Modaraba and other certificates (Note 12.6)	59,099
-----		-----
1,005,357		957,232
165,250	Less: Provision for diminution in value	205,911
-----		-----
840,107		751,321
=====		=====

Aggregate market value of these shares/certificates was Rupees 751 million  
(1996: Rupees 840 million)

**12.5 Shares of joint stock companies**

**Associated undertakings**

921,875	51,000 Crescent Steel and Allied Products Limited-Equity held 10.32 per cent	1,801,906	70,350
186,497	4,231 Crescent Sugar Mills and Distillery Limited	214,471	4,231
295,596	8,294 Jubilee Spinning and Weaving Mills Limited	325,155	8,294
4,239,999	30,011 Nazir Cotton Mills Limited-Equity held 23.56 per cent	4,239,99	30,011
1,153,725	12,871 Pakistan PVC Limited-Equity held 23.14 per cent	1,153,725	12,871
350,000	5,425 Crescent Knitwear Limited	350,000	5,425
891,305	28,142 Shakarganj Mills Limited	1,087,765	29,127
1,564,000	19,889 Crescent Leasing Corporation Limited -Equity held 10.43 percent	-	-
46,780	1,038 Pakistan Industrial Leasing Corporation Limited	-	-
1,051,180	23,649 The Crescent Textile Mills Limited	-	-
882,684	35,311 Pakistan Industrial Credit and Investment	-	-

	Corporation Limited	882,684	35,311
<b>Others</b>			
11,643	90 Adam Sugar Mills Limited	11,643	90
78,498	6,343 Adamjee Insurance Company Limited	-	
51,100	173 Accord Textiles Limited	51,100	173
400,535	3,545 Agri autos Industries Limited	400,535	3,545
-	- Al-Faysal Investment Bank Limited	32,000	545
20,475	637 Al-Ghazi Tractors Limited	5,362	185
500	5 Al-Qadir Textile Mills Limited	500	5
50,000	678 Al-Towfeek Investment Bank Limited	50,000	678
1,532,000	35,073 American Life Insurance Co(Pakistan) Limited-Equity held 14.38 per cent (1996:11.78 per cent)	1,870,000	44,023
-	- Artistic Denim Limited	75,000	1,135
52,587	1,552 Askari Commercial Bank Limited	60,475	1,552
-	- Askari Leasing Limited	9,000	133
85,000	709 Auvitronics Limited	85,000	709
-	- A.A. Textiles Limited	24,500	316
16,500	365 Bank Al Habib Limited	18,150	365
6,468	230 Bankers Equity Limited	468	17
9,000	782 BOC (Pakistan) Limited	-	-
450,000	6,930 Dolan Castings Limited	450,000	6,930
-	- Brooke Bond Pakistan Limited	14,800	2,410
65,000	2,613 Century Paper and Board Mills Limited	71,500	2,613
803,613	31,488 Cherat Cement Company Limited	796,613	31,214
4,000	164 Cherat Papersack Limited	4,800	180
14,100	57 Colony Textile Mills Limited	14,100	57
-	- Commercial Union Life Assurance	2,571,500	37,313
507,400	3,435 Crescent Boards Limited	507,400	3,435
367,100	5,236 Crescent Jute Products Limited	367,100	5,236
33,300	1,231 Dadex Eternit Limited	33,300	1,231
57,687	1,541 Dandot Cement Company Limited	57,687	1,541
50,900	5,322 Dawood Hercules Chemicals Limited	-	-
185,500	7,804 Dewan Salman Fibres Limited	23,000	805
210,000	2,267 Dhan Fibres Limited	164,500	948
200,000	6,070 D.G. Khan Electric Company Limited	563,000	10,293
256,000	4,828 EFU Life Assurance Company Limited	631,000	9,092
515,740	37,467 Engro Chemicals Pakistan Limited	-	-
12,650	402 Essa Cement Industries Limited	13,915	402
16,000	1,128 Fauji Fertilizer Company Limited	582,900	46,793
1,005,070	26,579 Faysal Bank Limited	1,042,650	27,002
163,300	7,643 Fecto Cement Limited	163,300	7,643
202,987	3,311 Ferozesons Laboratories Limited	202,987	3,311
45,000	697 FFC-Jordan Company Limited	1,777,500	24,292
14,250	142 Fidelity Investment Bank Limited	250	2
114,820	2,647 First International Investment Bank Limited	104,820	2,319
40,000	341 Friends Textile Mills Limited	121,500	524
221,700	2,217 Gauhar Engineering Limited	221,700	2,217

3,593	24Ghandhara Nissan Diesel Limited	3,593	24
60,328	880Gharibwal Cement Limited	69,980	880
-	-Gulistan Spinning Mills Limited	50,000	530
143,100	2,157Hajra Textile Mills Limited	143,100	2,157
-	-Haseeb Waqas Sugar Mills Limited	30,000	153
208,500	5,118Honda Atlas Cars (Pakistan) Limited	208,500	5,118
-	-Hub Power Company Limited	6,000	230
-	-Ibrahim Energy Limited	10,000	71
-	-Ibrahim Textile Mills Limited	100,000	1,081
5,053	454ICI Pakistan Limited	1,721,666	42,107
5,500	61Islamic Investment bank Limited	-	-
4,900	49Ismail Industries Limited	4,900	49
-	-Japan Power Generation Limited	7,158,5000	73,458
47,000	2,468Ismail Omer Vohra and Company Limited	47,000	2,468
-	-Kohinoor Power Company Limited	6,500	61
7,000	20Kohinoor (Gujar Khan) Mills Limited	7,000	20
293,760	1,361Latif Jute Mills Limited	293,760	1,361
-	-Lever Brothers Pakistan Limited	920	650
1,270,500	24,624Lucky Cement Company Company Limited	287,500	5,780
7,000	261Mari Gas Company Limited	7,000	261
23,950	115Medi Glass Limited	23,950	115
22,000	403Mehran Bank Limited	22,000	403
5,000	73Metropolitan Life Assurance Limited	-	-
56,306	750Mohammad Farooq Textile Mills Limited	56,306	750
23,337	573Mohib Textile Mills Limited	8,837	217
9,900	447Murree Brewery Company Limited	10,890	447
31,477	658Muslim Commercial bank Limited	311,500	10,530
44,885	1,454National Refinery Limited	44,885	1,454
-	- Nishat Fabrics Limited	40,000	548
5,000	128Nishat Tek Limited	-	-
-	-Nishat(Chunian) Limited	20,000	266
3,725	73Noon Sugar Mills Limited	3,725	73
302,500	3,912Orix Investment Bank Limited	167,500	2,166
19,665	684Packages Limited	112,000	5,747
385,900	3,672PakApex Leasing Company Limited	-	-
-	- Pak Datacom Limited	35,000	299
320,500	11,502Pak Suzuki Motor Company Limited	5,000	234
-	-Pakistan Hotels developers Limited	300,000	4,500
181,053	2,963Pakistan Industrial and Commercial Leasing Limited	181,053	2,963
16,800	404Pakistan Services Limited	16,800	404
11,235	191Pakistan state Oil Company limited	-	-
44,343	2,006Pakistan Cables Limited	44,343	2,006
50,000	1,860Pakistan Tobacco Company Limited	-	-
143	2Pioneer Cement Limited	143	2
166,100	2,480Ravi Textile Mills Limited	166,100	2,480
2,310	18Sakrand Sugar Mills Limited	2,772	18
1,387,400	13,319 Sally Textile Mills Limited-Equity held 15.81 per cent	1,387,400	13,319
38,500	817Sanghar Sugar Mills Limited	38,500	817
-	-Sazgar Engineering Works Limited	271,200	2,568
50,000	2,133Searl (Pakistan) Limited	57,500	2,133

3,397	50 Security Papers Limited	4,882	50
50,000	1,125 Service Industries Textile Limited	50,000	1,125
1,990,500	25,439 Shaheen Cotton Mills Limited-Equity held 16.89 per cent	1,990,500	25,439
75,835	5,433 Shell Pakistan Limited	18,235	1,306
12,300	425 Shezan International Limited	12,300	425
4,300	642 Siemens Pakistan Engineering Company Limited	3,800	568
167,062	4,400 Sind Alkalis Limited	167,062	4,400
-	- Sitara Energy Limited	319,000	8,324
-	- Southern Electric Power Company Limited	5,452,520	56,459
1,161,364	33,623 Sui Northern Gas Pipelines Limited	915,268	23,794
110,275	3,926 Sui Southern Gas Company Limited	511,441	14,166
10,000	86 Sunflo Cit-Russ Limited	-	-
100,000	1,810 S.G. Power Limited	100,000	1,810
-	- Taj Textile Mills Limited	42,000	247
214,500	4,274 The Bank of Punjab	690	12
76,366	3,197 The General Tyre and Rubber Company of Pakistan Limited	84,002	3,197
34,050	682 Treet Corporation Limited	34,050	682
55,000	1,240 Tri-Pack Films Limited	56,000	1,253
15,000	159 Tri-Star Shipping Lines Limited	10,000	98
16,800	375 Trust Leasing Corporation Limited	9,300	207
83,678	1,579 Union Bank Limited	83,678	1,579
2,900	67 United Distributors Pakistan Limited	2,900	67
250,000	2,500 Universal Leasing Company Limited	50,000	500
-	- Zahoor Textile Mills Limited	7,400,000	3,264
16,700	170 Zulfiqar Industries Limited	16,700	170
86,098	1,515 Al-Noor Sugar Mills Limited	-	-
99,825	1,451 Atlas Lease Limited	-	-
118,137	1,511 Brothers Textile Mills Limited	-	-
1,660,250	22,213 Dadabhoy Cement Industries Limited	-	-
1,139,100	11,387 Dawood Leasing Company Limited	-	-
793,921	19,327 D.G. Khan Cement Company Limited	-	-
684,500	6,845 Ellahi Electric Company Limited	-	-
65,700	1,159 First Capital Securities Corporation Limited	-	-
188,000	4,142 Genertech Pakistan Limited	-	-
144,000	2,960 Gulistan Textile Mills Limited	-	-
239,937	5,091 Gulshan Spinning Mills Limited	-	-
64,822	1,321 Husein Sugar Mills Limited	-	-
1,532,000	13,429 Ibrahim Fibres Limited	-	-
134,100	1,102 Indus Bank Limited	-	-
490,000	4,900 InterAsia Leasing Company Limited	-	-
212,000	3,401 Kohinoor Energy Limited	-	-
100,000	2,814 Kohinoor Sugar Mills Limited	-	-
167,830	3,214 Kohinoor Textile Mills Limited	-	-
1,396,066	50,091 Maple Leaf Cement Factory Limited	-	-
112,400	2,531 Maple Leaf Electric Company Limited	-	-
108,315	782 National Development Leasing Corporation Limited	-	-
1,103,850	10,175 Network Leasing Corporation Limited (Equity held 11.04 per cent)	-	-
101,881	2,277 Nishat Mills Limited	-	-

16,808	123Pakistan International Airlines Corporation	-	-
1,250	10Pakistan Synthetics Limited	-	-
1,356,100	46,448Pakistan Telecommunications Company Limited	2,827,600	81,179
1,199,850	22,423Pakland Cement Limited	-	-
382,000	3,820Paramount Leasing Limited	-	-
12,650	178Prime Commercial Bank Limited	-	-
876,500	8,704Prudential Discount and Guarantee House Limited	-	-
66,561	908Saif Textile Mills Limited	-	-
70,500	1,671Sapphire Fibres Limited	-	-
449,000	4,490Security Leasing Company Limited	-	-
119,753	4,014The Karachi Electric Supply Corporation Limited	-	-
-----		-----	
878,346			898,133
=====			=====

## 12.6 Modaraba and other certificates

### Associated undertakings

1,993,039	14,170First UDL Modaraba	-	-
2,084,860	15,802First Equity Modaraba	-	-
1,758,757	15,147Al-Ata Leasing Modaraba (Equity held 30.45 per cent)	-	-
1,050,336	7,263First Crescent Modaraba	-	-
		-	-

### Others

58,250	266Long Term Venture capital Modaraba	-	-
8,600	21611th ICP Mutual Fund	43,000	560
10,000	20912th ICP Mutual Fund	49,000	597
88,200	88419th ICP Mutual Fund	88,200	884
25,000	35120th ICP Mutual Fund	25,000	351
18,600	18623rd ICP Mutual Fund	9,100	91
--	-- 4th ICP Mutual Fund	15,000	313
250,000	2,500Asian Stocks Fund Limited	250,000	2,500
500	5Custodian Modaraba	500	5
55,440	1,146First Grindlays Modaraba	59,440	1,208
48,028	514First Habib Bank Modaraba	48,028	513
58,000	364First Ibrahim Modaraba	33,000	207
20,670	239First Interfund Modaraba	20,670	239
178,466	1,394First Mehran Modaraba	178,466	1,394
91,891	733First Prudential Modaraba	51,691	414
34,500	203First Tawakkal Modaraba	34,500	203
323,000	19,157ICP-State Enterprise Mutual Fund	550,000	32,697
220,000	2,389KASB Premier Fund Limited	202,500	2,165
307,800	2,548Modaraba Al-Tijarah	307,800	2,548
31,350	185Pak Modaraba	31,350	185
116,970	932Second Prudential Modaraba	116,970	932
83,225	402Third Prudential Modaraba	73,225	353
1,504	9Unicap Modaraba	4	

283,000	2,829 22nd ICP Mutual Fund	-	-
249,300	2,493 24th ICP Mutual Fund	-	-
432,800	4,328 25th ICP Mutual Fund	432,800	4,328
34,822	212A1-Zamin Leasing Modaraba	-	-
151,000	1,822 BRR2nd Modaraba	-	-
1,421,830	13,380 BRR Capital Modaraba	-	-
350,000	3,500 First Capital Mutual Fund	1,316,000	6,412
928,830	5,173 First Elite Capital Modaraba	-	-
465,392	3,328 First Hajveri Modaraba	-	-
358,012	2,732 First Providence Modaraba	-	-
-----			-----
127,011			59,099
=====			=====

**13. Shares-unquoted  
Long term Investments  
Associated undertakings**

500,000	5,000 UDL Modaraba Management (Private) Limited Equity held 25 per cent Break up value Rupees 8.44 as per audited accounts of 30 June, 1996	500,000	5,000
125,000	1,250 Al-Ata Management Services (Private) Limited Equity held 25 per cent Break up value Rupees 9.91 as per audited accounts of 30 June, 1996	125,000	1,250
3,750,000	37,500 International Housing Finance Limited Equity held 30 per cent Break Up value rupees 7.28 as per audited accounts of 30 June, 1996	3,750,000	37,500
2,184,600	21,846 Crescent Greenwood Limited	2,184,600	21,846
17,600	176 International Asset Management Company Limited	17,600	176
2,000,000	20,000 PakAsian Fund Limited	2,000,000	20,000
1,000,000	10,000 Crescent Powertec Ltd.	1,000,000	10,000

**Others**

100,000	3,600 Sapphire Power Generation Limited	100,000	3,600
180,000	4,140 Television Business Production (Private) Limited Break-up value Rupees 8.10 as per audited accounts of 30 June, 1996. Equity held 16.66 per cent	270,000	5,040
500,000	5,000 Confidence Financial Services Limited	-	-
-	- ICEPAC Limited Equity held 14.66 per cent Break up value Rupees 7.58 as per audited accounts of 30 June, 1996	355,300	3,554
-----			-----
108,512			107,966
=====			=====

Investment in Modaraba Management Companies represents shares acquired as one of the sponsors.



Investment in Crescent Powertec Limited, International Housing Finance Limited and Crescent Greenwood Limited have been made as one of the sponsors of the companies. Public issue of the companies is expected in future.

International Asset Management Company Limited is an advisory company of the Pakistan Investment Fund which was floated in December 1993. Investment in this Company has been made to develop expertise in advisory services for the capital markets in Pakistan. Chief Executive of the Company is Ms. Marianne L. Hay.

Pak Asian Fund Limited is being floated to provide supplementary resources for funding the purchase of institutions being privatized. The Company is one of the sponsors of the fund alongwith Asian Development Bank, Pakistan Industrial Credit and investment Corporation and Muslim Commercial bank Limited. Chief Executive of the Company is Mr. Ashfaq A. Bredi.

Television Business Production (Pvt) Limited is involved in providing independent television productions for domestic and foreign networks, corporate communication and organization videos and services to Advertisers. Mr. Zafar Siddiqui is the Chief Executive of the Company.

Investment in the following undertakings has been made pending their public issues in future:

**14. Other Quoted Investments**

	Rupees in Thousand	
	1997	1996
Short term investments		
Pakistan Eurobonds (Note 14.1)	40,120	31,789
WAPDA Bearer Bonds -- 3rd issue (Note 14.2)	12,352	12,353
Redeemable Capital Certificates (Note 14.3)	65,853	55,038
	-----	-----
	118,325	99,180
	=====	=====

Market value of other quoted investments as on 30 June 1997 was Rupees 120 million (1996: Rupees 106

**14.1 Pakistan Eurobonds**

These are US Dollar bonds issued by the Islamic Republic of Pakistan. The bonds carry interest at the rate of 11.5 percent annum payable semi annually.

**14.2 WAPDA Bearer Bonds**

The bonds have been issued by WAPDA, the Water and Power Development Authority. The third issue carries a profit rate of 12.5 percent per annum. Profit is payable semi-annually and these bonds are for a term of ten years.

These bonds (Principal and profit accrued thereon) can also be encashed on an interim date from the First Credit and Discount Corporation, on paying commission thereon.

**14.3 Redeemable Capital Certificates**

Packages Limited	8,992	9,996
2,000 Certificates of Rupees 5,000 each		
Expected profit @18.50 per annum		

Sui Southern Gas Company Limited 205 Certificates of Rupees 100,000 each Expected profit @18.25 percent per annum	13,498	19,070
Nishat Tek Limited 100 Certificates of Rupees 100,000 each Expected profit @18 percent per annum	9,996	10,000
Long Term Venture Capital 179,231 Certificates of Rupees 100 each Expected profit @18.50 percent per annum	15,077	15,972

ICI Pakistan Limited 4,000 Certificates of Rupees 100 each. Expected profit @1&70 percent per annum	18,290	-
	-----	-----
	65,853	55,038
	=====	=====

**15. Other unquoted investments**

**Long term investments**

Federal Investment Bonds (Note 15.1)	2,291	287,142
Treasury Bills	-	40,769
Placements with Financial Institutions (Note 15.2)	422,375	293,126
Emerging Markets (Private) Limited (Note 15.4)	1,329	1,329
	-----	-----
	425 995	622 366
	=====	=====

15.1 Federal Investment Bonds have been issued by the Government of Pakistan and carry profit at the rates dependent on the maturity of the Bonds.

15.2 Placement with financial institutions

Foreign Currency Placements	751,444	176,626
Less: Credit Facilities availed (Note 15.3)	(518,015)	-
	-----	-----
	233,429	176,626
Add: Local Currency Placements	188,946	116,500
	-----	-----
	422,375	293,126
	=====	=====

15.3 This represents credit facilities availed on a matching facility basis which are secured by lien on the foreign currency deposits. The rate of mark-up range from 13.31 percent to 14.65 percent per annum and the rate of return on foreign currency deposits ranges from 6.3750 percent to 7.6875 percent per annum. The maturity of Credit Facility and foreign currency deposits are upto 11 January 2007.

15.4 Emerging markets (Private) Limited is an offshore joint venture company registered in Isle of Man. The company

holds 33 percent equity stake in the company. The company will primarily market the products of renowned international asset management companies and will enable the company to develop expertise in foreign securities.

#### 16. Commercial Papers

Promissory notes discounted and purchased  
(Note 16.1)

6,625,108	6,042,172
=====	=====

These are regrouped as under:

Due within one year

6,500,436	5,874,744
-----------	-----------

Due after one year

124,672	167,428
-----	-----
6,625,108	6,042,172
=====	=====

16.1 These are instruments of varying maturities stipulating installment/lumpsum repayments and are secured by a charge on assets, bank guarantees, pledge of stocks, shares and other valuable paper of the customers. Included therein is financial assistance to associated undertakings amounting to Rupees 35.10 million (1996: Rupees 15.45 million). The maximum aggregate balance due from associated undertakings at the end of any month during the year was Rupees 35.10 million (1996: Rupees 17.19 million).

#### Rupees in Thousand

1997	1996
------	------

#### 17. Loans and advances

Project finance (Note 17.1 )

199,465	111,092
---------	---------

Margin finance (Note 17.2)

131,284	139,668
---------	---------

Other advances (Note 17.3)

77,588	-
-----	-----
408,337	250,760
=====	=====

These are regrouped as under:

Due within one year

273,749	175,504
---------	---------

Due after one year

134,588	75,256
-----	-----
408,337	250,760
=====	=====

17.1 These include finances provided to projects for import of plant and machinery, out of our foreign currency credit lines. These are secured by a charge on the assets of the projects financed and pledge of shares.

17.2 Margin finance is provided for leveraged purchases of acceptable listed securities. Shares/investments purchased against the margin finance are taken as the collateral.

17.3 This represents amount paid against calls made on guarantees issued on behalf of customers and are adequately secured

#### 18. Deferred costs

These represent the un-amortized portion of leasehold building's renovation expenses. Deferred cost is being amortized over a period of five years.

### 19. Operating Fixed Assets

Description	As at 01 July 1996	Cost Additions/ (deletions)	As at 30 June 1997	Accumulated Depreciation As at 30 June 1997	Book As at 30 June 1997	Depreciation Charge for the year	Rate (per cent)
Freehold land	14,596	71,027	85,623	-	85,623	-	-
Premises	25,534	16,812 (7,840)	34,506	12,732	21,774	3,451	10
Furniture and fixtures	5,201	1,008 (169)	6,040	2,632	3,408	655	10-15
Computer and other equipments	11,417	2,902 (467)	13,852	9,628	4,224	2,411	20
Vehicles	3,987	5 (86)	3,906	2,488	1,418	731	20
30 June 1997	60,735	91,754 (8,562)	143,927	27,480	116,447	7,248	
30 June 1996	53,847	11,922 (5,034)	60,735	21,273	39,462	6,471	

#### 19.1 Disposal of Fixed Assets

Rupees in Thousand

Description	Cost	Book Value	Sale
<b>Computer and other equipments:</b>			
Computer/office equipments	368	81	351
Insurance claim from Premier Insurance Company of Pakistan, Lahore			
<b>Office equipments</b>	99	18	24
By Negotiation to Company's Employees			
<b>Vehicles</b>			
Nissan Sunny	44	22	300
By Negotiation to a Car Dealer Shakeel Ahmad, House No. 6/7 Maleer Colony, Nearby Liaqat Market, Karachi			
<b>Motor Cycle</b>	42	21	41

Insurance Claim from Premier  
Insurance Company of Pakistan,  
Lahore

**Premises**

Laksonk, Ground Floor, Karachi 4,176 4,176 4,500  
By Negotiation to Marine Services,  
Lakson Square, Karachi

10th Floor, Lakson, Karachi 3,664 3,115 5,045  
By Negotiation to an associated  
undertaking Trust Investment bank  
Limited, Lahore

**Furniture**

Insurance claim from Premier  
Insurance Company of Pakistan,  
Lahore 59 33 59

Sold to Mr. Farid Ahmed  
As per company's policy to executive 30 14 14  
Sold to Mr. Farooq Bhatti as per  
company's policy to executive 80 44 37

-----  
8,562 7,524 10,371  
=====

**20. Assets subject to finance lease**

Description	Rupees in Thousand					
	As at 01 July 1996	Cost Additions/ (deletions)	As at 30 June 1997	Accumulated Amortization as at 30 June 1997	Book Value As at 30 June 1997	Amortization Charged for the year
Vehicles	11,785	5,092 (785)	16,092	9,119	6,973	3,382
30 June 1997	11,785	5,092 (785)	16,092	9,119	6,973	3,382
30 June 1996	12,004	2,463 (2,682)	11,785	6,287	5,498	3,552

Deletion represents the lease expired/settled during the year under reference.

Rupees in Thousand  
1997 1996

**21. Advances, deposits, prepayments  
and sundry receivables**

Advances--Considered good

To company's employees (Note 21.1 and 21.2)	4,535	4,837
To company's executives (Note 21.2 and 21.2)	22,803	18,399
To contractors and suppliers	16,047	77,048
Exchange risk fee	192,693	104,417
To income tax department	92,092	60,874
	-----	-----
	328,170	265,575
Prepayments and deposits	9,734	10,143
Profit accrued on investments/other receivable	386,753	224,421
Due from associated undertakings (Note 21.3)	-	8
	-----	-----
	724,657	500,147
	=====	=====

21.1 Advances to company's employees, executives, and chief executive outstanding for a period not exceeding three years and exceeding three years are regrouped as under:

	Rupees in Thousand		
	Chief Executive	Executives	Employees
<b>Outstanding for less than three years</b>			
Receivable within one year	-	715	364
Receivable after one year	-	11,270	4,130
	-----	-----	-----
1997	-	11,985	4,494
	=====	=====	=====
1996	1,538	12,928	4,825
	=====	=====	=====
<b>Outstanding for over three years</b>			
Receivable within one year	513	725	25
Receivable after one year	2,059	7,521	16
	-----	-----	-----
1997	2,572	8,246	41
	=====	=====	=====
1996	1,537	2,396	12
	=====	=====	=====

21.2 These represent secured House Building and Car/Motor Cycle advances as per terms of their appointments and are recoverable in equal monthly installments. The maximum outstanding balance at the end of any month during the year was Rupees 24.24 million (1996: Rupees 16.33 million)

21.3 The maximum outstanding balance at the need of any month during the year was Rupees 0.90 million (1996:

Rupees 3.49 million)

	Rupees in Thousand	
	1997	1996
<b>22. Fee, Commission and other income</b>		
Commission		
On underwriting of shares	792	2,773
On guarantees issued	15,330	11,573
Fees and Charges etc.	10,137	9,106
Other Income	2,847	1,213
	-----	-----
	29,106	24,665
	=====	=====

	Rupees in Thousand	
	1996	1997
<b>23. Administrative and Operating Expenses</b>		
Salaries, wages and other benefits (Note 23.1)	31,367	29,187
Rent, rates and taxes	3,562	3,157
Stationery and supplies	1,388	1,257
Telephone, telex, telegrams and postage	6,397	4,938
Electricity and water	1,540	1,520
Advertisement	2,043	2,418
Traveling and conveyance	4,041	2,707
Insurance	1,466	1,156
Repair and maintenance	2,013	1,858
Legal and professional	3,416	2,276
Newspaper and periodicals	197	136
Deferred costs amortized	290	383
Auditor's remuneration		
Annual audit	175	150
Special audit/other services	22	120
Out of pocket expenses	15	11
	-----	-----
	212	281
Zakat	316	550
Miscellaneous (Note 23.2)	3,756	2,569
Depreciation/amortization	10,630	10,023
	-----	-----
	72,634	64,416
	=====	=====

**23.1 Salaries, wages and other benefits**

This includes the following amounts charged to income on the employees retirement benefits:

Provident Fund	1,015	938
Gratuity Fund	742	678
Pension Fund	2,114	1,933
	-----	-----
	3,871	3,549
	=====	=====

Pension and gratuity expenses for the year have been recorded on the basis of actuarial valuations using the Entry Age Normal Method applying the assumptions that expected rate of return on funds will be twelve percent per annum and expected increase in salary level will be ten percent per annum. The latest valuation was carried out on 31 March 1996 by the independent consulting actuaries. The contributions are made at the rate of 20 percent and 7.02 percent annum of the basic salaries for Pension Fund and gratuity Fund respectively. The fair value of the plans assets and liabilities for past services on the last valuation date were Rupees 8.88 and Rupees 8.09 million respectively for Pension Fund and Rupees 3.14 million and Rupees 2.81 million respectively for Gratuity Fund. The future contribution rates of these plans include allowances for deficit and surplus.

The assets and liabilities of the Provident fund Trust as on 30 June 1997 were Rupees 9.83 million.

23.2 This includes donations amounting to Rupees 382,000 (1996: Rupees 80,000).

There was no interest of any director or his spouse in the donees.

	Rupees in Thousand	
	1997	1996
<b>24. Provision for taxation</b>		
Current	7,000	16,950
Prior years	-	(1,945)
	-----	-----
	71000	151005
	=====	=====

**25. Chief Executive, Directors and Executives Remuneration**

	(Rupees in Thousand)			
	Chief Executive		Executives	
	1997	1996	1997	1996
Managerial remuneration	1,861	1,510	5,850	5,153
Provident fund	186	151	585	514
House rent allowance	745	604	2,845	2,498
Utilities	186	151	585	516
Others	193	190	1,161	466
	-----	-----	-----	-----
	3,171	2,606	11,026	9,147
	=====	=====	=====	=====
Number of persons	1	1	32	29

In addition, the Chief Executive has been allowed free use of two company cars and reimbursement of telephone and medical expenses. Other executives are allowed free use of a company car and reimbursement of club membership and telephone expenses within prescribed limits.



The aggregate amount charged in the accounts for fee to seven directors for two meetings was Rupees 6,000 (1996: Fee to five directors for two meetings was Rupees 4,000)

#### **26. Portfolio Management Scheme**

The Company provides portfolio management services to its customers under this scheme, The funds so received are invested, upon the customers' authority, in various investment alternatives depending upon the opportunities available. The related assets and liabilities of these management funds are not included in these accounts. The outstanding funds under this scheme as on 30 June 1997 were Rupees 1,876 million (1996: Rupees 2,700 million).

#### **27. Corresponding Figures**

Previous year's figures have been re-arranged wherever necessary for the purpose of comparison.

### **INVESTOR INFORMATION**

#### **Head office & Lahore Branch**

45-Shahrah-e-Quaid-e-Azam Lahore-54000, Pakistan.

Telephones: 92-42-7230505-8 (4 Lines)

Telefax: 92-42-7230504

UAN: 111 999 333

#### **Karachi Branch**

6th Floor, Sidco Avenue Centre

Maularia Din Muhammad Wafai Road, Karachi-74200

Telephones: 92-21-5688008-5686468-5685317

Telefax: 92-21-5689625-5685442

Telex: 20335 CRESB PK.

UAN 111 999 333

#### **Islamabad Branch**

42-Agha Khan Road, Sector F 6/4

Islamabad

Telephone: 92-51-279900

Telefax: 92-51-270765

UAN 111 999 333

#### **Faisalabad Branch**

4-Liaquat Road, Faisalabad

Telephones: 92-411-600185-632979-617187

Telefax: 92-411-621495

UAN 111 999 333

#### **Peshawar Branch**

1-A, Saddar Road, Peshawar Cantt

Peshawar

Telephones: 92-521-270134-270951-2

UAN 111 999 333

**Stock Exchange Listing:**

CresBank is listed on the Karachi, Lahore and Islamabad Stock Exchanges.  
Daily quotes on the company's stock can be obtained from the leading newspapers.

**Public Information:**

Financial analysts, stock brokers, interested investors/depositors and financial institutions requiring information about "CresBank" should contact the following individuals in Corporate Investor Relations:

**Karachi**

Mr. Gohar Iqbal Sheikh  
Telephones: 92-21-5688008-  
5686468  
UAN 111 999 333

**Lahore**

Mr. Saqib Ahmed  
Telephones: 92-42-7230505-8 (4  
Lines)  
UAN 111 999 333

**Corporate Department**

Inquiries concerning lost stock certificates, dividend payments, change of address, verification of transfer deeds and share transfers should be directed to:

Mr. Rashid Sadiq  
Deputy General Manager  
Crescent Group Services (Pvt) Ltd.  
83-Babar Block, New Garden Town, Lahore.  
Telephones: 92-42-5839631-5881974-5  
Telefax: 92-42-5881976  
Fax No. (042) 5881976

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 8th Annual General Meeting of the shareholders of Crescent Investment Bank Limited will be held on Thursday the October 30, 1997 at 11:30 A.M. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:-

**ORDINARY BUSINESS**

1. To receive and adopt the Directors and Auditors' Reports and Audited Accounts for the year ended June 30, 1997.
2. To appoint Auditors for the year 1997-98 and fix their remuneration. The present Auditors M/S Riaz Ahmad & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

**SPECIAL BUSINESS**

3. To approve the alteration in the object clause of Memorandum of Association of the company.

**Statement under section 160 (1) (b) of the Companies Ordinance, 1984.**

This statement sets out the material facts pertaining to the special business to be transacted at the 8th Annual General Meeting of the company.

#### **ALTERATION IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION**

The management intends to undertake the business of lease financing in future. The company has also obtained a long term credit line from International Finance Corporation which has been registered with State Bank of Pakistan under the Foreign Exchange Regulations. It is one of the conditions of the registration that the proceeds of loan will exclusively be utilized for lease financing. The Company's Memorandum of Association do not contain the object of undertaking leasing business. It is, therefore, imperative to alter the object clause of the Memorandum of Association to include therein the object of undertaking leasing activities. The leasing business is expected to enhance, the Company's future profitability. The Directors of the Company are not in any way interested in this business. The following resolution is proposed to be passed as Special Resolution to alter the Memorandum of Association subject to approval of Corporate Law Authority:

#### **Resolved:**

That addition of the following new sub-clauses in the object clause of the Memorandum of Association of the Company be and are hereby approved, subject to approval of Corporate Law Authority.

#### **4. LEASING**

To carry on and undertake the business of leasing and lease operations of all kinds, purchasing, selling, hiring or letting on hire all kinds of property, plant, machinery and equipment and to provide assistance to others for the acquisition of property, plant and equipment of every kind and description on lease and to deal in all kinds of moveable and immovable property including land buildings, plant, machinery, equipment, ships, aircraft, automobiles, vehicles of all kinds and descriptions, computers and all consumer, agricultural, commercial and industrial items and to lease out and otherwise deal with them on such terms and conditions that it may deem fit and in any manner whatsoever and to provide leasing and advisory and counselling services, and to carry on and undertake the business of hire purchase, purchasing, selling on hire purchase of all kinds of property, plant and machinery and equipment and to deal in all kinds of movable and immovable property, and to purchase properties, moveable and immovable, for being leased out or for being sold on hire purchase basis or on deferred payment basis.

#### **5. HIRE PURCHASE**

To enter into lease and hire purchase agreements and contracts and other deeds and instruments for attainment of the objects contained herein and to assign and transfer the same for consideration.

#### **Resolved:**

Further That the new sub clauses be numbered as 4 and 5 and the existing sub-clauses of object clause 4 to 32 of the Memorandum of Association be and are hereby renumbered as 6 to 34.

#### **Resolved:**

Further That Corporate Secretaries of the company be and are hereby singly authorised to take all necessary steps, to sign or authenticate all the documents, application as may be required by law for the implementation of this special resolution.

#### **Book Closure:**

The Share Transfer Books of the Company will remain closed from October 24, 1997 to October 31, 1997 (both days inclusive).

#### **Registered Office:**

83-Babar Block, New Garden Town  
Lahore:  
Telephone No. (042) 5881974-75  
Fax No. (042) 5881976

Dated: September 24, 1997.

**Note:**

1. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time for holding the Meeting.
2. Shareholders are requested to immediately notify the change in address, if any.