

**A.F. FERGUSON & CO**  
**CHARTERED ACCOUNTANTS**

*State Life Building No.1-C,  
I.I. Chundrigar Road,  
P.O.Box 4716,  
Karachi-74000.*

**FORD RHODES SIDAT HYDER & CO**  
**CHARTERED ACCOUNTANTS**

*Progressive Plaza,  
Beaumont Road,  
P.O.Box 15541,  
Karachi-75530.*

**Auditors' Report to the Members**

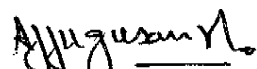
We have audited the annexed balance sheet of United Bank Limited as at December 31, 2003 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the financial statements) for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 61 branches which have been audited by us and 15 branches audited by auditors abroad 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.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- 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 Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 5.5 to the financial statements, with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2003 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of the bank for the year ended December 31, 2002 were audited by Ford Rhodes Sidat Hyder & Co, Chartered Accountants and Ebrahim & Co, Chartered Accountants who had expressed an unqualified opinion thereon.


  
**A.F. FERGUSON & CO**  
Chartered Accountants

  
**FORD RHODES SIDAT HYDER & CO**  
Chartered Accountants

Karachi: February 15, 2004

**BALANCE SHEET AS AT DECEMBER 31, 2003**

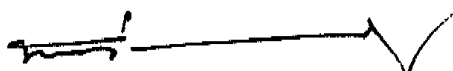
	2003	2002
	(Rupees in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	17,274,461	15,649,561
Balances with other banks	11,386,434	9,985,788
Lendings to financial institutions	19,050,791	3,627,557
Investments	56,516,760	69,244,328
Advances		
Performing	96,677,950	67,355,236
Non-performing	3,492,465	5,452,870
Other assets	3,001,793	3,636,065
Operating fixed assets	3,754,236	2,710,892
Taxation recoverable	283,171	314,712
Deferred tax asset – net	5,486,357	5,026,457
	216,924,418	183,003,466
<b>LIABILITIES</b>		
Bills payable	2,975,910	1,832,981
Borrowings from financial institutions	7,710,375	5,347,349
Deposits and other accounts	185,071,502	158,263,495
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	39,995	81,548
Other liabilities	5,707,204	5,544,441
Deferred liabilities	1,535,059	861,935
	203,040,045	171,931,749
<b>NET ASSETS</b>	<b>13,884,373</b>	<b>11,071,717</b>
<b>REPRESENTED BY:</b>		
Share capital	5,180,000	5,180,000
Reserves	4,678,317	4,243,352
Unappropriated profit / (accumulated loss)	218,990	(797,100)
	10,077,307	8,626,252
Surplus on revaluation of assets	3,807,066	2,445,465
	<b>13,884,373</b>	<b>11,071,717</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		



Amar Zafar Khan  
President and  
Chief Executive Officer



Ahmad Waqar  
Director



Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman



Nahayan Mabarak Al Nahayan  
Chairman

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2003**

	2003	2002
	(Rupees in '000)	
Mark-up / return / interest earned	8,944,260	11,020,035
Mark-up / return / interest expensed	1,888,349	5,379,435
Net mark-up / interest income	7,055,911	5,640,600
Provision against non-performing loans and advances - net	444,871	851,958
Provision / (reversal) for diminution in the value of investments - net	104,285	(160,289)
Bad debts written off directly	12,897	47,904
	<u>562,053</u>	<u>739,573</u>
Net mark-up / return / interest income after provisions	6,493,858	4,901,027
<b>NON MARK-UP / INTEREST INCOME</b>		
Fee, commission and brokerage income	1,442,642	1,351,147
Dividend income / gain on sale of investments	2,057,314	414,881
Income from dealing in foreign currencies	436,656	1,051,778
Other income	607,500	454,313
Total non mark-up / return / interest income	4,544,112	3,272,119
	<u>11,037,970</u>	<u>8,173,146</u>
<b>NON MARK-UP / INTEREST EXPENSES</b>		
Administrative expenses	6,153,913	5,390,233
Other provisions / write offs	551,840	27,353
Other charges	5,501	24,252
Total non mark-up / interest expenses	6,711,254	5,441,838
Extraordinary items	-	-
<b>PROFIT BEFORE TAXATION</b>	<b>4,326,716</b>	<b>2,731,308</b>
Taxation - Current - for the year	193,050	195,871
- for prior years	223,070	18,701
- Deferred	1,274,978	1,102,420
	<u>1,691,098</u>	<u>1,316,992</u>
<b>PROFIT AFTER TAXATION</b>	<b>2,635,618</b>	<b>1,414,316</b>
Accumulated loss brought forward	(797,100)	(27,320,851)
Accumulated loss adjusted against share capital	-	25,201,680
	<u>1,838,518</u>	<u>(704,855)</u>
Transfer from surplus on revaluation of fixed assets		
Prior years	-	183,313
Current year - net of tax	73,096	54,960
	<u>73,096</u>	<u>238,273</u>
Profit / (accumulated loss) before appropriations	1,911,614	(466,582)
<b>APPROPRIATIONS</b>		
Transfer to:		
Statutory reserve	(527,124)	(330,518)
Capital reserve	-	-
Revenue reserve	-	-
Proposed cash dividend Rs. 2.25 per share (2002 Rs. Nil per share)	(1,165,500)	-
	<u>(1,692,624)</u>	<u>(330,518)</u>
Unappropriated profit / (accumulated loss) carried forward	<u>218,990</u>	<u>(797,100)</u>
		(Rupees)
<b>Basic earnings per share</b>	<u>5.09</u>	<u>0.60</u>
<b>Diluted earnings per share</b>	<u>5.09</u>	<u>0.60</u>

Amar Zafar Khan  
President and  
Chief Executive Officer


Ahmad Waqar  
Director


Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman

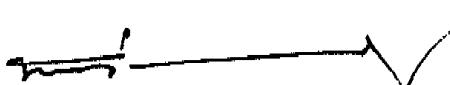
Nahayan Mabarak Al Nahayan  
Chairman


**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2003**

	2003	2002
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	4,326,716	2,731,308
Less: Dividend income	(80,315)	(64,955)
	<u>4,246,401</u>	<u>2,666,353</u>
Adjustments for non-cash charges		
Depreciation	354,082	230,873
Amortisation	261,769	117,508
Provision for retirement benefits	754,360	339,858
Provision against non-performing advances	444,871	851,958
Provision / (reversals) for diminution in the value of investments	104,285	(160,289)
Provision / (reversals) against off balance sheet items	492,000	(34,955)
Gain on sale of fixed assets	(12,882)	(3,360)
Finance charges on leased assets	10,320	16,592
Advances written-off	107,530	47,904
(Reversals) / provision against other assets	(11,363)	16,071
	<u>2,504,972</u>	<u>1,422,160</u>
	6,751,373	4,088,513
(Increase) / decrease in operating assets		
Lendings to financial institutions	(15,423,234)	742,449
Net investments in held for trading securities	(8,499,788)	-
Advances – net	(27,820,078)	3,475,386
Others assets (excluding advance taxation)	386,427	535,048
	<u>(51,356,673)</u>	<u>4,752,883</u>
Increase / (decrease) in operating liabilities		
Bills payable	1,142,929	292,389
Borrowings from financial institutions	2,363,026	(7,557,002)
Deposits	26,808,007	19,953,565
Other liabilities	(1,577,737)	1,321,097
	<u>28,736,225</u>	<u>14,010,049</u>
	(15,869,075)	22,851,445
Payment of staff retirement benefits	(55,250)	(228,131)
Income tax paid	(384,579)	(561,296)
Net cash flow from operating activities	<u>(16,308,904)</u>	<u>22,062,018</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	22,388,879	(19,314,610)
Net investments in held to maturity securities	(2,274,888)	(10,911,782)
Investments in subsidiary companies and associated undertakings	(282,272)	(426,357)
Dividend received	77,756	82,181
Investments in operating fixed assets	(450,056)	(177,352)
Sale proceeds of property and equipment disposed-off	19,063	6,926
Net cash flow from investing activities	<u>19,478,482</u>	<u>(30,740,994)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of sub-ordinated loan	-	(1,539,800)
Issue of share capital	-	7,900,000
Payment of lease obligations	(51,873)	(55,494)
Net cash flow from financing activities	<u>(51,873)</u>	<u>6,304,706</u>
Exchange differences on translation of net investment in foreign branches, subsidiaries and associates	(92,159)	(39,115)
Effects of exchange rate changes on cash and cash equivalents	97,339	42,401
Increase / (decrease) in cash and cash equivalents during the year	<u>3,122,885</u>	<u>(2,370,984)</u>
Cash and cash equivalents at beginning of the year	25,538,010	28,006,333
Cash and cash equivalents at end of the year	<u>28,660,895</u>	<u>25,635,349</u>

  
Amar Zafar Khan  
President and  
Chief Executive Officer


  
Ahmad Waqar  
Director

  
Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman

  
Nahayan Mabarak Al Nahayan  
Chairman

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2003**

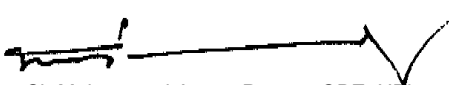
	Share Capital	Statutory Reserve	Exchange Reserve	(Accumulated Loss) / Unappropriated Profit	Total
	(Rupees in '000)				
Balance as at December 31, 2001	22,481,680	2,347,830	1,604,119	(27,320,851)	(887,222)
Profit after taxation for the year ended December 31, 2002	-	-	-	1,414,316	1,414,316
Issue of right shares	7,900,000	-	-	-	7,900,000
Transfer from surplus on revaluation of fixed assets to accumulated loss	-	-	-	238,273	238,273
Reduction in share capital	(25,201,680)	-	-	25,201,680	-
Exchange differences on translation of net investment in foreign branches, subsidiaries and associates	-	-	(39,115)	-	(39,115)
Transfer to statutory reserve	-	330,518	-	(330,518)	-
Balance as at December 31, 2002	5,180,000	2,678,348	1,565,004	(797,100)	8,626,252
Profit after taxation for the year ended December 31, 2003	-	-	-	2,635,618	2,635,618
Transfer from surplus on revaluation of fixed assets to unappropriated profit – net of tax	-	-	-	73,096	73,096
Exchange differences on translation of net investment in foreign branches, subsidiaries and associates	-	-	(92,159)	-	(92,159)
Transfer to statutory reserve	-	527,124	-	(527,124)	-
Proposed cash dividend	-	-	-	(1,165,500)	(1,165,500)
Balance as at December 31, 2003	5,180,000	3,205,472	1,472,845	218,990	10,077,307




Amar Zafar Khan  
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Chief Executive Officer



Ahmad Waqar  
Director



Sir Mohammed Anwar Pervez, OBE, HPk  
Deputy Chairman



Nahayan Mabarak Al Nahayan  
Chairman

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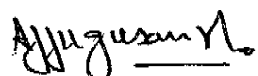
**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of United Bank Limited (the Bank) to comply with Prudential Regulation No. XXIX, Responsibilities of Board of Directors, vide BSD Circular No. 15, dated June 13, 2002.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provision of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.



**A. F. FERGUSON & Co.  
Chartered Accountants**



**FORD RHODES SIDAT HYDER & Co.  
Chartered Accountants**

Karachi


Dated: February 15, 2004




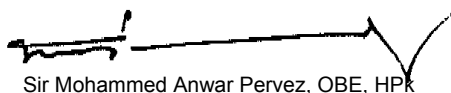
**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2003**


	2003 (US Dollars in '000)	2002 (US Dollars in '000)
<b>ASSETS</b>		
Cash and balances with treasury banks	302,023	273,844
Balances with other banks	318,064	326,681
Lendings to financial institutions	331,912	63,201
Investments	951,051	1,173,669
Advances		
Performing	1,735,360	1,197,723
Non-performing	63,975	100,001
Other assets	56,571	64,483
Operating fixed assets	67,686	49,332
Taxation recoverable	4,570	5,487
Deferred tax asset – net	95,586	87,573
	3,926,798	3,341,994
<b>LIABILITIES</b>		
Bills payable	52,115	32,180
Borrowings from financial institutions	165,917	141,752
Deposits and other accounts	3,307,347	2,835,094
Sub-ordinated loans		
Liabilities against assets subject to finance lease	697	1,421
Other liabilities	102,684	99,904
Deferred liabilities	26,744	15,017
	3,655,504	3,125,368
<b>NET ASSETS</b>	<b>271,294</b>	<b>216,626</b>
<b>REPRESENTED BY:</b>		
Share capital	90,248	90,248
Reserves	82,105	74,202
Unappropriated profit / (accumulated loss)	7,917	(12,586)
	180,270	151,864
Minority interest	24,617	22,156
Surplus on revaluation of assets	66,407	42,606
	<b>271,294</b>	<b>216,626</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		

These have been converted at Rs 57.3972 per US Dollar from the audited financial statements.

  
Amar Zafar Khan  
President and  
Chief Executive Officer

  
Ahmad Waqar  
Director

  
Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman


  
Nafāyan Mabarak Al Nahayan  
Chairman


**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2003**

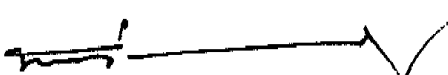
	2003 (US Dollars in '000)	2002
Mark-up / return / interest earned	161,497	198,361
Mark-up / return / interest expensed	33,646	95,398
Net mark-up / interest income	<u>127,851</u>	<u>102,963</u>
Provision against non-performing loans and advances – net	7,825	14,961
Provision / (reversal) for diminution in the value of investments - net	1,794	(2,793)
Bad debts written off directly	225	835
	<u>9,844</u>	<u>13,003</u>
Net mark-up / return / interest income after provisions	118,007	89,960
<b>NON MARK-UP / INTEREST INCOME</b>		
Fee, commission and brokerage income	29,109	26,843
Dividend income / gain on sale of investments	35,877	7,458
Income from dealing in foreign currencies	8,213	18,923
Other income	12,959	8,153
Total non mark-up / return / interest income	<u>86,158</u>	<u>61,377</u>
	204,165	151,337
<b>NON MARK-UP / INTEREST EXPENSES</b>		
Administrative expenses	115,672	102,427
Other provisions / write offs	9,614	477
Other charges	96	422
Total non mark-up / interest expenses	<u>125,382</u>	<u>103,326</u>
Extraordinary items	-	448
<b>PROFIT BEFORE TAXATION</b>	<b>78,783</b>	<b>48,459</b>
Taxation - Current - for the year	3,480	3,444
- for prior years	3,996	326
- Deferred	22,213	19,207
	<u>29,689</u>	<u>22,977</u>
<b>PROFIT AFTER TAXATION</b>	<b>49,094</b>	<b>25,482</b>
Share of minority interest	376	185
	<u>48,718</u>	<u>25,297</u>
Accumulated loss brought forward	(12,586)	(475,331)
Accumulated loss adjusted against share capital	-	439,075
	<u>36,132</u>	<u>(10,959)</u>
Transfer from surplus on revaluation of fixed assets		
Prior years	-	3,194
Current year - net of tax	1,274	958
	<u>1,274</u>	<u>4,152</u>
Profit / (accumulated loss) before appropriations	37,406	(6,807)
<b>APPROPRIATIONS</b>		
Transfer to:		
Statutory reserve	(9,183)	(5,779)
Capital reserve	-	-
Revenue reserve	-	-
Proposed cash dividend	(20,306)	-
	<u>(29,489)</u>	<u>(5,779)</u>
Unappropriated profit / (accumulated loss) carried forward	<u>7,917</u>	<u>(12,586)</u>
	<b>0.09</b>	<b>0.01</b>
<b>Basic earnings per share</b>		
<b>Diluted earnings per share</b>	<b>0.09</b>	<b>0.01</b>

(US Dollars)

These have been converted at Rs 57.3972 per US Dollar from the audited financial statements

  
Amar Zafar Khan  
President and  
Chief Executive Officer

  
Ahmad Waqar  
Director

  
Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman

  
Nahayan Mabarak Al Nahayan  
Chairman



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**Auditors' Report to the Members**

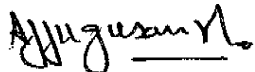
We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of United Bank Limited and its subsidiary companies (the Group) as at December 31, 2003 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes and annexures forming part thereof, for the year then ended. We have also expressed a separate opinion on the financial statements of United Bank Limited while the financial statements of subsidiary companies United National Bank Limited, United Bank AG (Zurich), United Executors and Trustees Company Limited, United Asset Management Company Limited and United Bank Financial Services (Private) Limited were audited by other firms of auditors or by one of the joint auditors of the Bank whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures, as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of United Bank Limited and its subsidiary companies as at December 31, 2003 and the results of their operations, for the year then ended.

The consolidated financial statements of the Group for the year ended December 31, 2002 were audited by Ford Rhodes Sidat Hyder & Co, Chartered Accountants and Ebrahim & Co, Chartered Accountants who had expressed an unqualified opinion thereon.



**A.F. FERGUSON & CO  
Chartered Accountants**



**FORD RHODES SIDAT HYDER & CO  
Chartered Accountants**

Karachi

Dated: February 15, 2004

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2003**

	Note	2003 (Rupees in '000)	2002 (Rupees in '000)
<b>ASSETS</b>			
Cash and balances with treasury banks	6	17,335,294	15,717,858
Balances with other banks	7	18,255,986	18,750,563
Lendings to financial institutions	8	19,050,791	3,627,557
Investments	9	54,587,665	67,365,288
Advances			
Performing	10	99,604,787	68,745,932
Non-performing	10	3,671,991	5,739,798
Other assets	11	3,247,034	3,701,130
Operating fixed assets	12	3,884,990	2,831,534
Taxation recoverable	13	262,317	314,915
Deferred tax asset – net	13	5,486,357	5,026,457
		<u>225,387,212</u>	<u>191,821,032</u>
<b>LIABILITIES</b>			
Bills payable	15	2,991,269	1,847,025
Borrowings from financial institutions	16	9,523,194	8,136,142
Deposits and other accounts	17	189,832,444	162,726,468
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease	18	39,995	81,548
Other liabilities	19	5,893,748	5,734,189
Deferred liabilities	20	1,535,059	861,935
		<u>209,815,709</u>	<u>179,387,307</u>
<b>NET ASSETS</b>		<b><u>15,571,503</u></b>	<b><u>12,433,725</u></b>
<b>REPRESENTED BY:</b>			
Share capital	21	5,180,000	5,180,000
Reserves		4,712,569	4,258,947
Unappropriated profit / (accumulated loss)		454,403	(722,387)
		<u>10,346,972</u>	<u>8,716,560</u>
Minority interest		1,412,932	1,271,700
Surplus on revaluation of assets	22	3,811,599	2,445,465
		<b><u>15,571,503</u></b>	<b><u>12,433,725</u></b>
<b>CONTINGENCIES AND COMMITMENTS</b>	23		

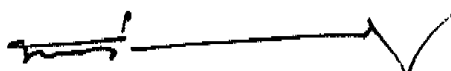
The annexed notes 1 - 48 and annexures form an integral part of these financial statements.



Amar Zafar Khan  
President and  
Chief Executive Officer



Ahmad Waqar  
Director



Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman



Nahayan Mabarak Al Nahayan  
Chairman

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	2003	2002
		(Rupees in '000)	
Mark-up / return / interest earned	24	9,269,494	11,385,341
Mark-up / return / interest expensed	25	1,931,179	5,475,559
Net mark-up / interest income		7,338,315	5,909,782
Provision against non-performing loans and advances – net	10.3	449,114	858,708
Provision / (reversal) for diminution in the value of investments - net	9.3	102,945	(160,289)
Bad debts written off directly	10.4	12,897	47,904
		564,956	746,323
Net mark-up / return / interest income after provisions		6,773,359	5,163,459
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		1,670,765	1,540,725
Dividend income / gain on sale of investments	26	2,059,232	428,083
Income from dealing in foreign currencies		471,377	1,086,152
Other income	27	743,830	467,924
Total non mark-up / return / interest income		4,945,204	3,522,884
		11,718,563	8,686,343
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	28	6,639,239	5,879,027
Other provisions / write offs	29	551,840	27,353
Other charges	30	5,501	24,252
Total non mark-up / interest expenses		7,196,580	5,930,632
Extraordinary items		-	25,738
<b>PROFIT BEFORE TAXATION</b>		<b>4,521,983</b>	<b>2,781,449</b>
Taxation - Current - for the year	31	199,735	197,675
- for prior years	31	229,384	18,701
- Deferred	31	1,274,978	1,102,420
		1,704,097	1,318,796
<b>PROFIT AFTER TAXATION</b>		<b>2,817,886</b>	<b>1,462,653</b>
Share of minority interest		21,568	10,612
		2,796,318	1,452,041
Accumulated loss brought forward		(722,387)	(27,282,709)
Accumulated loss adjusted against share capital		-	25,201,680
		2,073,931	(628,988)
Transfer from surplus on revaluation of fixed assets			
Prior years		-	183,313
Current year - net of tax		73,096	54,960
		73,096	238,273
Profit / (accumulated loss) before appropriations		2,147,027	(390,715)
<b>APPROPRIATIONS</b>			
Transfer to:			
Statutory reserve		(527,124)	(331,672)
Capital reserve		-	-
Revenue reserve		-	-
Proposed cash dividend Rs. 2.25 per share (2002 Rs. Nil per share)		(1,165,500)	-
		(1,692,624)	(331,672)
Unappropriated profit / (accumulated loss) carried forward		454,403	(722,387)
			(Rupees)
<b>Basic earnings per share</b>	32	<b>5.44</b>	<b>0.62</b>
<b>Diluted earnings per share</b>	32	<b>5.44</b>	<b>0.62</b>

The annexed notes 1 - 48 and annexures form an integral part of these financial statements.

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Nahayan Mabarak Al Nahayan  
Chairman

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	2003 (Rupees in '000)	2002
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		4,521,983	2,781,449
Less: Dividend income		(82,233)	(65,901)
		<u>4,439,750</u>	<u>2,715,548</u>
Adjustments for non-cash charges			
Depreciation		378,278	255,086
Amortisation		261,769	117,597
Provision for retirement benefits		754,360	358,873
Provision against non-performing advances		449,114	858,708
Provision / (reversal) for diminution in the value of investments		102,945	(160,289)
Provision / (reversal) against off balance sheet items		492,000	(34,955)
Gain on sale of fixed assets		(12,882)	(3,360)
Finance charges on leased assets		10,320	16,592
Advances written-off		98,025	47,904
(Reversal) / provision against other assets		(11,363)	16,071
		<u>2,522,566</u>	<u>1,472,227</u>
		6,962,316	4,187,775
(Increase) / decrease in operating assets			
Lendings to financial institutions		(15,423,234)	742,449
Net investments in held for trading securities		(8,499,788)	-
Advances – net		(29,253,058)	3,079,082
Others assets (excluding advance taxation)		206,249	532,245
		<u>(52,969,831)</u>	<u>4,353,776</u>
Increase / (decrease) in operating liabilities			
Bills payable		1,144,244	306,433
Borrowings from financial institutions		1,387,052	(4,739,209)
Deposits		27,105,976	18,061,418
Other liabilities		(1,580,941)	1,281,679
		<u>28,056,331</u>	<u>14,910,321</u>
		(17,951,184)	23,451,872
Payment of staff retirement benefits		(55,250)	(247,900)
Income tax paid		(376,521)	(563,384)
Net cash flow from operating activities		<u>(18,382,955)</u>	<u>22,640,588</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities		22,388,909	(19,314,609)
Net investments in held to maturity securities		(2,401,509)	(10,955,382)
Investments in subsidiary companies and associated undertakings		(99,754)	(249,565)
Dividend received		79,672	83,127
Investments in operating fixed assets		(476,131)	(198,104)
Sale proceeds of property and equipment disposed-off		20,338	6,926
Net cash flow from investing activities		<u>19,511,525</u>	<u>(30,627,607)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Payment of sub-ordinated loan		-	(1,539,800)
Issue of share capital		-	7,900,000
Payment of lease obligations		(51,873)	(55,494)
Net cash flow from financing activities		<u>(51,873)</u>	<u>6,304,706</u>
Exchange adjustment on translation of net assets attributable to minority shareholders		119,664	92,823
Exchange adjustment on translation of balances in foreign branches, subsidiaries and associates.		(73,502)	(33,178)
Effects of exchange rate changes on cash and cash equivalents		103,707	44,067
Increase / (decrease) in cash and cash equivalents during the year		<u>1,226,566</u>	<u>(1,578,601)</u>
Cash and cash equivalents at beginning of the year		34,364,714	36,047,022
Cash and cash equivalents at end of the year	33	<u>35,591,280</u>	<u>34,468,421</u>

The annexed notes 1- 48 and annexures form an integral part of these financial statements.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2003**


	Share capital	General reserve	Statutory reserve	Exchange reserve	(Accumulated loss) / Unappropriated profit	Total
(Rupees in '000)						
Balance as at December 31, 2001	22,481,680	3,000	2,353,334	1,604,119	(27,282,709)	(840,576)
Profit for the year attributable to shareholders	-	-	-	-	1,452,041	1,452,041
Issue of right shares	7,900,000	-	-	-	-	7,900,000
Transfer from surplus on revaluation of fixed assets to accumulated loss	-	-	-	-	238,273	238,273
Reduction in share capital	(25,201,680)	-	-	-	25,201,680	-
Exchange differences on translation of net investment in foreign branches, subsidiaries and associates	-	-	-	(33,178)	-	(33,178)
Transfer to statutory reserve	-	-	331,672	-	(331,672)	-
Balance as at December 31, 2002	5,180,000	3,000	2,685,006	1,570,941	(722,387)	8,716,560
Profit for the year attributable to shareholders	-	-	-	-	2,796,318	2,796,318
Transfer from surplus on revaluation of fixed assets to unappropriated profit – net of tax	-	-	-	-	73,096	73,096
Exchange differences on translation of net investment in foreign branches, subsidiaries and associates	-	-	-	(73,502)	-	(73,502)
Transfer to statutory reserve	-	-	527,124	-	(527,124)	-
Proposed cash dividend	-	-	-	-	(1,165,500)	(1,165,500)
Balance as at December 31, 2003	5,180,000	3,000	3,212,130	1,497,439	454,403	10,346,972

The annexed notes 1 - 48 and annexures form an integral part of these financial statements.

  
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Deputy Chairman

  
Nahayan Mabarak Al Nahayan  
Chairman

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

**1. THE GROUP AND ITS OPERATIONS**

**1.1** The Group consists of:

Holding Company

- United Bank Limited, Pakistan (the Bank)

Subsidiary Companies

- United National Bank Limited (UNB), United Kingdom
- United Bank AG (Zurich), Switzerland
- United Executors and Trustees Company Limited, Pakistan
- United Bank Financial Services (Private) Limited, Pakistan
- United Asset Management Company Limited, Pakistan

The Group is engaged in commercial banking, modaraba management, asset management and trusteeship services.

**1.2** The minority interest represents National Bank of Pakistan's 45% share in the net asset value of United National Bank Limited (UNBL).

**2. BASIS OF PRESENTATION**

The consolidated financial statements include the financial statements of United Bank Limited and its subsidiary companies. The financial statements of the subsidiary companies have been consolidated on a line-by-line basis.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

Material intra-group balances and transactions have been eliminated.

**3. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

The State Bank of Pakistan as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking Companies till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. However, investments have been classified in accordance with the requirements of the format prescribed by the State Bank of Pakistan's BSD Circular No. 36 dated October 10, 2001.

During the year the State Bank of Pakistan has issued revised Prudential Regulations covering the areas of Corporate / Commercial Banking. Among other things the revised regulations have amended the existing requirements relating to classification and provisioning of assets and exposure of the banks against shares / term finance certificates and acquisition of shares. These regulations shall become effective with effect from January 1, 2004. The aggregate financial effect of the revised Prudential Regulations on the financial statements cannot be worked out currently.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

**4. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amount, certain investments are stated at market value, assets and liabilities of the foreign branches and subsidiary companies are translated at year-end rates of exchange, and certain staff retirement benefits are carried at present value.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**5.1 Cash and cash equivalents**

Cash and cash equivalents represent cash and balances with treasury banks and balances with other banks in current and deposit accounts.

**5.2 Lendings to / borrowings from financial institutions**

The Group enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

(a) Sale under repurchase obligations

Securities sold subject to a re-purchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued on pro-rata basis and recorded as an expense.

(b) Purchase under resale obligations

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions or loans and advances as appropriate. The differential between the contracted price and resale price is amortised over the period of the contract and recorded as income.

**5.3 Investments**

The Group classifies its investments as follows:

(a) Held for trading

These are securities, which are either acquired for generating a profit from short-term fluctuation in prices or dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

(b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity.

(c) Available for sale

These are investments that do not fall under the held for trading or held to maturity categories.

In accordance with the requirements of State Bank of Pakistan, quoted securities are stated at market values and surplus/deficit arising thereon is kept in a separate account shown in the balance sheet below equity. The surplus/deficit arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Unquoted equity securities are valued at cost less impairment, which is recognized if evidence exists that the same has occurred. Impairment is recognized with reference to the break-up value of the net assets of the investee company as per the latest available audited financial statements. Subsequent increases or decreases in the carrying value are credited/charged to income.

The bank holds 25% shares in Oman United Exchange Company LLC (associated company). This investment is carried at cost less impairment losses, if any, and has not been accounted for using the equity method, as the Group does not exercise significant influence on the company.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

Provision for diminution in the values of securities (except debentures, participation term certificates and term finance certificates) is recognized if evidence exists that the same has occurred. Provisions in diminution in value of debentures, participation term certificates and term finance certificates are made as per the Prudential Regulations issued by the State Bank of Pakistan.

Profit and loss on sale of investments is included in income currently.

**5.4 Advances**

Advances are stated net of provisions against non-performing advances.

Provisions for non-performing advances relating to Pakistan operations are made in accordance with the requirements of Prudential Regulations issued by the State Bank of Pakistan and charged to the profit and loss account.

General and specific provisions pertaining to overseas advances are made on the basis of management's best estimate of doubtful advances and to meet the requirements of the concerned monetary agencies and regulatory authorities.

**5.5 Operating fixed assets and depreciation**

**Owned**

Property and equipment are stated at cost or revalued amount less accumulated depreciation and impairment loss (if any). Capital work-in-progress is stated at cost. Cost of fixed assets of foreign branches and subsidiaries includes exchange difference arising on translation at year-end rates.

Depreciation is calculated so as to write off the assets over their expected economic lives at varying rates and methods depending on the nature of the asset and the country of its location. No depreciation is charged on freehold land.

Depreciation on additions is charged from the month in which the asset is put to use and on disposals upto the month of disposal.

During the current year the management has decided to amortise the leasehold land of the bank over the remaining lease term. Previously, no depreciation was being charged on leasehold land as the management felt that the respective long – term leases were easily renewable on nominal charges and hence had an unlimited life and insignificant charge on the profit and loss account of the respective years. The change has been made as in the opinion of the management the new policy would result in a more appropriate presentation of the carrying value of leasehold land in the financial statements. Had the accounting policy not been changed the profit before taxation for the year ended December 31, 2003 would have been higher by Rs. 53.828 million.

During the year the management has also carried out a review of the estimated useful life of the Bank's buildings, furniture, fixtures and electrical / office appliances and has decided to revise the estimated useful life of these asset categories as follows:

Asset Category	Revised estimated useful life to the Bank
- Buildings	20 years
- Furniture and fixtures	10 years
- Electrical and office appliances	4 to 5 years
	Depending upon the nature of the asset

In addition, the management has also decided to revise the depreciation method used to allocate the depreciable amount of the afore-mentioned asset categories from diminishing balance method to straight-line method. The management believes that the depreciation charge computed on straight-line method reflects a more systematic allocation of the depreciable amount of these assets over their useful life. Had there been no change in the estimated useful life of the afore-mentioned assets and no change in the depreciation method, the profit before taxation for the year would have been higher by Rs 58.01 million.

Land and buildings of the Bank are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus arising on revaluation is credited to surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in



**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred by the Bank to unappropriated profit. Gains and losses on sale of fixed assets are included in income currently, except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Normal repairs and maintenance are charged to the profit and loss account as and when incurred. However, major repairs and renewals are capitalized.

**Leased**

Assets held under finance leases are stated at cost less accumulated depreciation. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods.

The finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets, which are owned by the Group.

**5.6 Taxation**
**Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned from local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax is calculated using prevailing tax rates or tax rates expected to apply to the profits for the year or minimum tax at the rate of 0.5% of turnover whichever is higher. The charge for the current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments framed during the year for such years.

**Deferred**

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the Group also records deferred tax asset on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is possible that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of fixed assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of revised International Accounting Standard (IAS) 12 dealing with Income Taxes.

**5.7 Revenue Recognition**
**Advances and investments**

Mark-up/return on regular loans/advances and investments is recognized on accrual basis. Where debt securities are purchased at premium or discount, the same are amortized through the profit and loss account, evenly, over the remaining period of maturity.

Interest or markup recoverable on classified loans and advances and investments is recognized on receipt basis. Interest/return/markup on rescheduled/restructured loans and advances and investments is recognized as permitted by the regulations of the State Bank of Pakistan or overseas regulatory authorities of countries where the branches and subsidiary companies operate except, where in the opinion of the management, it would not be prudent to do so.

Dividend income is recognized when the right to receive the dividend is established.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**
**Letters of credit / guarantee and others**

Fees, brokerage and commission on letters of credit/guarantee and others is recognized on accrual basis.

**5.8 Staff retirement and other benefits**
**5.8.1 Staff retirement benefit schemes**
**United Bank Limited**

- a) The Bank operates the following staff retirement schemes for its employees
  - approved funded pension scheme, introduced in 1986 (defined benefit scheme); and
  - approved non-contributory provident fund in lieu of the contributory provident fund.
- b) For new employees and for those who opted for the new scheme introduced in 1991, the Bank operates
  - approved contributory provident fund (defined contribution scheme); and
  - approved gratuity scheme (defined benefit scheme).

In the year 2001, the Bank modified the pension scheme and introduced a conversion option for employees covered under scheme (a) above to scheme (b). This option ceased on December 31, 2003.

The Bank also operates a contributory benevolent fund for all its employees (defined benefit scheme).

Annual contributions towards the defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

**United National Bank Limited - (UNBL)**

UNBL operates a pension scheme (defined benefit scheme) for certain staff. This scheme is closed for new members. The assets of the scheme are held separately from those of UNBL in independently administered funds. Pension costs are assessed in accordance with the advice of the independent qualified actuary to recognise the cost of pensions on a systematic basis over employees' service lives.

For defined contribution schemes the amount charged to the profit and loss account is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**5.8.2 Other benefits**

- a) Employees' compensated absences (defined benefit scheme)

The Bank provides for compensated vested and non-vested absences accumulated by its employees on the basis of actuarial advice under the Projected Unit Credit Method.

- b) Post retirement medical benefits (defined benefit scheme)

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefit on the basis of actuarial advice.

**5.9 Foreign Currencies**

- a) Foreign currency transactions

Transactions in foreign currencies are translated to rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date. Forward foreign exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

b) Foreign entities

The assets and liabilities of foreign entities are translated to rupees at exchange rates prevailing at the balance sheet date. The results of foreign entities are translated at the average rate of exchange for the year.

c) Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of net investment in foreign branches, subsidiaries and associates, which are taken to capital reserve (Exchange Translation Reserve).

d) Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date.

**5.10 Off setting**

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the bank intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	2003 (Rupees in '000)	2002
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		2,939,239	3,481,722
Foreign currency		662,297	699,834
With State Bank of Pakistan in			
Local currency current account		7,938,429	5,640,780
Local currency deposit account		3,864	3,864
Foreign currency deposit account		1,221,734	1,146,370
With other central banks in foreign currency current account		3,178,702	3,611,825
With National Bank of Pakistan in local currency account		1,357,486	1,057,660
National Prize Bonds		33,543	75,803
		17,335,294	15,717,858

**6.1** Deposits with State Bank of Pakistan are maintained to comply with the statutory requirements issued from time to time. Deposits with other central banks are maintained to meet the minimum cash reserves and capital requirements pertaining to the foreign branches and subsidiaries of the Group.

	Note	2003 (Rupees in '000)	2002
<b>7. BALANCES WITH OTHER BANKS</b>			
Outside Pakistan			
In current accounts		296,862	2,275,915
In deposit accounts		17,959,124	16,474,648
		18,255,986	18,750,563

**8. LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lending		840,000	250,000
Repurchase agreement lending	8.1	18,210,791	3,377,557
		19,050,791	3,627,557

	2003		
	Held by Bank	Further given as collateral	Total
(Rupees in '000)			
Market Treasury Bills	15,214,791	-	15,214,791
Pakistan Investment Bonds	2,996,000	-	2,996,000
	18,210,791	-	18,210,791
	2002		
	Held by Bank	Further given as collateral	Total
(Rupees in '000)			
Market Treasury Bills	2,312,557	-	2,312,557
Pakistan Investment Bonds	1,065,000	-	1,065,000
	3,377,557	-	3,377,557

**8.2** These lendings carry mark-up at rates ranging from 0.8% to 6.7% (2002: 3.5% to 7.5%) per annum.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

Note	2003			2002		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as collateral	Total

(Rupees in '000)

**9. INVESTMENTS**
**9.1 Investments by types**
**Held for trading**

Market Treasury Bills	5,225,000	-	5,225,000	-	-	-
Ordinary shares of listed companies	685,250	-	685,250	-	-	-
Pakistan Investment Bonds	2,589,538	-	2,589,538	-	-	-
	8,499,788	-	8,499,788	-	-	-

**Available for sale**

Market Treasury Bills	12,539,307	2,669,522	15,208,829	32,248,362	850,000	33,098,362
Pakistan Investment Bonds	7,240,336	-	7,240,336	11,742,552	-	11,742,552
Federal Investment Bonds	318,608	-	318,608	588,835	-	588,835
Ordinary shares of listed companies	600,105	-	600,105	404,048	-	404,048
Ordinary shares of unlisted companies	303,618	-	303,618	305,098	-	305,098
Commercial paper	78,490	-	78,490	-	-	-
	21,080,464	2,669,522	23,749,986	45,288,895	850,000	46,138,895

**Held to maturity**

Provincial Government Securities	36,271	-	36,271	172,518	-	172,518
Government of Pakistan - US Dollar / Euro bonds	1,349,094	-	1,349,094	1,826,613	-	1,826,613
Foreign currency bonds	2,280,646	-	2,280,646	2,649,834	-	2,649,834
CIRC bonds	4,054,883	-	4,054,883	4,054,883	-	4,054,883
Foreign securities	1,235,833	-	1,235,833	1,191,337	-	1,191,337
CDC SAARC Fund	279,245	-	279,245	291,763	-	291,763
Term Finance Certificates	6,450,561	-	6,450,561	3,062,589	-	3,062,589
Debentures	196,667	-	196,667	199,407	-	199,407
Government of Pakistan - Guaranteed bonds	5,249,173	-	5,249,173	5,288,759	-	5,288,759
Participation Term Certificates	94,687	-	94,687	116,961	-	116,961
Deposit certificates	-	-	-	5,000	-	5,000
	21,227,060	-	21,227,060	18,859,664	-	18,859,664

**Associates**

Oman United Exchange Company, Muscat	14,909	-	14,909	15,155	-	15,155
United Money Market Fund	350,000	-	350,000	250,000	-	250,000
	364,909	-	364,909	265,155	-	265,155

**Provision for diminution in the value of investments**
**Surplus on revaluation of securities**
**Investments (net of provisions)**

	51,172,221	2,669,522	53,841,743	64,413,714	850,000	65,263,714
9.3	(640,229)	-	(640,229)	(571,396)	-	(571,396)
22.2	1,386,151	-	1,386,151	2,672,970	-	2,672,970
	<u>51,918,143</u>	<u>2,669,522</u>	<u>54,587,665</u>	<u>66,515,288</u>	<u>850,000</u>	<u>67,365,288</u>

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	2003 (Rupees in '000)	2002
<b>9.2 Investments by segments</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills		20,342,718	32,827,457
Pakistan Investment Bonds		9,829,874	11,742,552
Federal Investment Bonds		318,608	588,835
Government of Pakistan - US Dollar / Euro bonds		1,349,094	1,826,613
Foreign currency bonds		2,280,646	2,649,834
		34,120,940	49,635,291
<b>Provincial Government Securities</b>		36,271	172,518
<b>Overseas Governments' Securities</b>			
Market Treasury Bills		91,111	270,905
Foreign securities		1,059,270	934,270
		1,150,381	1,205,175
<b>Other Overseas Securities</b>			
CDC SAARC fund		279,245	291,763
Foreign securities		176,563	257,067
		455,808	548,830
<b>Fully Paid-up Ordinary Shares</b>			
Listed companies		1,285,355	404,048
Unlisted companies		303,618	305,098
		1,588,973	709,146
<b>Term Finance Certificates, Debentures, Bonds and Participation Term Certificates</b>			
Term Finance Certificates			
Listed		1,373,653	485,244
Unlisted		5,076,908	2,577,345
		6,450,561	3,062,589
Debentures		196,667	199,407
Participation Term Certificates		94,687	116,961
Commercial paper		78,490	-
Bonds		9,304,056	9,348,642
		16,124,461	12,727,599
<b>Investments in associates</b>		364,909	265,155
		53,841,743	65,263,714
Provision for diminution in the value of investments		(640,229)	(571,396)
Surplus on revaluation of investments		1,386,151	2,672,970
<b>Investments (net of provisions)</b>		<u>54,587,665</u>	<u>67,365,288</u>
<b>9.3 Particulars of provision for diminution in value of investments</b>			
Opening balance		571,396	838,887
Exchange adjustment		-	(2,650)
Charged during the year		182,269	110,000
Reversed during the year		(79,324)	(270,289)
Transfers		(12,456)	1,371
Written off during the year		(21,656)	(105,923)
Closing balance		<u>640,229</u>	<u>571,396</u>
<b>9.4</b>	Investments include Rs 782 million (2002: Rs 782 million) held by the State Bank of Pakistan and National Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank.		
<b>9.5</b>	Information relating to investments in shares of listed and unlisted companies, redeemable capital, debentures and bonds, required to be disclosed as part of the financial statements under State Bank of Pakistan's BSD Circular No. 36 dated October 10, 2001, is given in Annexure 'A'.		

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	Performing		Non-performing	
		2003	2002	2003	2002
		(Rupees in '000)			
<b>10. ADVANCES</b>					
<b>Loans, cash credits, running finances, etc.</b>					
In Pakistan		78,979,762	50,873,600	10,354,782	11,800,415
Outside Pakistan		13,132,322	12,278,865	6,671,374	7,378,276
		<u>92,112,084</u>	<u>63,152,465</u>	<u>17,026,156</u>	<u>19,178,691</u>
<b>Bills discounted and purchased (excluding government treasury bills)</b>					
Payable in Pakistan		2,247,692	1,364,736	252,687	286,582
Payable outside Pakistan		4,636,929	4,228,731	2,058,603	2,090,804
		<u>6,884,621</u>	<u>5,593,467</u>	<u>2,311,290</u>	<u>2,377,386</u>
		<u>98,996,705</u>	<u>68,745,932</u>	<u>19,337,446</u>	<u>21,556,077</u>
<b>Financing in respect of carry over transactions</b>		608,082	-	-	-
Provision against non-performing advances	10.3	-	-	(15,665,455)	(15,816,279)
		<u>99,604,787</u>	<u>68,745,932</u>	<u>3,671,991</u>	<u>5,739,798</u>
<b>10.1 Particulars of advances</b>					
<b>10.1.1</b> In local currency		81,835,536	52,238,336	2,939,896	4,064,463
In foreign currencies		17,769,251	16,507,596	732,095	1,675,335
		<u>99,604,787</u>	<u>68,745,932</u>	<u>3,671,991</u>	<u>5,739,798</u>
<b>10.1.2</b> Short term		89,292,490	43,632,117	-	-
Long term		10,312,297	25,113,815	3,671,991	5,739,798
		<u>99,604,787</u>	<u>68,745,932</u>	<u>3,671,991</u>	<u>5,739,798</u>

**10.1.3 Non-performing advances include**

- a) Advances below Rs 1 million having Gross Book Value (GBV) of Rs.478.9 million and Net Book Value (NBV) of Rs.56.7 million, agricultural loans having GBV of Rs.210.3 million and having NIL NBV and yellow cabs loans having GBV of Rs 2,004.5 million and having Nil NBV have been outsourced for collection purely on a success fee basis.
- b) Loans/advances having GBV of Rs. 7.0 million and NBV of Rs. 7.0 million are guaranteed by the Provincial Governments, and accordingly no provision has been made against principal as per BSD circular letter No.5 dated March 29, 2001.
- c) Advances having GBV of Rs.303.2 million and NBV of Rs. 266.8 million though restructured and performing have been placed in the non-performing status as per the BPRD Circular Letter No. 2 dated January 29, 2000, which requires monitoring for atleast one year before any upgradation is considered.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

**10.2** Advances include Rs. 19,337 million which have been placed under non-performing status as detailed below:-

Category of Classification	Domestic	Overseas	Total	Specific provision Required	Specific provision Held
(Rupees in '000)					
United Bank Limited					
Other Assets Especially Mentioned	129,412	298,381	427,793	-	-
Substandard	45,509	8,679	54,188	8,050	8,050
Doubtful	101,147	272,189	373,336	164,616	164,616
Loss	11,093,685	6,967,498	18,061,183	15,132,392	15,132,392
	<u>11,369,753</u>	<u>7,546,747</u>	<u>18,916,500</u>	<u>15,305,058</u>	<u>15,305,058</u>
Subsidiary companies	-	420,946	420,946	200,980	200,980
	<u>11,369,753</u>	<u>7,967,693</u>	<u>19,337,446</u>	<u>15,506,038</u>	<u>15,506,038</u>

**10.3 Particulars of provision against non-performing advances**

	Note	2003			2002	
		Specific	General	Total	Specific	General
(Rupees in '000)						
Opening balance		15,676,687	139,592	15,816,279	17,654,712	131,935
Exchange adjustments		95,440	(12,787)	82,653	(39,026)	(7,041)
Charged during the year		547,911	110,816	658,727	1,583,814	17,325
Reversed during the year		(208,341)	(1,272)	(209,613)	(742,431)	-
Transfers		74,207	(74,207)	-	(1,965,415)	-
Written off during the year	10.4	(679,866)	(2,725)	(682,591)	(814,967)	(2,627)
Closing balance		<u>15,506,038</u>	<u>159,417</u>	<u>15,665,455</u>	<u>15,676,687</u>	<u>139,592</u>

**10.4 Particulars of write-offs**

	Note	2003	2002
(Rupees in '000)			
Against provisions	10.3	682,591	817,594
Directly charged to profit and loss account		12,897	47,904
		<u>695,488</u>	<u>865,498</u>
Write-offs of Rs. 500,000 and above	10.5	363,372	510,565
Write-offs of below Rs. 500,000		271,668	90,009
Overseas		60,448	264,924
		<u>695,488</u>	<u>865,498</u>

**10.5 Details of loan write-off of Rs. 500,000/- and above**

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2003 is given in Annexure-B to these financial statements.

**10.6 Particulars of loans and advances to executives, directors, associated companies etc.**

	Balance as at December 31, 2003	Maximum amount of advances granted during the year
(Rupees in '000)		
Debts due by directors or executives of the Bank or any of them either severally or jointly with any other persons	52,984	61,774
Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private, companies as members	2,178,102	3,983,145
Debts due by subsidiary companies, controlled firms, managed modarabas and other associated undertakings	-	-



**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	2003	2002
		(Rupees in '000)	
<b>11. OTHER ASSETS</b>			
Income / Mark-up accrued in local currency		6,628,877	7,794,625
Income / Mark-up accrued in foreign currency		4,952,181	3,156,937
		11,581,058	10,951,562
Suspense accounts		389,242	375,989
Deferred cost	11.1	-	261,386
Hajj Refund		152,878	743
Stationery and stamps on hand		54,225	89,733
Advances, deposits, advance rent and other prepayments		182,297	152,970
Receivable from staff retirement funds		491,542	220,612
Non-banking assets acquired in satisfaction of claim		-	40,839
Unrealized gain on forward foreign exchange contracts		94,794	-
Others		421,932	805,534
		13,367,968	12,899,368
Provision held against other assets	11.2	(3,299,708)	(3,927,200)
Unrealized mark-up held in suspense account		(6,821,226)	(5,271,038)
		3,247,034	3,701,130

**11.1** The golden handshake cost incurred by the United Bank Limited in respect of the Voluntary Separation Scheme was being amortised over a period of five years by the management as permitted under the accounting treatment allowed in TR-28, "Golden Handshake – Accounting For" issued by the Institute of Chartered Accountants of Pakistan (ICAP). During the current year the management has reviewed the future operational benefits associated with the unamortised portion of golden handshake cost carried in the financial statements and has decided to charge off the unamortised portion of this cost at January 1, 2003 during the year ended December 31, 2003. Had the above estimate not been changed, the profit before taxation for the period would have been higher by Rs. 130.9 million.

The movement in respect of deferred cost is given below:

	Note	2003	2002
		(Rupees in '000)	
Deferred cost brought forward		261,386	394,215
Company incorporation and pre-operating expenses		-	-
Voluntary separation scheme payments made during the year		383	208,784
Grant received from State Bank of Pakistan against VSS paid during the year		-	(224,105)
		261,769	378,894
Charged during the year	28	(261,769)	(117,508)
		-	261,386
<b>11.2 Provision held against other assets</b>			
Opening balance		3,927,200	3,960,317
Exchange adjustments		(588)	(1,301)
Charge for the year		190,956	20,121
Reversals		(202,319)	(4,050)
Transfer		107,534	-
Amounts written off		(723,075)	(47,887)
Closing balance		3,299,708	3,927,200
<b>12. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		109,993	49,666
Property and equipment	12.1	3,774,997	2,781,868
		3,884,990	2,831,534

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**
**12.1 Property and equipment**

	Cost				Depreciation				Net book value at December 31, 2003	Annual rate of depreciation	
	At January 1, 2003	Additions/ (deletions)	Revaluation adjustment/ Revaluation surplus/ (deficit)	* Other adjustments	At December 31, 2003	At January 1, 2003	Charge for the year/ (depreciation on deletion)	Reversal due to revaluation/ * Other adjustments			At December 31, 2003
(Rupees in '000)											
<b>Owned</b>											
Freehold land	51,657	-	-	-	404,384	-	-	-	-	404,384	-
		-	352,727								
Leasehold land	1,048,963	2,010	(53,828)	1,238	2,266,357	-	53,828	(53,828)	-	2,266,357	-
		-	1,267,974								
Buildings on freehold land	274,674	-	(73,189)	11,127	119,109	65,217	9,109	(73,189)	2,446	116,663	5
		-	(93,503)				-	1,309			
Buildings on leasehold land	1,389,295	28,660	(497,740)	2,583	386,771	433,074	58,569	(497,740)	4,536	382,235	5
		-	(536,027)				-	10,633			
Furniture, fixture	1,040,071	8,847	-	(458,905)	589,283	870,578	44,967	-	516,808	72,475	10
		(730)	-				(307)	(398,430)			
Electrical, office and Computer Equipment	852,290	264,035	-	5,509	1,115,079	594,947	170,807	-	733,060	382,019	20-25
		(6,755)	-				(4,159)	(28,535)			
Vehicles	175,161	112,255	-	(34,776)	227,807	169,136	18,248	-	129,501	98,306	20
		(24,833)	-				(20,396)	(37,487)			
<b>Assets held under finance lease</b>											
Vehicles	133,745	-	-	(15,719)	118,026	51,036	22,750	-	65,468	52,558	20
		-	-				-	(8,318)			
<b>2003</b>	<b>4,965,856</b>	<b>415,807</b>	<b>(624,757)</b>	<b>(488,943)</b>	<b>5,226,816</b>	<b>2,183,988</b>	<b>378,278</b>	<b>(624,757)</b>	<b>1,451,819</b>	<b>3,774,997</b>	
		<b>(32,318)</b>	<b>991,171</b>				<b>(24,862)</b>	<b>(460,828)</b>			
<b>2002</b>	<b>4,824,012</b>	<b>184,964</b>	<b>-</b>	<b>(24,946)</b>	<b>4,965,856</b>	<b>1,972,929</b>	<b>438,398</b>	<b>(211,008)</b>	<b>2,183,988</b>	<b>2,781,868</b>	
		<b>(18,174)</b>					<b>(16,331)</b>				

\* This represents write-off / reclassification of fixed assets based on an exercise of physical verification initiated by the management during the year. This exercise is expected to be completed next year.

**12.2 Revaluation of domestic properties – United Bank Limited**

United Bank Limited revalued its properties through independent professional valuers as at December 31, 2003 based on report submitted by M/s. Pirsons Chemicals Engineering (Private) Limited and M/s. Consultancy Support Services. The professional valuers have used the fair value of the properties to determine the revalued amounts. This revaluation has increased the carrying amount of properties by Rs 991.171 million.

(Rupees in '000)

Total revalued amount of freehold land	404,384
Total revalued amount of leasehold land	2,266,357
Total revalued amount of Building on leasehold land	386,711
Total revalued amount of Building on freehold land	57,956
Transfer of incremental depreciation from surplus on revaluation of fixed assets - net of tax	73,096

**12.3 Carrying amount of revalued properties had the assets of United Bank Limited not been revalued**

Freehold land	4,454
Leasehold land	30,419
Buildings on leasehold land	202,366
Buildings on freehold land	10,106

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

(Rupees in '000)

**12.4** Carrying amount of temporarily idle property.

-

**12.5** The gross carrying amount of fully depreciated assets of United Bank Limited that are still in use

Building on leasehold land	-
Furniture & fixture	144,568
Electrical office and computer equipments	382,878
Vehicles	137,165

**12.6** The carrying amount of property, plant and equipment of United Bank Limited retired from active use and held for disposal

Furniture & fixture	40
Electrical office and computer equipments	498

**12.7 Disposal of fixed assets during the year**

	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Buyers
	(Rupees in '000)					
<b>Furniture &amp; Fixture</b>						
Items having book value of less than Rs 250,000 and cost of less than Rs. 1,000,000	730	307	423	420	Retirement benefit	Various
<b>Electrical, office &amp; Computer Equipment</b>						
Items having book value of more than Rs 250,000 and cost of more than Rs 1,000,000	1,075	45	1,030	1,075	Negotiation	Siemens Pakistan Engineering
Items having book value of less than Rs 250,000 and cost of less than Rs 1,000,000	5,680	4,114	1,566	1,597	Retirement benefit	Various
	6,755	4,159	2,596	2,672		
<b>Vehicles</b>						
Toyota Corolla	595	595	-	59	Retirement benefit	M A Lateef (ex-employee)
Toyota Corolla	595	595	-	64	Negotiation	Mehboob Karim (ex-employee)
Suzuki Khyber	235	235	-	24	Negotiation	Mrs. Mubarak Salim (Widow of ex-employee)
Toyota Corolla	629	629	-	82	Negotiation	Khalid Munawaruddin (ex-employee)
Toyota Corolla	743	743	-	74	Negotiation	Sibtain Naqvi (ex-employee)
Items having book value of more than Rs 250,000 and cost of more than Rs 1,000,000						
Honda Civic	1,245	83	1,162	1,245	Negotiation	Bank of Ceylon
Toyota Corolla	1,245	104	1,141	1,301	Negotiation	Askari Commercial Bank
Items having book value of less than Rs 250,000 and cost of less than Rs 1,000,000	19,546	17,412	2,134	14,397	Auction	Various
	24,833	20,396	4,437	17,246		
<b>Total</b>	<b>32,318</b>	<b>24,862</b>	<b>7,456</b>	<b>20,338</b>		

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	2003	2002
(Rupees in '000)			
<b>13. TAXES RECOVERABLE AND DEFERRED TAX ASSET</b>			
Taxes recoverable	13.1	262,317	314,915
Deferred taxation - net	13.2	5,486,357	5,026,457

**13.1** Income tax assessments of United Bank Limited have been finalized up to the tax year 2003 other than of Azad Kashmir Branches that have been finalized up to the assessment year 2002-2003. On the basis of these assessments determined assessed losses amount to Rs. 22,531.7 million. Refunds determined as a result of finalized assessments amounted to Rs. 325.6 million, out of which Rs. 153 million was received during the year, which is being further contested.

While finalizing the assessments, the tax authorities made add backs on suspended mark up on non-performing loans. This treatment was contested by the bank in appeals before the Income Tax Appellate Tribunal (ITAT), which was decided in the bank's favour. However, in respect of assessment years 1998-99 to 2001-02, the Large Tax Payers Unit and the bank filed reference applications on the above issue, which were dismissed by the ITAT.

	Note	2003	2002
(Rupees in '000)			
<b>13.2</b> The balances of deferred taxation comprises			
Deductible temporary differences			
on recognized tax losses		7,195,080	8,297,500
charged to profit & loss account during the year		(1,978,281)	(1,102,420)
		5,216,799	7,195,080
on other deductible differences		684,000	-
		5,900,799	7,195,080
Taxable temporary differences on			
surplus on revaluation of fixed assets	22.1	(72,325)	(912,327)
surplus on revaluation of investments	22.2	(342,117)	(1,256,296)
		(414,442)	(2,168,623)
		5,486,357	5,026,457

United Bank Limited has an aggregate amount of Rs 17,945 million available as carried forward tax losses as at December 31, 2003. Out of this amount the management has recognized deferred tax debit balance on losses amounting to Rs 14,382 million. This represents the management's estimate of probable benefit which is expected to be realised in future years in the form of reduced tax liability as the bank would be able to set-off the profits earned in these years against losses carried forward from prior years.

**14. CONTINGENT ASSETS**

There were no contingent assets as at the balance sheet date.

	Note	2003	2002
(Rupees in '000)			
<b>15. BILLS PAYABLE</b>			
In Pakistan		2,800,521	1,832,981
Outside Pakistan		190,748	14,044
		2,991,269	1,847,025

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	2003 (Rupees in '000)	2002
<b>16. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>			
In Pakistan		7,025,097	4,974,418
Outside Pakistan		<u>2,498,097</u>	<u>3,161,724</u>
		<u>9,523,194</u>	<u>8,136,142</u>
<b>16.1 Particulars of borrowings from financial institutions</b>			
In local currency		7,025,097	4,974,418
In foreign currencies		<u>2,498,097</u>	<u>3,161,724</u>
		<u>9,523,194</u>	<u>8,136,142</u>
<b>16.2 Details of borrowings from financial institutions</b>			
<b>Secured</b>			
Borrowings from financial institutions		2,170,152	2,989,277
Borrowings from the State Bank of Pakistan			
Export Refinance		4,325,125	3,315,286
Locally Manufactured Machinery		<u>18,299</u>	<u>53,645</u>
		4,343,424	3,368,931
Repurchase agreement borrowings		<u>2,680,977</u>	<u>1,603,401</u>
		9,194,553	7,961,609
<b>Unsecured</b>			
Overdrawn nostro accounts		328,641	174,533
		<u>9,523,194</u>	<u>8,136,142</u>
<b>16.3</b> United Bank Limited has entered into agreements with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP.			
<b>16.4</b> These borrowings carry mark up at rates ranging from 0.2% to 7.5% (2002: 3.5% to 9.25%) per annum.			
	Note	2003	2002
		(Rupees in '000)	
<b>17. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		37,252,204	44,558,999
Savings deposits		103,865,358	82,803,576
Sundry deposits		2,728,107	1,821,076
Margin deposits		1,212,276	827,958
Current accounts – remunerative		565,369	928,851
Current accounts - non-remunerative		<u>43,214,311</u>	<u>31,288,663</u>
		188,837,625	162,229,123
<b>Financial Institutions</b>			
Remunerative deposits		8,881	18,751
Non-remunerative deposits		<u>985,938</u>	<u>478,594</u>
		994,819	497,345
		<u>189,832,444</u>	<u>162,726,468</u>
<b>17.1 Particulars of deposits and other accounts</b>			
In local currency		152,196,723	124,196,174
In foreign currencies		<u>37,635,721</u>	<u>38,530,294</u>
		<u>189,832,444</u>	<u>162,726,468</u>

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**
**18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

These represent finance leases entered by United Bank Limited with leasing companies for vehicles. The rates of interest used as discounting factor ranges from 12% to 13.5% (2002: 12% to 13.5%) per annum. There is no financial restriction in the lease agreements. The amount of future minimum lease payments, present value of minimum lease payments and periods during which they become due are as follows:

	<b>2003</b>		
	<b>Minimum lease payments</b>	<b>Finance charges for future periods</b>	<b>Principal outstanding</b>
	(Rupees in '000)		
Not later than one year	42,548	2,841	39,707
Later than one year and not later than five years	291	3	288
	<u>42,839</u>	<u>2,844</u>	<u>39,995</u>
	<b>2002</b>		
	<b>Minimum lease payments</b>	<b>Finance charges for future periods</b>	<b>Principal outstanding</b>
	(Rupees in '000)		
Not later than one year	50,372	8,763	41,609
Later than one year and not later than five years	42,783	2,844	39,939
	<u>93,155</u>	<u>11,607</u>	<u>81,548</u>

At the end of lease period, the ownership of assets shall be transferred to the Bank on payment of residual value. The cost of operating and maintaining the leased assets is borne by the Bank. These are secured by demand promissory notes and security deposits.

<b>19. OTHER LIABILITIES</b>	<b>Note</b>	<b>2003</b>	<b>2002</b>
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		488,087	1,554,283
Mark-up / return / interest payable in foreign currency		44,681	84,152
Branch adjustment account		2,319,380	2,689,840
Accrued expenses		432,830	520,217
Proposed cash dividend		1,165,500	-
Provision for off-balance sheet obligations	19.1	749,825	257,825
Payable under severance scheme		47,991	42,675
Unrealised loss on forward foreign exchange contracts – net		-	71,953
Others		645,454	513,244
		<u>5,893,748</u>	<u>5,734,189</u>

**19.1 Provision against off balance sheet obligations**

Opening balance		257,825	292,780
Charge / (reversal) during the year	29	492,000	(34,955)
		<u>749,825</u>	<u>257,825</u>

**20. DEFERRED LIABILITIES**

Provision for post retirement medical benefit		872,331	655,313
Provision for gratuity - overseas		82,905	82,622
Provision for compensated absences	36.2	579,823	124,000
		<u>1,535,059</u>	<u>861,935</u>

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	2003 (Rupees in '000)	2002						
<b>21. SHARE CAPITAL</b>									
<b>21.1 Authorised Capital</b>									
<table border="0"> <thead> <tr> <th style="text-align: center;">2003</th> <th style="text-align: center;">2002</th> <th></th> </tr> </thead> <tbody> <tr> <td style="text-align: right;"><u>1,030,000,000</u></td> <td style="text-align: right;"><u>1,030,000,000</u></td> <td>Ordinary shares of Rs. 10 each</td> </tr> </tbody> </table>	2003	2002		<u>1,030,000,000</u>	<u>1,030,000,000</u>	Ordinary shares of Rs. 10 each		<u>10,300,000</u>	<u>10,300,000</u>
2003	2002								
<u>1,030,000,000</u>	<u>1,030,000,000</u>	Ordinary shares of Rs. 10 each							
<b>21.2 Issued, subscribed and paid - up capital</b>									
Fully paid-up ordinary shares of Rs 10 each									
<table border="0"> <thead> <tr> <th style="text-align: center;">2003</th> <th style="text-align: center;">2002</th> <th></th> </tr> </thead> <tbody> <tr> <td style="text-align: right;"><u>518,000,000</u></td> <td style="text-align: right;"><u>518,000,000</u></td> <td>Issued for cash</td> </tr> </tbody> </table>	2003	2002		<u>518,000,000</u>	<u>518,000,000</u>	Issued for cash		<u>5,180,000</u>	<u>5,180,000</u>
2003	2002								
<u>518,000,000</u>	<u>518,000,000</u>	Issued for cash							
<b>21.3 Major shareholders (holding more than 5% of total paid-up capital)</b>									
<b>Name of shareholder</b>		<b>2003</b>							
		<b>Number of shares held</b>	<b>Percentage of shareholding</b>						
State Bank of Pakistan		252,194,000	48.69						
Abu Dhabi Group		132,090,000	25.50						
Best Way Group		<u>132,090,000</u>	<u>25.50</u>						
		<u>516,374,000</u>	<u>99.69</u>						
	<b>Note</b>	<b>2003</b>	<b>2002</b>						
		(Rupees in '000)							
<b>22. SURPLUS ON REVALUATION OF ASSETS</b>									
Surplus arising on revaluation of fixed assets – net of tax:									
Fixed assets	22.1	2,767,565	1,028,791						
Securities	22.2	<u>1,044,034</u>	<u>1,416,674</u>						
		<u>3,811,599</u>	<u>2,445,465</u>						
<b>22.1 Surplus on revaluation of fixed assets</b>									
Surplus on revaluation of fixed assets at January 01		1,941,118	2,179,391						
Revaluation of fixed assets during the year		<u>991,171</u>	<u>-</u>						
		2,932,289	2,179,391						
Surplus relating to incremental depreciation charged on related assets in prior years transferred to accumulated losses.		-	(183,313)						
Transferred to unappropriated profit / (accumulated losses) in respect of incremental depreciation charged during the year.		(73,096)	(29,129)						
Related deferred tax liability of incremental depreciation charged during the year		<u>(19,303)</u>	<u>(25,831)</u>						
		2,839,890	1,941,118						
Less: Related deferred tax liability on									
Revaluation as on January 01		912,327	1,024,315						
Adjustment in respect of reduction in future tax rates		(116,119)	-						
Revaluation during the year		(282,948)	-						
Incremental depreciation charged on related assets in prior years		-	(86,157)						
during the year		(19,303)	(25,831)						
Adjustments to leasehold land recognised in prior years		<u>(421,632)</u>	<u>-</u>						
		72,325	912,327						
		<u>2,767,565</u>	<u>1,028,791</u>						

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	2003	2002
		(Rupees in '000)	
<b>22.2 Surplus on revaluation of securities</b>			
Market Treasury Bills		(18,659)	243,847
Federal Investment Bonds		25,869	-
Pakistan Investment bonds		1,109,496	2,349,002
Term Finance Certificates		11,368	-
Quoted securities		258,077	80,121
		1,386,151	2,672,970
Related deferred tax liability		(342,117)	(1,256,296)
		<u>1,044,034</u>	<u>1,416,674</u>
<b>23. CONTINGENCIES AND COMMITMENTS</b>			
<b>23.1 Direct credit substitutes</b>			
Contingent liabilities in respect of guarantees given favouring			
Government		1,151,737	814,949
Banking companies and other financial institutions		1,371,128	1,304,028
Others		1,947,705	1,505,749
		4,470,570	3,624,726
<b>23.2 Transaction-related contingent liabilities</b>			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring			
Government		5,152,684	2,773,885
Banking companies and other financial institutions		471,135	526,970
Others		2,375,116	3,335,625
		7,998,935	6,636,480
<b>23.3 Trade-related contingent liabilities</b>			
Contingent liabilities in respect of letters of credit opened favouring			
Government		14,549,668	20,343,361
Banking companies and other financial institutions		71,705	216,737
Others		24,624,036	10,927,839
		39,245,409	31,487,937
<b>23.4 Other contingencies</b>			
Claims against the Bank not acknowledged as debts		8,759,029	8,548,486
<b>23.5 Commitments in respect of forward lending</b>			
Commitments to extend credit		2,536,472	3,533,640
<b>23.6 Commitments in respect of forward foreign exchange contracts</b>			
Sale		16,937,239	18,667,632
Purchase		16,023,614	14,842,209
<b>23.7 Commitments in respect of operating lease</b>			
Within one year		16,887	-
Within two to five years		-	15,499
Over five years		8,208	7,533
		25,095	23,032
<b>23.8 Other commitments</b>			
Repo transactions		2,687,274	1,603,401
Capital commitments		844,195	41,908



**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	2003	2002
		(Rupees in '000)	
<b>24. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances		4,444,333	6,228,800
On investments in			
Securities		4,221,386	4,280,302
Associates		4,864	7,143
		4,226,250	4,287,445
On deposits with financial institutions		394,729	682,333
On securities purchased under resale agreements		180,647	179,442
Discount income		23,535	7,321
		9,269,494	11,385,341
<b>25. MARK-UP / RETURN / INTEREST EXPENSED</b>			
On deposits		1,742,001	5,069,084
On securities sold under repurchase agreements		88,962	222,897
On other short - term borrowings		62,738	163,039
On long - term borrowings		85	1,167
Discount expense		37,393	19,372
		1,931,179	5,475,559
<b>26. DIVIDEND INCOME / GAIN ON SALE OF INVESTMENTS</b>			
Dividend income		82,233	65,901
Gain on sale of investments		1,976,999	362,182
		2,059,232	428,083
<b>27. OTHER INCOME</b>			
Rent on properties		84,770	87,945
Charges recovered from customers		399,924	376,619
Net gain on sale of fixed assets		12,882	3,360
Liabilities no longer required written back		109,668	-
Others		136,586	-
		743,830	467,924

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	2003	2002
		(Rupees in '000)	
<b>28. ADMINISTRATIVE EXPENSES</b>			
<b>Personnel Cost</b>			
Salaries, allowances etc.		3,255,200	3,098,284
Charge for defined benefit obligations		182,573	358,873
Charge for compensated absences		481,809	1,000
Contribution to defined contributory plan		50,460	86,767
Medical expenses		189,401	200,466
		4,159,443	3,745,390
<b>Premises Cost</b>			
Rent, taxes, insurance, electricity etc.		627,730	617,400
Depreciation		119,916	76,149
Repairs and maintenance		25,741	26,172
		773,387	719,721
<b>Other Operating Cost</b>			
Outsourced service charges		130,177	136,199
Depreciation		258,362	178,937
Amortisation of deferred cost		261,769	117,508
Communications		163,043	153,292
Legal and professional charges		82,942	128,718
Stationery and printing		114,659	111,396
Office running expenses		28,521	28,388
Cash transportation charges		69,359	73,451
Vehicle expenses		30,120	37,870
Travelling		60,229	50,907
Repairs and maintenance		57,156	40,324
Cartage, freight and conveyance		25,908	27,171
Computer expenses		41,676	34,792
Banking service charge		61,137	53,035
Auditors' remuneration	28.1	40,443	35,067
Entertainment		29,499	32,301
Subscriptions		12,882	11,119
Advertisement and publicity		99,109	30,791
Training and seminar		11,869	8,045
Finance charges on leased assets		10,320	16,592
Brokerage expenses		11,917	7,564
New product cost		10,572	3,157
Non-executive directors' fee and allowances		41	10
Miscellaneous expenses		94,699	97,282
		1,706,409	1,413,916
		6,639,239	5,879,027

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**
**28.1 Auditors' remuneration**

	2003			2002		
	Ford Rhodes Sidat Hyder & Co.	A. F. Ferguson & Co	T o t a l	Ford Rhodes Sidat Hyder & Co.	Ebrahim & Co.	Total
	(Rupees in '000)					
Audit fee	3,670	3,670	7,340	350	350	700
Fee for audit of EPZ branch	-	56	56	-	41	41
Special certifications and sundry advisory services	680	630	1,310	3,533	3,483	7,016
Out of pocket expenses	860	898	1,758	735	695	1,430
	<u>5,210</u>	<u>5,254</u>	<u>10,464</u>	<u>4,618</u>	<u>4,569</u>	<u>9,187</u>

In addition to the above Rs. 15.9 million (2002: Rs. 10.8 million) was paid by other overseas branches to various audit firms in respect of audit assignments conducted in those countries and Rs. 14.1 million (2002: Rs. 15.0 million) was paid to the auditors of subsidiaries.

29. OTHER PROVISIONS / WRITE OFFS	Note	2003	2002
		(Rupees in '000)	
(Reversal) / provision against other assets	11.2	(11,363)	16,071
Provision / (reversal) against off balance sheet obligations	19.1	492,000	(34,955)
Loss on transfer of advances to CIRC		-	21,200
Other provisions/write off		71,203	25,037
		<u>551,840</u>	<u>27,353</u>
<b>30. OTHER CHARGES</b>			
Penalty paid to SBP		5,501	17,670
CIRC expenses		-	6,582
		<u>5,501</u>	<u>24,252</u>

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

	2003			Total	2002
	Overseas	Azad Kashmir	Domestic		Total
	(Rupees in '000)				
<b>31. TAXATION</b>					
Current tax	87,622	36,168	75,945	199,735	197,675
Prior year tax	39,454	176,675	13,255	229,384	18,701
Deferred taxation	304,746	30,988	939,244	1,274,978	1,102,420
<b>2003</b>	<u>431,822</u>	<u>243,831</u>	<u>1,028,444</u>	<u>1,704,097</u>	<u>1,318,796</u>
<b>2002</b>	<u>321,788</u>	<u>79,176</u>	<u>917,832</u>	<u>1,318,796</u>	

**31.1** Income tax assessments of United Bank Limited have been finalized up to the tax year 2003 other than of Azad Kashmir branches that have been finalized up to the assessment year 2002-2003. The domestic assessments resulted in income tax refunds amounting to Rs. 153.1 million, which were received during the year. Return for the year 2003 (financial year ended December 31, 2002) was filed for which refunds amounting to Rs. 172.5 million have been determined.

**31.2 Relationship between tax expense and accounting profit**

	2003
	(Rupees in '000)
Accounting profit for the current year	<u>4,521,983</u>
Tax on income @ 44%	1,989,673
Tax effect of items that are not included in determining taxable profit	182,042
Adjustments in respect of tax on reduced rates	(2,013,478)
Tax effect of losses brought forward utilised during the year	1,905,126
Deferred tax on deductible temporary differences recognised during the year	(684,000)
Reversal of deferred tax liability on incremental depreciation	(19,303)
Tax charge of overseas branches of United Bank Limited	107,862
Tax charge of subsidiaries	6,791
Prior year tax charge	223,070
Prior year tax charge of subsidiaries	6,314
Tax charge for the current year	<u>1,704,097</u>

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	2003	2002
		(Rupees in '000)	
<b>32. BASIC/ DILUTED EARNINGS PER SHARE</b>			
Profit after taxation for the year		<u>2,817,886</u>	<u>1,462,653</u>
		(Number of shares)	
Weighted average number of ordinary shares		<u>518,000,000</u>	<u>2,339,810,449</u>
		(Rupees)	
Basic / Diluted earnings per share		<u>5.44</u>	<u>0.62</u>
		2003	2002
		(Rupees in '000)	
<b>33. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks		17,335,294	15,717,858
Balances with other banks		18,255,986	18,750,563
		<u>35,591,280</u>	<u>34,468,421</u>
		2003	2002
		(Number)	
<b>34. STAFF STRENGTH</b>			
Total number of employees at the end of the year		<u>8,881</u>	<u>8,525</u>

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**
**35. EMPLOYEE BENEFITS**
**United Bank Limited**
**35.1 Defined Benefit Plans - General description**

The Bank operates a funded pension scheme established in 1986. The Bank also operates a funded gratuity scheme for those employees who have not opted for the pension scheme. Further, the Bank also operates a contributory benevolent fund scheme and provides post retirement medical to eligible retired employees. The benevolent fund plan and post retirement medical plan cover all the regular employees of the Bank.

A portion of actuarial gains and losses is recognized if the net cumulative unrecognized actuarial gains and losses at the end of previous reporting period exceed the "corridor" defined as greater of:

- (a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets), and
- (b) 10% of the fair values of any plan assets at that date.

These limits are calculated and applied separately for each defined benefit scheme.

**35.2 Principal actuarial assumptions**

The latest actuarial valuation was carried out as at December 31, 2003. Projected unit credit actuarial cost method, using following significant assumptions was used for the valuation of the defined benefit scheme:

Discount rate	6%
Expected rate of return on plan assets	6%
Expected rate of salary increase	5%

**35.3 Reconciliation of (receivable) / payable to defined benefit plan**

	Note	2003			
		Pension fund	Gratuity fund	Benevolent fund	Post Retirement Medical
(Rupees in '000)					
Present value of defined benefit obligations		3,363,652	279,509	582,699	1,064,831
Fair value of any plan assets		(5,985,788)	(373,367)	(607,327)	-
Net actuarial gains or losses not recognized		2,471,723	46,591	47,810	(26,587)
Transition obligation not recognized	35.4.1	-	-	(24,882)	(165,913)
(Receivable) / Payable		<u>(150,413)</u>	<u>(47,267)</u>	<u>(1,700)</u>	<u>872,331</u>
2002					
(Rupees in '000)					
Present value of defined benefit obligations		4,388,718	257,955	607,590	1,065,729
Fair value of any plan assets		(5,256,228)	(333,334)	(525,797)	-
Net actuarial gains or losses not recognized		867,510	75,043	(32,345)	(78,590)
Transition obligation not recognized	35.4.1	-	-	(49,765)	(331,826)
(Receivable) / Payable		<u>-</u>	<u>(336)</u>	<u>(317)</u>	<u>655,313</u>

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**
**35.4 Movement in (receivable) / payable to defined benefit plan**

	<b>2003</b>			
	<b>Pension fund</b>	<b>Gratuity fund</b>	<b>Benevolent fund</b>	<b>Post Retirement Medical</b>
	(Rupees in '000)			
Opening balance	-	(336)	(317)	655,313
Charge for the year	(150,413)	12,533	36,502	257,548
Contribution to fund made during the year	-	(59,464)	(37,885)	-
Benefits paid	-	-	-	(40,530)
Closing balance	<u>(150,413)</u>	<u>(47,267)</u>	<u>(1,700)</u>	<u>872,331</u>

	<b>2002</b>			
	<b>Pension fund</b>	<b>Gratuity fund</b>	<b>Benevolent fund</b>	<b>Post Retirement Medical</b>
	(Rupees in '000)			
Opening balance	(157,245)	309,421	34,282	440,869
Charge for the year	-	61,847	43,539	246,527
Contribution to fund made during the year	157,245	(371,591)	(78,138)	-
Benefits paid	-	(13)	-	(32,083)
Closing balance	<u>-</u>	<u>(336)</u>	<u>(317)</u>	<u>655,313</u>

**35.4.1** In the case of benevolent fund and post retirement medical plans, the date of transition to IAS 19 was taken as December 31, 2000. Under IAS 19, any deficit as at the date of transition may be amortised over a period not exceeding 5 years. Accordingly, the Bank decided to amortize the deficit in the benevolent fund and to account for post-retirement medical plan over 5 years. Four annual amortization amounts have already been recognised from 2000 to 2003 and the outstanding balance amounts are shown against the items "Transition obligation not recognised".

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**
**35.5 Charge for defined benefit plan**

	<b>2003</b>			
	<b>Pension fund</b>	<b>Gratuity fund</b>	<b>Benevolent fund</b>	<b>Post retirement medical</b>
	(Rupees in '000)			
Current service cost	36,481	26,253	14,774	17,034
Interest cost	219,029	17,917	42,531	74,601
Expected return on assets	(367,936)	(27,003)	(36,806)	-
Actuarial (gains) and losses	(37,987)	(4,634)	-	-
Amortization of transitional obligations	-	-	24,883	165,913
Employees' contribution	-	-	(8,880)	-
	<u>(150,413)</u>	<u>12,533</u>	<u>36,502</u>	<u>257,548</u>

	<b>2002</b>			
	<b>Pension fund</b>	<b>Gratuity fund</b>	<b>Benevolent fund</b>	<b>Post retirement medical</b>
	(Rupees in '000)			
Current service cost	-	33,734	18,933	17,903
Interest cost	570,044	30,960	55,167	82,734
Expected return on assets	(570,044)	-	(47,364)	-
Actuarial (gains) and losses	-	(2,847)	-	(20,023)
Amortization of transitional obligations	-	-	24,883	165,913
Prior year adjustment of transitional obligation	-	-	(8,080)	-
	<u>-</u>	<u>61,847</u>	<u>43,539</u>	<u>246,527</u>

**35.6 Actual return on plan assets**

Among the defined benefit plans, currently the pension, gratuity and benevolent fund plans are funded. The actual return earned on the assets during the year 2003 are:

Pension fund	Rs.	770.689	million
Benevolent fund	Rs.	83.609	million
Gratuity fund	Rs.	13.072	million

**35.7 UNITED NATIONAL BANK LIMITED PENSION AND LIFE ASSURANCE SCHEME FOR UK EMPLOYEES**

As part of the Shareholders Agreement ("the Agreement") signed on 9 November 2001 between the company and the shareholders of United Bank Limited and National Bank of Pakistan, it was agreed that the company may participate as an associated employer in the United Bank Limited Pension and Life Assurance Scheme ("the Scheme") with effect from completion of the transfer of the businesses (19 November 2001) ("the Completion Date"). The scheme provides benefits based on final pensionable salary.

Under the terms of the Agreement, the company is responsible for the funding requirements of the active members whose employment were transferred to the company on the Completion Date and for any new members admitted to the Scheme after this date. United Bank Limited remains responsible for the funding of the pensioners and deferred members as at the Completion Date.

No new members have been admitted to the Scheme in the year ended 31 December 2003.

The assets of the Scheme are held separate to those of the Bank, being invested with insurance companies. Contributions to the Scheme are charged to profit and loss account so as to spread the cost of pensions over employees' working lives with the Bank. The charge for the Scheme for the year was £101,694. No directors were members of the defined benefit Scheme during the year or as at 31 December 2003.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the Projected Unit Credit Method. The most recent valuation was at 1 January 2002. The assumptions that have the most significant effect on the results of the valuation are



**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**

those relating to the rate of return on the investments, rates of increase in salaries and price inflation. It was assumed that the investment returns would average 6.5% per annum, that salary increases would average 5% per annum and that the rate of inflation would be 2.5% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £4,174,000 and represented 102% of the benefits that had accrued to members after allowing for expected future increases in earnings. Until the next valuation, the contribution of the Bank is recommended to reduce from 24.5% to 18.2% from 2003 and that of the employees to remain at 4%.

Contributions were made to other schemes on behalf of employees totaling £ 27,690. Of this £11,830 was made on behalf of the directors.

**36. OTHER EMPLOYEE BENEFITS**
**36.1 Defined contribution plan**

United Bank Limited operates a contributory provident fund scheme for 4,462 (2002: 2,075) employees who are not in the pension scheme. The employer and employee both contribute 8.33% of the basic salaries to the funded scheme every month.

**36.2 Employee compensated absences**

The liability of United Bank Limited in respect of long-term employee compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit method. The liability of the bank as per the latest actuarial valuation carried out as at December 31, 2003 amounted to Rs. 579.8 million, which has been fully provided by the bank. The charge for the year in respect of these absences amounted to Rs. 481.8 million, which is shown in note 28 to these financial statements.

**37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	Chief Executive		Directors		Executives	
	2003	2002	2003	2002	2003	2002
	(Rupees in '000)					
Fees	-	-	41	10	-	-
Managerial remuneration	10,020	1,920			91,021	82,636
Charge for defined benefit plan	835	175	-	-	5,923	5,948
Contribution to defined contribution plan	836	175	-	-	7,342	6,735
Rent and house maintenance	1,116	1,132	-	-	25,119	22,512
Utilities	996	149	-	-	8,695	7,973
Medical	1,347	36	-	-	8,394	1,515
Reimbursement of children's educational fees	168	191	-	-	-	-
Vehicle running, maintenance and others	465	326	-	-	16,329	13,737
	<u>15,783</u>	<u>4,104</u>	<u>41</u>	<u>10</u>	<u>162,823</u>	<u>141,056</u>
Number of persons	<u>1</u>	<u>1</u>	<u>5</u>	<u>7</u>	<u>91</u>	<u>79</u>

The Chief Executive and certain executives are provided with free use of the bank's maintained cars and household equipment.

The particulars in this note do not include particulars of Executives employed by subsidiaries.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**
**38. MATURITIES OF ASSETS AND LIABILITIES**

	Total	Upto three months	Over 3 months to one year (Rupees in '000)	Over one year To five years	Over five Years
<b>Assets</b>					
Cash and balances with treasury banks	17,335,294	17,335,294	-	-	-
Balances with other banks	18,255,986	18,255,986	-	-	-
Lending to financial institutions	19,050,791	19,050,791	-	-	-
Investments	54,587,665	17,395,660	7,460,517	19,920,498	9,810,990
Advances Performing	99,604,787	30,917,008	58,375,482	7,325,058	2,987,239
Non Performing net of provision	3,671,991	-	-	3,671,991	-
Other assets	3,247,034	2,747,107	499,927	-	-
Operating fixed assets	3,884,990	91,913	279,784	1,071,969	2,441,324
Taxes recoverable	262,317	-	262,317	-	-
Deferred tax assets	5,486,357	575,001	1,725,003	3,186,353	-
	225,387,212	106,368,760	68,603,030	35,175,869	15,239,553
<b>Liabilities</b>					
Bills payable	2,991,269	2,396,087	595,182	-	-
Borrowings from financial institutions	9,523,194	7,342,333	2,166,222	14,639	-
Deposits and other accounts	189,832,444	46,782,995	16,074,800	18,096,860	108,877,789
Liabilities against assets subject to finance lease	39,995	9,988	29,719	288	-
Other liabilities	5,893,748	4,903,091	7,350	843,619	139,688
Deferred liabilities	1,535,059	20,284	60,852	404,546	1,049,377
	209,815,709	61,454,778	18,934,125	19,359,952	110,066,854
<b>Net assets</b>	15,571,503	44,913,982	49,668,905	15,815,917	(94,827,301)
<b>Represented by:</b>					
Share capital	5,180,000				
Reserves	4,712,569				
Unappropriated profit	454,403				
Minority interest	1,412,932				
Surplus on revaluation of assets	3,811,599				
	15,571,503				

Current and savings deposits do not have any contractual maturity therefore; current deposits and savings accounts have been classified between all four maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**
**39. YIELD / INTEREST RATE RISK**

Yield / Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

<b>2003</b>						
Effective Yield / Interest rate %	Total	Upto three months	Exposed to 3 months to one year	Yield/ Interest risk Over one year to five years	Over five years	Not exposed to Yield / Interest Risk

(Rupees in '000)

**On-balance sheet financial instruments**
**Assets**

Cash and balances with treasury banks	0.86	17,335,294	920,165	-	-	-	16,415,129
Balances with other banks	2.11	18,255,986	17,959,124	-	-	-	296,862
Lending to financial institutions	2.47	19,050,791	19,050,791	-	-	-	-
Investments	6.13	54,587,665	17,395,660	7,460,517	19,481,021	9,606,095	644,372
Advances - Performing	5.95	99,604,787	30,917,008	58,375,482	7,325,058	2,987,239	-
- Non Performing	-	3,671,991	-	-	-	-	3,671,991
Other assets	-	2,899,577	-	-	-	-	2,899,577
		215,406,091	86,242,748	65,835,999	26,806,079	12,593,334	23,927,931

**Liabilities**

Bills payable		2,991,269	2,396,087	595,182	-	-	-
Borrowings from financial institutions	1.94	9,523,194	7,342,333	2,166,222	14,639	-	-
Deposits	1.34	189,832,444	34,926,885	12,000,999	13,510,613	81,285,134	48,108,813
Liabilities against assets subject to finance lease	12-13.5	39,995	9,988	29,719	288	-	-
Other liabilities		2,495,788	-	-	-	-	2,495,788
		204,882,690	44,675,293	14,792,122	13,525,540	81,285,134	50,604,601
<b>On-balance sheet gap</b>		<u>10,523,401</u>	<u>41,567,455</u>	<u>51,043,877</u>	<u>13,280,539</u>	<u>(68,691,800)</u>	<u>(26,676,670)</u>

**Off-balance sheet financial instruments**

Forward Lendings (including call lending, repurchase agreement lending, commitments to extend credit, etc.)		2,536,472	82,085	962,841	1,405,146	86,400	
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<b>Off-balance sheet gap</b>		<u>2,536,472</u>	<u>82,085</u>	<u>962,841</u>	<u>1,405,146</u>	<u>86,400</u>	
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<b>Total Yield/Interest Risk Sensitivity Gap</b>			<u>41,649,540</u>	<u>52,006,718</u>	<u>14,685,685</u>	<u>(68,605,400)</u>	
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<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>			<u>41,649,540</u>	<u>93,656,258</u>	<u>108,341,943</u>	<u>39,736,543</u>	
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Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**
**40. CURRENCY RISK**

	<b>Assets</b>	<b>Liabilities</b>	<b>Off balance sheet items</b>	<b>Net foreign currency exposure</b>
	(Rupees in '000)			
Pakistan Rupee	181,490,179	161,035,034	913,625	21,368,770
US Dollar	28,466,150	23,348,206	(2,366,267)	2,751,677
Pound Sterling	10,562,035	11,749,100	1,032,248	(154,817)
Euro	216,188	645,141	527,382	98,429
Japanese Yen	58,140	227	(58,274)	(361)
Other Currencies	4,594,520	13,038,001	(48,714)	(8,492,195)
	<u>225,387,212</u>	<u>209,815,709</u>	<u>-</u>	<u>15,571,503</u>

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in the foreign exchange rates. In order to avoid losses arising from adverse movements in the rate of exchange, the management monitors compliance with all external and internal limits (including currency, dealer and counter party limits), review of foreign exchange exposure and regular revaluation of the entire portfolio.

**41. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of traded investments is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loan, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 5.4.

The maturity and repricing profile and effective rates are stated in notes 38 and 39 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003****42. CONCENTRATION OF CREDIT AND DEPOSITS**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

**Concentration of credit risk**

Out of the total financial assets of Rs. 215,406 million, the financial assets that were subject to credit risk amounted to Rs.199,428 million. The Bank's major credit risk is concentrated in textile sector. To manage credit risk, the Group applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 43,425, million are guaranteed by the Government of Pakistan.

**Risk management**

The Group is primarily subject to interest rate, credit and currency risks. The policies and procedures for managing these risks are outlined in the notes below. The Group has designed and implemented a framework of controls to identify, monitor and manage these risks which are as follows:

**Interest rate risk management**

Interest risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The risks are inherent on deposits, liabilities, loans/advances and investments of the Group.

The Assets and Liabilities Committee of United Bank Limited regularly reviews the total portfolio of the Group to ensure that risks are minimized and remain within acceptable limits.

Most of the loans and advances comprise of working capital which are repriced on a periodical basis, whereas the majority of deposits are repriced retrospectively on a six monthly basis due to the profit and loss sharing system for determining deposit rates.

**Credit risk management**

Credit risk management is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk in the United Bank Limited's portfolio is monitored, reviewed and analyzed by the Credit Risk Management (CRM).

CRM determines the quality of the credit portfolio and assists in minimizing potential losses. To achieve this objective, CRM formulates appropriate credit policies and procedures for the Bank to ensure building and maintaining quality credits and an efficient credit process.

United Bank Limited has established Financial Institution Risk Management Unit (FIRMU) is established to screen out the banks / financial institutions and determine the maximum risk exposure on each of them. FIRMU also assesses, recommends and controls cross border/ country risk.

To manage the non-performing loans (NPLs), the United Bank Limited has in place comprehensive remedial management policy, which includes a framework of controls to identify weak credits and monitoring of these accounts.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**
**43 SEGMENT BY CLASS OF BUSINESS**

	<b>2003</b>					
	<b>Gross advances</b>		<b>Deposits</b>		<b>Contingencies and commitments</b>	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	5,247,138	4.4	1,948,002	1.0	1,488,319	1.5
Agri business	10,767,031	9.1	13,494,769	7.1	55,023	0.1
Textile	36,587,900	30.8	1,261,765	0.6	2,854,795	2.9
Cement	1,067,657	0.9	684,238	0.4	1,022,034	1.0
Sugar	1,593,789	1.3	814,091	0.4	13,521	0.0
Shoes and leather garments	2,771,085	2.3	1,083,217	0.6	319,455	0.3
Automobile and transportation equipment	1,710,842	1.4	3,576,286	1.9	1,079,414	1.1
Financial	7,526,239	6.3	8,117,242	4.3	38,900,547	39.1
Insurance	-	0.0	3,234,318	1.7	32	0.0
Electronics and electrical appliances	6,005,906	5.1	10,114,297	5.3	3,116,003	3.1
Production and transmission of energy	-	0.0	-	0.0	-	0.0
Individuals	6,731,865	5.7	107,922,027	56.9	1,862,707	1.9
Others	38,932,781	32.7	37,582,192	19.8	48,815,982	49.0
	<u>118,942,233</u>	<u>100</u>	<u>189,832,444</u>	<u>100</u>	<u>99,527,832</u>	<u>100</u>

**43.1 SEGMENT BY SECTOR**

Public / Government	14,778,364	12.4	21,271,069	11.2	67,640,541	68.0
Private	104,163,869	87.6	168,561,375	88.8	31,887,291	32.0
	<u>118,942,233</u>	<u>100</u>	<u>189,832,444</u>	<u>100</u>	<u>99,527,832</u>	<u>100</u>

**44. GEOGRAPHICAL SEGMENT ANALYSIS**

	<b>2003</b>			
	<b>Profit before taxation</b>	<b>Total assets employed</b>	<b>Net assets employed</b>	<b>Contingencies &amp; commitments</b>
	(Rupees in '000)			
Pakistan	3,623,262	172,525,477	6,111,594	90,734,621
Asia Pacific (including South Asia)	42,050	3,453,752	31,505	127,042
United States of America	32,443	1,757,813	188,999	38,231
Middle East	644,156	35,909,590	5,407,274	6,841,242
Europe	180,072	11,740,580	3,832,131	1,786,696
	<u>4,521,983</u>	<u>225,387,212</u>	<u>15,571,503</u>	<u>99,527,832</u>

Total assets employed include intra group items of Rs Nil.

**45. TRUST ACTIVITIES**

The Bank is not engaged in any significant trust activities. However, it acts as security agent for some of the Term Finance Certificates it arranges and distributes on behalf of its customers

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003**
**46. RELATED PARTY TRANSACTIONS**

The Group has related party relationship with its associated undertakings, subsidiary companies (refer note 9.1), employee benefit plans (refer note 35) and its directors and executive officers (including their associates).

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e. under the comparable uncontrolled price method). Details of loans and advances to the companies or firms in which the directors of the group are interested as directors, partners or in case of private companies as members are given in note 10.6 to these financial statements.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations/ terms of the contribution plan (refer note 35 to these financial statements for the details of plans). Remuneration to the executives, disclosed in note 37 to these financial statements is determined in accordance with the terms of their appointment.

Details of transactions with related parties are given below:

	Note	2003	2002
		(Rupees in '000)	
<b>Advances</b>			
At January 01		3,082,328	3,061,461
Given during the year		8,753,020	30,000
Repaid during the year		(9,657,246)	(9,133)
At December 31		2,178,102	3,082,328
<b>Deposits</b>			
At January 01		1,951,027	1,951,007
Received during the year		14,324,593	386,665
Withdrawn during the year		(13,709,856)	(386,645)
At December 31		2,565,764	1,951,027
Mark-up / return / interest earned		62,846	-
Mark-up / return / interest expensed		47,127	1,042
Other		1,085,035	-
Investment made during year		850,000	250,000

Transactions entered into with directors/ executive officers as per their terms of employment are excluded from related party transactions


**47. DATE OF AUTHORISATION**

These financial statements were authorised for issue on February 15, 2004 by the Board of Directors of the Bank.

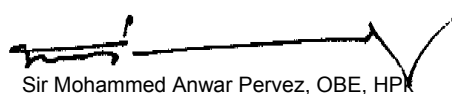
**48. GENERAL**


Comparative figures have been reclassified and rearranged as follows:

- Mark-up recoverable on advances and investments amounting to Rs 10,940 million and Rs 472 million respectively have been reclassified from advances and investments to other assets. The related suspense held against these mark-up balances has also been reclassified further.
- Profit accrued on Unisona Deposits amounting to Rs 3,349 million has been reclassified from other liabilities to deposits and other accounts.
- Opening balances of fixed assets have been further reclassified into appropriate categories according to their nature.
- Prize bonds have been reclassified from Investments to Cash and Balances with Treasury Banks.
- Deposits amounting to Rs 2,789 million have been appropriately reclassified from deposits and other accounts to borrowings from financial institutions.
- Certain expenses with in administrative expenses appearing in note 28 have been reclassified into their appropriate categories.

  
Amar Zafar Khan  
President and  
Chief Executive Officer

  
Ahmad Waqar  
Director

  
Sir Mohammed Anwar Pervez, OBE, HPM  
Deputy Chairman

  
Nahayan Mabarak Al Nahayan  
Chairman

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
ANNEXURE 'A' AS REFERRED IN NOTE 9.5 TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**1. Details of investment held in listed companies and modarabas**

Investee	Number of shares/ certificates	Paid up value per share/ Certificate (Rupees)	Total paid up Value (Rupees in '000)	Cost
<b>Held for trading</b>				
Pakistan State Oil Company Limited	525,000	10	5,250	148,684
ICI Pakistan Limited	500,000	10	5,000	40,482
Fauji Fertilizer Company Limited	331,900	10	3,319	30,407
Telecard Limited	668,500	10	6,685	15,208
Hub Power Company Limited	2,200,000	10	22,000	84,041
Pakistan Telecommunication Corporation Limited	2,248,000	10	22,480	79,588
National Bank of Pakistan	737,000	10	7,370	37,152
The Resource Group	500,000	10	5,000	6,754
Fauji Fertilizer Bin Qasim	1,000,000	10	10,000	19,230
Muslim Commercial Bank Limited	671,000	10	6,710	32,718
D.G Khan Cement Limited	1,500,000	10	15,000	66,972
Sui Southern Gas Company Limited	500,000	10	5,000	14,292
Oil and Gas Development Company Limited	1,700,000	10	17,000	87,821
Lucky Cement Limited	500,000	10	5,000	12,606
Dewan Salman Fibers Limited	500,000	10	5,000	9,295
<b>Available for sale securities</b>				
Azam Textile Mills Limited	292,851	10	2,929	2,929
Agriauto Industries Limited	5,357	5	27	62
Baig Spinning Mills Ltd	662,050	10	6,621	6,621
Dawood Cotton Mills	160	10	2	4
Fauji Fertilizer Company Limited	820,000	10	8,200	62,148
Hub Power Company Limited	2,000,000	10	20,000	71,627
8 <sup>th</sup> ICP Mutual fund	2,350	10	24	58
9 <sup>th</sup> ICP Mutual fund	5,060	10	51	140
10 <sup>th</sup> ICP Mutual fund	6,095	10	61	126
11 <sup>th</sup> ICP Mutual fund	5,962	10	60	145
13 <sup>th</sup> ICP Mutual fund	2,875	10	29	49
19 <sup>th</sup> ICP Mutual fund	4,400	10	44	78
21 <sup>st</sup> ICP Mutual Fund	16,400	10	164	197
23 <sup>rd</sup> ICP Mutual Fund	281,200	10	2,812	2,812
24 <sup>th</sup> ICP Mutual Fund	498,800	10	4,988	4,988
ICP SEMP	16,800	10	168	410
Kay Tex Mills Limited	377,800	10	3,778	3,778
Kohat Textile Mills Limited	100,000	10	1,000	1,000
Kohinoor Oil Mills Limited	500	10	5	2
Ghandara Nissan Limited	8,000	10	80	68
Mehran Sugar Mills Limited	2,000	10	20	72
National Bank of Pakistan	1,570,000	10	15,700	72,739
National Refinery Limited	705,200	10	7,052	31,443
Oil and Gas Development Company Limited	1,034,254	10	10,343	33,106
Pakistan Industrial Credit and Investment Corporation	630	10	6	12
Pakistan Engineering Company Limited	3,600	10	36	31
Pakistan Telecommunication Corporation Limited	2,150,000	10	21,500	59,281
Pakistan National Shipping Corporation	232	10	2	2
Pakistan State Oil Company Limited	105,000	10	1,050	20,044
Sakrand Sugar Mills Limited	1,547,040	10	15,470	11,720
Saleem Sugar Mills Limited	892	10	9	8
Sarhad Cigarette Industries Limited	72,080	5	360	360
Saritow Spinning Mills Limited	617,110	10	6,171	6,171
Shell Pakistan Limited	145,318	10	1,453	47,817
Tariq Glass	210,149	10	2,101	2,101
The Resource Group	7,500,000	10	75,000	75,000
The Bank of Punjab	19,206	10	192	378
Unilever Pakistan Limited	29,196	50	1,460	29,716
World Call Communication Limited	10,000	10	100	120
World Call Broadband Limited	5,000,000	10	50,000	50,000



**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
ANNEXURE 'A' AS REFERRED IN NOTE 9.5 TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Investee	Number of shares/ certificates	Paid up value per share/ Certificate	Total paid up Value	Cost
		(Rupees)	(Rupees in '000)	
Modaraba Certificate				
Al Zamin Leasing Modaraba	30,705	10	307	158
Allied Bank Modaraba	3,500	10	35	32
First Grindlays Modaraba	109,436	10	1,094	1,368
First Habib Bank Modaraba	15,295	10	153	149
First Hajveri Modaraba	3,540	10	35	26
First Mehran Modaraba	124,796	10	1,248	750
First Punjab Modaraba	15,805	10	158	168
Modaraba Al Mali	4,140	10	41	55
Unicap Modaraba	2,200	10	22	17
UDL Modaraba	2,020	10	20	18

**2. Details of investment in unlisted shares**

Investee	Number of shares	Cost	Break up value of investment	Based on audited accounts as at	Name of Chief Executive
			(Rupees in '000)		
<b>Shareholding more than 10 %</b>					
First Women Bank Limited	2,110,000	21,100	25,242	December 31, 2002	Zarine Aziz
Khushali Bank	200	200,000	205,482	December 31, 2002	M. Ghalib Nishtar
Investment Corporation of Pakistan	460,000	42,000	196,154	June 30, 2003	A. Latif Uqaili
Pakistan Agricultural Storage and Services Corp.	5,500	5,500	109,831	March 31, 2003	Maj. Gen. Fahim Akhtar Khan
<b>Shareholding upto 10 %</b>					
National Institute for Facilitation of Technology (Pvt) Ltd	353,029	1,526	8,477	June 30, 2003	M. M. Khan
SME Bank Limited	2,981,327	26,950	32,616	December 31, 2002	Mansoor Khan
Equity Participation Fund	27,000	2,700	11,773	June 30, 2003	Shahid Akhtar
News – VIS Credit Information Services (Pvt) Ltd.	32,500	325	26	June 30, 2003	Faheem Ahmad
National Investment Trust Limited	26,400	100	33,817	June 30, 2003	Tariq Iqbal Khan

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
ANNEXURE 'A' AS REFERRED IN NOTE 9.5 TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**3. Details of Term Finance Certificates**

	Number of certificate	Paid up value per certificate (Rupees)	Total paid up value (Rupees in '000)	Principal outstanding	Name of Chief Executive
<b>Listed</b>					
Crescent Leasing Corporation Limited	44,962	5,000	224,810	208,810	Javed A. Callea
Dawood Leasing Limited	5,485	5,000	27,425	27,459	Rafique Dawood
Engro Asahi Polymer & Chemicals Limited	33,000	5,000	165,000	164,835	Asif Qadir
Gulistan Textile Mills Limited	12,038	5,000	60,190	60,190	Naseer Ahmed
Gulshan Spinning Mills Limited	1,996	5,000	9,980	9,980	Naseer Ahmed
Orix Leasing Pakistan Limited	34,000	5,000	170,000	168,460	Humayun Murad
Packages Limited	250	100,000	25,000	25,000	Syed Wajid Ali
Pakistan PTA Limited	2,394	5,000	11,970	11,960	Waqar Ahmed Malik
Dewan Salman Fibres Limited	20,000	5,000	100,000	24,970	Dewan Zia ur Rehman
Nishat Textile Mills Limited	20,000	5,000	100,000	100,000	Mian Mansha
Pak Arab Refinery Limited	29,380	5,000	146,900	146,876	S. Salim Abbas Jilani
Paramount Spinning Mills Limited	52,769	5,000	263,845	263,845	Tanveer Ahmed
Securetel SPV Limited	28,000	5,000	140,000	116,250	Mir Mazhar Ali
Shakarganj Mills Limited	750	100,000	75,000	37,475	Ahsan M Saleem
<b>Unlisted</b>					
Karachi Electric Supply Corporation	250	1,000,000	250,000	56,250	Brgd. Tariq Sadozai
	200	5,000,000	1,000,000	225,000	
	70	25,000,000	1,750,000	393,749	
	520		3,000,000	674,999	
Kohinoor Weaving Mills	3	50,000,000	150,000	150,000	Amir Fayyaz Sheikh
	1	37,000,000	37,000	37,000	
	4		187,000	187,000	
Al- Azhar Textiles Limited	14	774,670	10,845	5,418	Mirza Muhammad Azhar Baig
Al-Asif Sugar Mills Limited	14	4,915,156	68,812	16,958	Qazi Afzal Abid Abbasi
Al-Fahm Textile Mills Limited	6	841,355	5,048	2,880	Riaz-ur-Rehman
Azeem Tapes (Pvt) Limited	36	161,591	5,817	3,146	Haji Muhammad Ishaq
Baluchistan Coaters Limited	6	729,067	4,374	2,550	Sardar Muhammad
	16	58,969	944	514	
	22		5,318	3,064	
Bankers Equity Limited	10	10,435,300	104,353	104,353	Amjad Aziz Khan
Blue Star Spinning Mills Limited	17	497,020	8,449	3,392	Chaudhry Ghulam Farid
Cast-n-Link Products Limited	16	369,054	5,905	2,549	Nisar Ahmed
Dress Leather Limited	1	4,365,075	4,365	3,663	Sardar Muhammad
	16	126,058	2,017	1,000	
	17		6,382	4,663	
Electronic Information & Energy System	14	581,032	8,134	4,014	Air Marshal (Retd) M. Waqar Azeem
	5	344,167	1,721	1,282	
	19		9,855	5,296	
Faruki Pulp Mills Limited	1	2,628,033	2,628	1,254	Salim A. Faruqi
	13	2,627,400	34,156	16,296	
	14		36,784	17,550	
Frontier Ceramics Limited	46	370,100	17,025	3,113	Ansarullah Khan
Hub Textile Mills Limited	14	472,655	6,617	3,425	Akhtar Ali Khan
	24	97,615	2,343	1,767	
	38		8,960	5,192	

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
ANNEXURE 'A' AS REFERRED IN NOTE 9.5 TO THE CONSOLIDATED FINANCIAL STATEMENTS**

	Number of certificate	Paid up value per certificate (Rupees)	Total paid up value (Rupees in '000)	Principal outstanding	Name of Chief Executive
Hussain Beverages Limited	16	673,068	10,769	2,451	Sajjad Hussain
	2	753,154	1,506	1,181	
	18		12,275	3,632	
Khairpur Sugar Mills Limited	1	925,113	925	472	Muhammad Mubeen Jumani
	13	925,103	12,026	6,134	
	13	2,360,843	30,691	15,654	
	27		43,642	22,260	
Larr Sugar Mills Limited	1	1,191,024	1,191	195	Abdul Rauf Farouk
	23	1,190,930	27,391	4,494	
	1	501,904	502	82	
	23	501,897	11,544	1,894	
	1	1,505,466	1,505	583	
	13	1,505,464	19,571	7,580	
	14	519,585	7,274	2,818	
	76		68,978	17,646	
Minaco Fabrics Limited	1	548,223	548	307	Under execution
	13	548,220	7,127	3,995	
	13	388,410	5,049	2,830	
	1	388,525	389	218	
	28		13,113	7,350	
Mumtaz Shahbaz Textile Mills Limited	14	251,214	3,517	3,517	Mirza Mumtaz Baig
Pak Kuwait Investment Limited	220,000	5,000	1,100,000	950,000	A Azim M A Al Shamali
Pakistan International Airlines Corporation	490,000	5,000	2,450,000	2,449,976	Lt. Gen. (Retd) Hamid Nawaz Khan
Pakistan Mobile Communication	80,000	5,000	400,000	400,000	Zohair Khaliq
Pangrio Sugar Mills Limited.	16	321,445	5,143	887	Sajjid Hussain Naqvi
Phalia Sugar Mills Limited	1	2,080,944	2,081	1,115	Chaudhry Pervaiz Elahi
	1	2,173,554	2,174	1,164	
	1	2,283,804	2,284	1,224	
	1	2,368,696	2,369	1,269	
	1	2,486,664	2,487	1,333	
	1	2,568,249	2,568	1,376	
	1	2,689,524	2,690	1,441	
	1	2,767,801	2,768	1,483	
	1	2,892,384	2,892	1,550	
	1	2,976,174	2,976	1,595	
	1	957,374	957	513	
	1	1,472,364	1,472	789	
	1	1,570,486	1,570	841	
	1	1,675,224	1,675	897	
	1	1,770,039	1,770	948	
	1	1,878,084	1,878	1,006	
	1	1,969,591	1,970	1,056	
	17		36,581	19,600	
Raja Weaving Mills Limited	14	516,891	7,236	3,831	Amir Sultan Cheema
Regency Textile Limited	16	555,825	8,893	4,415	M Iqtidar Pervaiz
	24	108,974	2,615	1,750	
	40		11,508	6,165	
Zamir Textile Mills Limited	1	842,006	842	484	Allauddin Shiekh
	13	833,000	10,829	6,228	
	1	1,142,430	1,142	657	
	13	1,140,000	14,820	8,523	
	24	75,828	1,820	1,405	
	52		29,453	17,297	

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
ANNEXURE 'A' AS REFERRED IN NOTE 9.5 TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**4. Details of Debentures**

	Terms of redemption		Rate of interest	Principal outstanding
	Principal	Interest		
<b>Public Sector</b>				
Karachi Development Authority	Overdue	Overdue	12.50%	156,034
Pak Machine Tool Factory	Overdue	Overdue	12.50%	769
Sarhad Development Authority	Overdue	Overdue	12.50%	8,345
<b>Private Sector</b>				
Aaj Textile Mills Limited	Overdue	Overdue	14.00%	232
Afsar Textile Limited	Overdue	Overdue	8.50%	1,750
Ajax Industries Limited	Overdue	Overdue	14.00%	1,660
Alley Hoisery Mills Limited	Overdue	Overdue	14.00%	200
Attock Textile Mills Limited	Overdue	Overdue	14.00%	120
Central Associates Limited	Overdue	Overdue	11.00%	1,015
Consolidated Spinning Mills Limited	Overdue	Overdue	14.00%	56
Daman Oil Mills Limited	Overdue	Overdue	14.00%	377
Daman Oil Mills Limited	Overdue	Overdue	11.00%	77
Effee Industries Limited	Overdue	Overdue	11.00%	1,021
Effee Industries Limited	Overdue	Overdue	14.00%	374
Electric Lamp Manufacturing Ltd	Overdue	Overdue	14.00%	55
Electric Lamp Manufacturing Ltd	Overdue	Overdue	12.50%	40
Junaid Cotton Mills Limited	Overdue	Overdue	11.00%	46
Junaid Cotton Mills Limited	Overdue	Overdue	14.00%	479
Karachi Properties Investment	Overdue	Overdue	14.00%	15,000
Khyber Textile Mills Limited	Overdue	Overdue	14.00%	394
Mansoor Textile Mills Limited	Overdue	Overdue	14.00%	236
Mehr Textile Mills Limited	Overdue	Overdue	14.00%	907
Mehr Textile Mills Limited	Overdue	Overdue	11.00%	391
Milly Leather Mills Limited	Overdue	Overdue	14.00%	619
Morgah Valley Industries Limited	Overdue	Overdue	11.00%	378
Morgah Valley Industries Limited	Overdue	Overdue	14.00%	98
National Woolen Mills Limited	Overdue	Overdue	14.00%	150
Nilom Shoes Limited	Overdue	Overdue	14.00%	817
Printing Corporation of Pakistan	Overdue	Overdue	14.00%	79
Progressive Tobacco Industries Limited	Overdue	Overdue	14.00%	142
Ruby Rice & General Mills Limited	Overdue	Overdue	14.00%	250
Sunshine Jute Mills Limited	Overdue	Overdue	11.00%	3,376
Sunshine Jute Mills Limited	Overdue	Overdue	14.00%	624
Tanveer Woolen Mills Limited	Overdue	Overdue	14.00%	96
Tariq Cotton Mills Limited	Overdue	Overdue	14.00%	338
Zulshan Engineering Company Limited	Overdue	Overdue	14.00%	122

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
ANNEXURE 'A' AS REFERRED IN NOTE 9.5 TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**5. Details of Investment in Participation Term Certificates**

Investee	Number of certificates	Paid up value per certificate	Total paid up value	Principal outstanding	Name of Chief Executive
		(Rupees)	(Rupees in '000)		
Ali Paper Board Industries Limited	1	1,891,000	1,891	1,891	Farooq Alam Butt
	11	125,000	1,375	1,375	
	1	127,000	127	127	
	13		3,393	3,393	
Alipur Jute Mills Limited	14	124,000	1,736	1,190	Ghulam Subhani Khan
	13	292,900	3,808	2,610	
	1	293,300	293	200	
	1	379,000	379	379	
	1	2,906,000	2,906	2,906	
	30		9,122	7,285	
American Marble Products Limited	11	149,800	1,648	1,146	Muhammad Hanif Sattar
	1	150,200	150	104	
	12		1,798	1,250	
Baluchistan Clay Products Limited	15	116,000	1,740	1,740	Jaffar Ali Sagarwalla
	1	122,500	123	122	
	1	2,000,000	2,000	2,000	
	17		3,863	3,862	
Bhawalpur Board Mills Limited	13	97,000	1,261	1,174	Ch Ali Muhammad
	1	94,000	94	87	
	1	563,000	563	563	
	15		1,918	1,824	
Dadabhoy Cement Industries Limited	16	937,500	15,000	5,366	Ch Ali Muhammad
Decola Pakistan Limited. (National Modaraba)	105	150,000	15,750	10,782	Abdul Rehman Bukhatir
	1	102,759	103	71	
	106		15,853	10,853	
Delta Tyre & Rubber Company Limited	7	194,125	1,359	1,686	Iqtedar Ahmed Chaudhry
Frontier Ceramics Limited (NWFP)	20	341,100	6,822	330	Ansarullah Khan
Gem Industries Limited	12	97,292	1,168	1,167	Muhammad Wali Imam
	1	350,000	350	350	
	13		1,518	1,517	
Jubilee Paper Boards Mills Limited	28	168,929	4,730	4,580	Shiekh Ziauddin
	1	518,000	518	518	
	1	1,662,500	1,663	1,663	
	30		6,911	6,761	
Khalil Jute Mills Limited	16	170,781	2,733	1,280	Mian Aziz-ul-Haq Qureshi
National Fructose Company Limited	10	349,700	3,497	3,291	Shakirullah Durrani
	1	2,562,500	2,563	2,563	
	11		6,060	5,854	
National Tiles and Ceramics Limited	1	1,345,000	1,345	768	Agha Tajammul Hassan
Pak Belt Industries Limited	12	66,667	800	737	Shiekh Arshad Saeed
	1	431,000	431	431	
	13		1,231	1,168	
Pak Punjab Carpets Limited	1	1,225,000	1,225	189	Khawaja Zubair Ahmed
Punjab Cables Limited	14	120,571	1,688	857	M. Raza Hussain
	1	2,976,000	2,976	2,976	
	15		4,664	3,833	
Sethi Industries Limited	14	56,929	797	797	Muhammad Saeed Sethi
	1	2,813,000	2,813	2,813	
	15		3,610	3,610	

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
ANNEXURE 'A' AS REFERRED IN NOTE 9.5 TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**6. Details of Bonds**

Investee	Terms of redemption		Rate of interest	Face value
	Principal	Interest		
Ghee Corporation of Pakistan	Annually	Half Yearly	15.00%	526,449
Heavy Mechanical Complex	At Maturity	Half Yearly	*	28,480
Pakistan Agricultural Storage & Services Corp.	At Maturity	Half Yearly	*	658,769
Pakistan Automobile Corporation	At Maturity	Half Yearly	*	651,011
Punjab Engineering Company Limited	At Maturity	Half Yearly	*	95,184
Rice Export Corporation of Pakistan	Annually	Half Yearly	15.00%	1,280,475
Rice Export Corporation of Pakistan – low yield bonds	At Maturity	Annually	14.00%	416,000
Saindak Metals Limited	Annually	Half Yearly	15.00%	1,016,805
Water and Power Development Authority	Annually	Half Yearly	9.50%	576,000

(Rupees in '000)

\* Annual weighted average of last year's rate of return on Federal Investment Bonds / Market Treasury Bills.



**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
ANNEXURE 'B' AS REFERRED IN NOTE 10.5 TO CONSOLIDATED FINANCIAL STATEMENTS**

(Rupees in '000)

S. No.	Name & address of the borrower	Name of individuals partners/directors	NIC No.	Father's/ husband's name	Outstanding liabilities at the beginning of the year				Principal written-off	Interest/ mark-up written-off	Other financial relief provided	Total
					Principal	Interest/ mark-up	Others	Total				
1	Mr. Willayat Khan	N/A	N/A	N/A	499	616	22	1,137	-	401	462	863
2	Mir Sher Ahmed Saraiab Road, Quetta	Mir Sher Ahmed	N/A	N/A	50	508	-	558	50	105	403	558
3	Mr. Muhammad Azam Dasht Zehri Goth, Tehsil Mastung Distt. Kalat	Muhammad Azam	N/A	Sher Zaman	25	542	-	567	25	86	456	567
4	Mr. Ghulam Sarwar Dasht Marow Tehsil Mastung, Distt. Kalat	Ghulam Sarwar	N/A	Ghulam Haider	40	1,025	-	1,065	40	115	910	1,065
5	M/s. Data Packages Industries. 16 KM, Jaranwala Road, Lahore.	Shaukat Ali Bhatti Khalid Nawaz Janjua Masood Ahmed	N/A	N/A	598	281	-	879	298	19	480	797
6	M/s. Hala Spinning Mills Limited 120 - E/1, Gulberg - III, Lahore.	Mian Fazal-i-Ahmed Mian Tahir Jehangir Izaz Elahi Malik Noman Elahi Malik Nageen Malik Mian Bashir Ahmed Mian Zafar Mehmood Tahira Fazal-i-Ahmed	270-18-053515 270-45-029691 270-88-066770 N/A N/A N/A N/A 270-24-069544	Mian Muhammad Mian Fazal-i-Ahmed Ejaz Elahi Malik Ejaz Elahi Malik Ejaz Elahi Malik N/A N/A W/o Fazal-i- Ahmed	2,178	2,623	-	4,801	-	-	3,605	3,605
7	M/s. Meditex International Ltd., 82-Industrial Estates, Kot Lakhpat, Lahore.	Liquidated	N/A	N/A	1,317	-	-	1,317	-	-	3,127	3,127
8	M/s. Ravi Glass Limited, 29 KM, Lahore - Sheikhpura Road, Lahore.	Shah Amjad Latif M. Pervaiz Malik Tanseer Atta Shaikh Tariq Atta Shaikh	N/A N/A N/A N/A	N/A N/A N/A N/A	1,500	627	-	2,127	-	3	771	774
9	M/s. Active Traders, S. I. E., Sialkot-4.	Muhammaad Shafique Jehangir Shahzad Tariq Mahmood	N/A N/A N/A	N/A N/A N/A	3,440	1,553	-	4,993	-	631	5,422	6,053



**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
ANNEXURE 'B' AS REFERRED IN NOTE 10.5 TO CONSOLIDATED FINANCIAL STATEMENTS**

(Rupees in '000)

S. No.	Name & address of the borrower	Name of individuals partners/directors	NIC No.	Father's/ husband's name	Outstanding liabilities at the beginning of the year				Principal written-off	Interest/ mark-up written-off	Other financial relief provided	Total
					Principal	Interest/ mark-up	Others	Total				
10	M/s. G.T.Surgicals (Pvt.) Limited, 20-21/A, S. I. E., Sialkot.	Seth Muhammad Iqbal Haji Muhammad Sharif Haji Muhammad Latif Haji Muhammad Nazir	N/A N/A N/A N/A	N/A N/A N/A N/A	13,068	6,384	-	19,452	-	1,961	20,626	22,587
11	M/s. Solv.Tech. Industries (Pvt.) Ltd. Hattar, NWFP	Ashfaq-ur-Rehman Khan Aziz-ur-Rehman Khan Muhammad Bashir	N/A	N/A	-	1,994	-	1,994	-	-	2,546	2,546
12	Mr.Ijaz Hussain Butt, House No. 3, Gali No.22, Khalsa Street, Gowalmandi, Lahore.	Ijaz Hussain Butt	275-47-315765	Ghulam Hussain Butt	440	538	-	978	440	538	-	978
13	M/s.Manzoor Brothers, Manzoor Building, 169/2, Tannery Road, Bihar Colony, Karachi.	Khawaja Manzoor Elahi Khawaja Faiz Hussain . Khawaja Ejaz Hussain Khawaja Riaz Hussain	N/A N/A N/A N/A	N/A N/A N/A N/A	38,098	-	-	38,098	11,298	-	667	11,965
14	M/s.Honest Boat Builders, 25-West Wharf, Pak Chambers, Karachi.	Muhammad Ibrahim Muhammad. Aslam Abdul Quayyum	N/A N/A N/A	Haji Moosa Muhammad Ibrahim Muhammad Ibrahim	300	925	-	1,225	-	447	266	713
15	M/s.Jan Muhammad Steel Foundry, Sheikhabad, Noor Road, Badami Bagh, Lahore.	Muhammmad Ejaz Muhammad Ilyas Muhammad Abbas	N/A N/A N/A	N/A N/A N/A	2,148	1,404	-	3,552	-	688	4,645	5,333
16	Syed Nisar Hussain Shah Chah Jamalwala, Lasoori, Shujabad, Multan.	Syed Nisar Hussain Shah	N/A	Syed Muhammad Shah	265	406	17	688	132	406	21	559
17	M/s. Muhammad Usman & Others	N/A	N/A	N/A	75	106	-	181	-	96	912	1,008
18	M/s. Flying Paper Industries Limited, 103, Fazal Road, Saint John Park, Lahore Cantt.	Momin Qamar Shaista Imran Samina Kamran Tahira Zaman Misbah Momin Abdul Ghani	N/A N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A N/A	135,075	-	-	135,075	72,857	-	29,290	102,147





**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
ANNEXURE 'B' AS REFERRED IN NOTE 10.5 TO CONSOLIDATED FINANCIAL STATEMENTS**

(Rupees in '000)

S. No.	Name & address of the borrower	Name of individuals partners/directors	NIC No.	Father's/ husband's name	Outstanding liabilities at the beginning of the year				Principal written-off	Interest/ mark-up written-off	Other financial relief provided	Total	
					Principal	Interest/ mark-up	Others	Total					
19	M/s. Flying Kraft & Paper Mills (Pvt.) Ltd., 103, Fazal Road, Saint John Park, Lahore Cantt.	Momin Qamar Shaista Imran Samina Kamran Tahira Zaman Misbah Momin Abdul Ghani	N/A N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A N/A		122,432	-	-	122,432	65,902	-	54,366	120,268
20	M/s. Poly Paper & Board Mills (Pvt) Ltd., 103, Fazal Road, Saint John Park, Lahore Cantt.	Momin Qamar Shaista Imran Samina Kamran Tahira Zaman Misbah Momin Abdul Ghani	N/A N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A N/A		15,421	-	-	15,421	7,217	-	4,793	12,010
21	M/s. Zaman Paper & Board Mills Ltd., 103, Fazal Road, Saint John Park, Lahore Cantt.	Momin Qamar Shaista Imran Samina Kamran Tahira Zaman Misbah Momin Abdul Ghani	N/A N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A N/A		135,853	-	-	135,853	22,804	-	65,483	88,287
22	M/s. Haji Peer Bux Fazal Rahim, 9th & 10th Floors, Sharjah Centre, New Challi, Karachi.	Muhammad Ibrahim Abid Ismail Nasir Ilyas Jawaid Adil	502-32-101693 510-57-407683 502-60-101695 502-63-101677	Haji Peer Bakhsh Muhammad Ibrahim N/A N/A		6,675	2,230	-	8,905	1,041	2,230	1,952	5,223
23	Mr. Abdul Sattar, House No.32-D, Nasir Colony, Korangi No.1, Karachi.	Abdul Sattar	463-92-166680	N/A		167	163	21	351	188	163	197	548
24	M/s.Gojra Summandri Sugar Mills Ltd., Chak No.226-GB, Gojra, Distt. Faisalabad.	Mian Kaiser A. Monnoo Mian Shahzada A. Monnoo Mian Jehangir A. Monnoo Mian Danish K. Monnoo Mian Shahbaz A. Monnoo Mian Kashif J. Monnoo Mian Refaat Shahzada	N/A N/A N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A N/A N/A		12,987	8,999	-	21,986	-	4,754	4,245	8,999



**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
ANNEXURE 'B' AS REFERRED IN NOTE 10.5 TO CONSOLIDATED FINANCIAL STATEMENTS**

(Rupees in '000)

S. No.	Name & address of the borrower	Name of individuals partners/directors	NIC No.	Father's/ husband's name	Outstanding liabilities at the beginning of the year				Principal written-off	Interest/mark-up written-off	Other financial relief provided	Total
					Principal	Interest/mark-up	Others	Total				
25	M/s.Shine Boards (Pvt.) Limited	Khawaja M. Awais Sadiq Khawaja Amin Sadiq Shaikh Muhammad Rizwan Amjad Ellahi	N/A N/A N/A N/A	N/A N/A N/A N/A	21,597	4,919	-	26,516	4,597	4,919	4,791	14,307
26	M/s. AIRRS Associates (Pvt.) Ltd.	A.Q. Shaukat Imran Shaukat Nusrat Shaukat Rizwan Shaukat	N/A N/A N/A N/A	N/A N/A N/A N/A	2,703	1,808	-	4,511	3	-	14,642	14,645
27	M/s. Arag Limited, Adamjee House, I.I. Chundrigar Road, Karachi.	A. Ghani Haji Habib Qasim H. Habib Usman Haji Habib Abdul Rehman Haji Habib Ahmed Haji Habib	N/A N/A N/A 42201-7801145-9 N/A	N/A N/A N/A Haji Habib N/A	1,459	711	-	2,170	673	711	-	1,384
28	M/s. M.M.Baig & Co., 9-B, Rasool Park, Muzang, Lahore.	Mirza Munawar Baig	N/A	N/A	1,265	334	-	1,599	765	122	212	1,099
29	M/s. Rehman Chohan Steel Re-Rolling Mills (Pvt.) Limited, 2-New G. T. Road, near New Ravi Bridge, Lahore.	Muhammad Akram Khan	N/A	N/A	6,572	444	-	7,016	1,572	328	8,121	10,021
30	M/s Attique Enterprises 4- Mozang Road, Lahore.	Attique - ur- Rehman	N/A	N/A	644	404	-	1,048	-	404	1,923	2,327
31	M/s. Awan Apparels (Pvt.) Limited, Street # 10/11, Model Town " B ", Faisalabad.	Zahid Aziz Awan Yasmeen Zahid Javed Aziz Awan Nighat Hameed	N/A N/A N/A N/A	Aziz -ur- Rehman Zahid Aziz Awan Aziz - ur- Rehman Abdul Hameed	335	293	-	628	50	-	494	544
32	M/s. Khokhar Dyes & Chemicals, Gali # 2, Kutchery Bazar, Faisalabad.	M. Munawar Khokhar Muhammad Akram Rashida Begum	N/A N/A N/A	Hidayat Ali Muhammad Munawar Muhammad Munawar	43	541	107	691	70	22	571	663



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(Rupees in '000)

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					Principal	Interest/ mark-up	Others	Total				
33	M/s. Khattak Edible Oils Ltd. Bannu, NWFP	Irfan Mannoo Rukhsana Mannoo Tariq Hanif Khan Mannoo	N/A N/A N/A	N/A N/A N/A	963	-	-	963	-	-	2,432	2,432
34	Mr. Irshad Ali Khan, MC 1520, Azampura, Karachi.	Irshad Ali Khan	475-56-045775	N/A	104	237	71	412	175	237	178	590
35	Mr. Ghulam Qadir Shaikh, House No. E-85, Patel Para, Gromandar, Karachi.	Ghulam Qadir Shaikh	440-47-051826	N/A	193	80	7	280	201	80	227	508
36	Mr. Faisal Ibrahim, B-3/153, Akhtar Colony, Karachi.	Faisal Ibrahim	521-90-115825	N/A	166	204	54	424	220	204	246	670
37	Mr. Naseem Javed Siddiqui, A- 175, Block D, North Nazimabad, Karachi.	Naseem Javed Siddiqui	512-91-173951	N/A	248	148	24	420	272	148	331	751
38	Mr. Akhtar Iqbal, Shaheen Colony, M.A. Jinnah Road, Karachi.	Akhtar Iqbal	449-49-113236	N/A	140	64	-	204	140	64	513	717
39	Mr. Allauddin	Allauddin	N/A	N/A	26	285	92	403	119	285	97	501
40	Mr.S.Khushnood Hassan, C-23, Block-4, Gulshan - e - Iqbal, Karachi.	S. Khushnood Hassan	518-44-306330	N/A	-	476	95	571	95	476	236	807
41	M/s. Akbar Transport Bus Service.	Muhammad Akbar Bezejo	501-56-181147	Lal Muhammad	5,953	5,817	-	11,770	2,453	3,456	13,946	19,855
42	M/s. Foundation Steel (Pvt.) Limited	Shahid Amin Ehsan Gulzar	N/A	N/A	1,780	1,103	-	2,883	1,280	-	5,258	6,538



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(Rupees in '000)

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					Principal	Interest/ mark-up	Others	Total				
43	Mr. Altaf Hussain, A-996, Gulshan-e-Hadeed No.2, Pakistan Steel, Bin Qasim , Karachi.	Altaf Hussain	433-58-239202	N/A	170	92	-	262	170	92	280	542
44	Mr. Abrar Ali	Abrar Ali	N/A	N/A	132	564	163	859	295	564	340	1,199
45	Mr. Shahid Hussain, A-15, Kalakot, Malir Colony, Karachi.	Shahid Hussain	519-88-027987	N/A	83	205	69	357	152	205	203	560
46	M/s. Muhammad Mukhtar Bhatti & Co. and Mukhtar Auto Traders	M. Mukhtar Bhatti	409-44-101415	Muhammad Hussain	300	781	-	1,081	195	155	626	976
47	M/s. Waleed Leather Industries Limited, Industrial Estates, Bahawalpur.	Shafiq A. Chahdhry Waleed A. Chaudhry Tasneem A.Choudhry Naseem S. Choudhry Kamran Bashir Javed Zia	N/A N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A N/A	2,344	1,489	-	3,833	-	-	5,543	5,543
48	M/s. Metropolitan Steel Corporation.Limited, HE-1, Landhi Industrial Area, Karachi.	Haq Nawaz Akhtar Waseem Mehdi (nominee) Abdus Saeed Khan Matiullah Khan (nominee) Nadeem Siddiqui M. Aslam Gadit (nominee) Saqib Mukhtar (nominee)	101-30-030004 502-89-051378 518-52-511435 519-90-002748 270-62-104429 516-89-369851 518-50-086936	Sardar Lal Khan Nisar hussain Abdul Majeed Khan Abdul Majeed M. Sami Siddiqui Moosa Sddiqui Dr. I. A.Mukhtar	48,845	58,698	-	107,543	21,140	-	58,698	79,838
49	M/s. Fateh Textile Mills Ltd.	Inayatullah Goharullah Masood Ahmed Khan Tanveer Asif Asadullah Humayyun Barkat	N/A N/A N/A N/A N/A	Barkatullah Inayatullah  N/A N/A N/A	107,177	3,213	-	110,390	25,177	1,813	59,753	86,743
50	M/s. National Match Factory Limited & M/s. Ali Gul Khan Packages	Sajida Masood Atif Masood Humayun Khan Abida Durrani Rahat Humayun	N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A	3,619	2,679	-	6,298	3,423	184	21,614	25,221



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(Rupees in '000)

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					Principal	Interest/ mark-up	Others	Total				
51	Mirza Ali Khan	Mirza Ali Khan	N/A	N/A	261	606	72	939	-	408	388	796
52	Mrs. Sughra, House No. 301, Block-A9, Steel Town, Karachi.	Sughra	466-89-000976	N/A	107	205	64	376	171	205	217	593
53	Mr. Ayaz-ur-Rehman, House No. A-18, Gulshan-e-Aman, Malir Halt, Karachi.	Ayaz-ur-Rehman	414-85-033166	N/A	175	208	65	448	240	208	259	707
54	Syeda Umm-e-Habiba, House No. R-123, Block-20, F.B. Area, Samanabad, Karachi.	Syeda Umm-e-Habiba	501-90-828637	N/A	-	411	71	482	71	411	169	651
55	M/s. Gulshan Carpets Industries Limited, 10, Gulberg Road, Lahore.	Malik M. Ashfaq Malik M. Ishtiaq Saima Ashfaq Sonia Ishtiaq Muhammad Saleem	N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A	10,920	-	-	10,920	1,893	-	772	2,665
56	M/s. Rainbow Exporters (Pvt.) Limited & M/s. Rainbow Continental Limited, 60,Shahrah-e-Quaid-e- Azam, Lahore.	Jameel Mehboob Magoon Sohail Mehboob Magoon Nadeem Mehboob Magoon Mehboob Elahi	N/A N/A N/A N/A	N/A N/A N/A N/A	13,534	7,628	-	21,162	7,534	2,622	22,006	32,162
57	M/s.Bisco Enterprises, 32-A, Lawrance Road, Lahore.	Sh. Muhammad Afzal Sh. Muhammad Ashraf Zubaida Begum Shafqat Ahsan	N/A N/A N/A N/A	N/A N/A N/A N/A	3,154	1,997	-	5,151	1,404	1,657	2,986	6,047
58	M/s Clevedon Air Services (Pvt) Limited, Plot No.CL-9/10/1, Dr.Ziauddin Ahmed Road, Civil Lines, Karachi.	Afzal Rashid Munawar Ali Fazal Nazim Hassan Dossani Habib A. Dossani	4200-051490-9 N/A N/A N/A	Sher Ali Rashid N/A N/A N/A	276	387	-	663	-	-	987	987



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					Principal	Interest/ mark-up	Others	Total				
59	M/s.Clevedon Enterprises, Plot No.CL-9/10/1, Dr.Ziauddin Ahmed Road, Civil Lines, Karachi.	Afzal Rashid Munawar Ali Fazal Nazim Hassan Dossani Habib A. Dossani	4200-051490-9 N/A N/A N/A	Sher Ali Rashid N/A N/A N/A	22,781	17,404	-	40,185	10,681	5,085	39,479	55,245
60	M/s Clevedon Tyre Co. (Pvt.) Limited, Plot No.CL-9/10/1, Dr. Ziauddin Ahmed Road, Civil Lines, Karachi.	Afzal Rashid Munawar Ali Fazal Nazim Hassan Dossani Habib A. Dossani	4200-051490-9 N/A N/A N/A	Sher Ali Rashid N/A N/A N/A	2,000	1,693	-	3,693	-	154	3,263	3,417
61	M/s. National Woollen & Cotton Mills, Plot No.CL-9/10/1, Dr.Ziauddin Ahmed Road, Civil Lines, Karachi.	Afzal Rashid Munawar Ali Fazal Nazim Hassan Dossani Habib A. Dossani	4200-051490-9 N/A N/A N/A	Sher Ali Rashid N/A N/A N/A	11,236	8,002	-	19,238	7,436	2,355	21,744	31,535
62	M/s. Paramount Business & Machine (Pvt.) Limited, Plot No.CL-9/10/1, Dr.Ziauddin Ahmed Road, Civil Lines, Karachi.	Afzal Rashid Munawar Ali Fazal Nazim Hassan Dossani Habib A Dossani	4200-051490-9 N/A N/A N/A	Sher Ali Rashid N/A N/A N/A	2,500	7,101	-	9,601	-	-	13,369	13,369
63	M/s.Suppliers International (Pvt.) Limited, Plot No.CL-9/10/1, Dr. Ziauddin Amed Road, Civil Lines, Karachi.	Afzal Rashid Munawar Ali Fazal Nazim Hassan Dossani Habib A. Dossani.	4200-051490-9 N/A N/A N/A	Sher Ali Rashid N/A N/A N/A	2,500	2,510	-	5,010	-	344	5,650	5,994
64	M/s.Rashid (Pvt.) Ltd., Plot No.CL-9/10/1, Dr.Ziauddin Ahmed Road, Civil Lines, Karachi.	Afzal Rashid Munawar Ali Fazal Nazim Hassan Dossani Habib A. Dossani	4200-051490-9 N/A N/A N/A	Sher Ali Rashid N/A N/A N/A	77	261	-	338	-	-	713	713
65	M/s. Progressive Engg. Associates, C.I.A. -10, Street #-9/1, Sector 16-B, North Karachi, Karachi.	S Ghulam Mohiuddin M. Manzoor Alam Saleh-un-Nisa	641-50-005958 N/A N/A	Muhammad Aleemuddin Khursheed Muhammad W/o Muhammad Aleemuddin	1,519	1,028	-	2,547	1,519	1,028	-	2,547



**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
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(Rupees in '000)

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					Principal	Interest/ mark-up	Others	Total				
66	M/s.Eastern Fishiries (Pvt.) Limited, 4/2, Rimpa Plaza, M.A. Jinnah Road, Karachi.	Zardad H. Khan Zafar Iqbal Abdul Ghafoor Muhammad Anjum Butt Tanveer-ul- Haq Butt	518-47-213445 N/A N/A N/A N/A	A.Hakim Khan A. Hakim Khan Nabi Baksh	5,500	7,028	-	12,528	-	6,262	6,507	12,769
67	M/s.Sea Star Fisheries (Pvt.) Limited, Room No. 704, Muhammadi House, I.I. Chundrigar Road, Karachi.	Zardad H. Khan Zafar Iqbal Abdul Ghafoor Muhammad Anjum Butt Tanveer-ul- Haq Butt	518-47-213445 N/A N/A N/A N/A	A.Hakim Khan A. Hakim Khan Nabi Baksh N/A N/A	4,966	4,024	-	8,990	-	4,024	5,213	9,237
68	M/s. Sky Room (Pvt.) Limited, Airport Hotel, Karachi.	Arif Majeed Wasim Bari Azim Zafar Amir Haider	N/A N/A N/A N/A	N/A N/A N/A N/A	6,510	1,928	-	8,438	1,277	1,927	-	3,204
69	M/s. Swat Cold Storage-SDA Project, Swat - NWFP.	Nominee NWFP Govt.	N/A	N/A	2,548	3,770	-	6,318	-	105	12,993	13,098
70	M/s.Sarela Cement Limited, Darwaza Kalpur, Distt. Kalat	(R) Maj. Gen. Jehanzeb Afridi Begum Qazi Issa S.G.M. Sinclair	N/A N/A N/A	N/A N/A N/A	22,520	4,835	-	27,355	1,858	-	46,768	48,626
71	M/s.MYCO Industries, Plot No.34, Sector-28, Korangi Industrial Area, Karachi.	Junaid Fakhri Babar Younus	517-57-163737 517-64-163890	Muhammad Younus Muhammad Younus	11,727	4,868	-	16,595	1,099	4,045	6,452	11,596
72	M/s Five Star knitters, Plot No. WS-11, Block-2, F. "B" Area, Karachi.	Ghulam Mustafa	502-89-740172	Ghulam Muhammad	9,234	661	-	9,895	5,734	661	7,502	13,897
73	M/s. Travel Bureau (Pvt.) Limited, 18, Avari Tower , Fatima Jinnah Road, Karachi.	Muhammad.Khalid Malik Rashida Malik Tahir Massod Malik Muhammad Anwar Malik Mumtaz Malik Fazil Malik	N/A N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A N/A	1,000	513	-	1,513	-	323	1,230	1,553



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74	M/s. Rudolf Dunhill (Pvt.) Ltd., A-37, Block 7& 8 , PECHS, Shaheed-e-Millat Road, Karachi.	Waqar Hassan Khalid Altaf Hussain Abdul Majeed Hussain	N/A N/A N/A	N/A N/A N/A	1,422	-	-	1,422	1,422	-	4,750	6,172
75	M/s. Asghar Super Coach & Bus Service.	Muhammad Asghar Bezenjo	N/A	N/A	6,192	333	-	6,525	4,392	333	5,288	10,013
76	M/s. Shahbaz Traders, Lakh Gate, Shikarpur.	Najamdin	N/A	Badaruddin	200	198	24	422	6	28	477	511
77	M/s. Ahmed Investments (Pvt.) Ltd.	Akbar Mehmood Asghar Mahmood Amina Bibi Khursheed Ahmed	517-47-068723 N/A 517-23-340016 N/A	Mian Muhammad Ahmed Mian Muhammad Ahmed Mian Muhammad Ahmed Mian Muhammad Ahmed	76,333	74,850	-	151,183	52,833	74,044	154,770	281,647
78	Mr. Farid Bux Qadri, A-28, Gulshan-e-Iqbal No.1, Karachi.	Farid Bux Qadri	N/A	Waheed Bux Qadri	1,625	2,777	-	4,402	1,625	2,777	-	4,402
79	M/s. Shaikh Gulzar Ali & Co. (Pvt.) Ltd.	Shaikh Gulzar Ali Shaikh Abid Hussain Qazi Aziz Ahmed Shaukat Siddiqui	N/A N/A N/A N/A	N/A N/A N/A N/A	5,000	3,503	-	8,503	5,000	3,503	-	8,503
80	M/s. Attique-ur-Rehman Enterprises, H. No.24, Mujahidabad, Mughalpur, Lahore.	Ali Muhammad Attiq-ur-Rehman Muhammad Bibi Iqbal Begum	269-44-191413 269-85-191415 269-26-191412 269-46-191414	Muhammad Sharif Ali Muhammad W/o Muhammad Sharif W/o Abdul Rehman	2,963	624	-	3,587	1,163	624	1,674	3,461
81	M/s Muhammad Ismail Thaukur & Sons Ltd.	Muhammad Ismail Thaukur Masud Ismail	N/A N/A	N/A M. Ismail Thaukur	1,177	-	-	1,177	1,177	-	-	1,177
82	M/s. Jumani Group of Companies (Pvt.) Ltd.	N/A	N/A	N/A	3,750	2,148	-	5,898	-	-	1,673	1,673
83	M/s. MARS Enterprises, 225-1/K, Block -2, PECHS, Karachi.	Ghulam Abbass	N/A	Ghulam Ali	2,246	443	-	2,689	646	253	2,591	3,490





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					Principal	Interest/ mark-up	Others	Total				
84	M/s. Nusrat Agencies (Pvt.) Limited	Nusrat Azeem Shaukat Azeem Sajjad Azeem Saulat Azeem Wajahat Azeem Air Marashal (R) Viqar Azeem	N/A N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A N/A	2,000	1,218	-	3,218	1,500	1,097	1,991	4,588
85	M/s Jaffery Cotton Industries, G. T. Road, Mian Channu.	Nazar Hussain Samar Hussain Nadeem Abbas Saghiran Bano	N/A N/A N/A N/A	N/A N/A N/A N/A	1,405	75	-	1,480	-	75	1,142	1,217
86	M/s.Golden Poultry Farms, Saeed Akhtar Survey No.597/2, Deh Balra, Mirpur Sakro Distt. Thatta.		N/A	N/A	1,318	1,518	-	2,836	-	1,234	4,262	5,496
87	Mian Akhtar Hussain, 35-G, Gulberg-III, Lahore.	Mian Akhtar Hussain	N/A	Mian Atta Muhammad	255	87	-	342	-	87	1,100	1,187
88	Mrs. Farida, B-121, Gulshan-e-Hadeed, Block 1, Bin Qasim, Karachi.	Farida	494-60-011812	N/A	124	168	49	341	173	168	211	552
89	M/s. Al - Azmat (Pvt.) Limited, 18-D, Manghopir Road, SITE, Karachi.	Iqbal Munir Shoab Munir Shamim Munir	N/A N/A N/A	N/A N/A N/A	3,050	61	-	3,111	127	61	3,506	3,694
90	Mr.Maqbool Khan, Room No. 40, Dilkusha Compound, Shams Colony, Karachi.	Maqbool Khan	507-89-153803	N/A	180	67	-	247	180	67	255	502
91	Mrs. Khair- un- Nisa Sheikh, Flat No. 8, Block-101, SRE III, Naval Colony, Dalmia, Karachi.	Khair-un- Nisa Sheikh	502-48-454157	N/A	121	145	46	312	167	145	220	532
92	M/s. Gul Iron Store, Empire Road, Larkana	Khadim Hussain	N/A	M. Punhal	50	270	37	357	2	81	484	567



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ANNEXURE 'B' AS REFERRED IN NOTE 10.5 TO CONSOLIDATED FINANCIAL STATEMENTS**

(Rupees in '000)

S. No.	Name & address of the borrower	Name of individuals partners/directors	NIC No.	Father's/ husband's name	Outstanding liabilities at the beginning of the year				Principal written-off	Interest/mark-up written-off	Other financial relief provided	Total
					Principal	Interest/mark-up	Others	Total				
93	M/s. Nazir Hussain Bhutto Rice Mills, Murad Wahan, Larkana	Nazir Hussain Bhutto	N/A	Abdul Aziz	150	456	26	632	19	153	940	1,112
94	M/s. Ali Ceramics Industires, 12 KM, Lahore Road, Sheikhpura.	Ch. Muhammad Shafi Najma Nasreen	N/A N/A	N/A N/A	1,174	197	2	1,373	-	-	903	903
95	M/s. Kasur Textile Mills (Pvt.) Limited, 43- KM Ferozpur Road, District, Kasur.	Sh. Masud Saleem Sh. Masud Nadeem Ch. Farhat Mehraj Sh. Muhammad Ashar	270-56-184955 270-54-296615 270-55-866769 517-85-253400	Sh. Abdul Hakim Sh. Abdul Hakim Muhammad Tajamul Muhammad Tajamul	4,505	7,131	-	11,636	1,902	4,596	6,813	13,311
96	M/s. Kakasian Packages (Pvt.) Limited, 99, Small Industrial Estates, Kot Lakhpat, Lahore.	Iftikhar-ul-Hassan Samina Iftikhar	273-46-062317 273-49-062318	N/A N/A	4,273	800	-	5,073	2,573	-	2,877	5,450
97	M/s. Fisco Press (Pvt.) Limited, Zaildar Park, Ahata Moolchand, Ichhra, Ferozpur Road, Lahore.	Zafar Mehdi Jafar Mehdi Raza Mehdi	273-86-126979 272-86-133894 275-86-030611	N/A N/A N/A	4,564	3,688	-	8,252	-	2,901	5,267	8,168
98	M/s. Jinal Textile Mills (Pvt.) Limited, Sammundri Road, Faisalabad.	Ch. Muhammad Aslam M. Saleem Choudhry Nusrat Begum Yasmeen Aslam	N/A N/A N/A N/A	N/A N/A N/A N/A	3,581	744	-	4,325	-	-	1,802	1,802
99	M/s. Mir Tilawat Ali & Others	Mir Tilawat Ali Qamaruddin Ahmed Moeenuddin Ahmed Nizamuddin Ahmed Jannat Bibi Muhammad Buksh Rashida Bano	N/A N/A N/A N/A N/A N/A N/A	Late Mir Khursheed Ali Haji Muhammad Buksh Qamarudin Ahmed Qamarudin Ahmed Qamarudin Ahmed N/A N/A	1,756	4,444	-	6,200	1,174	2,493	17,560	21,227



**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES  
ANNEXURE 'B' AS REFERRED IN NOTE 10.5 TO CONSOLIDATED FINANCIAL STATEMENTS**

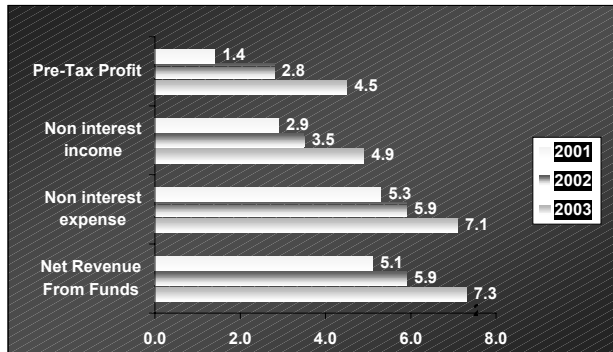
(Rupees in '000)

S. No.	Name & address of the borrower	Name of individuals partners/directors	NIC No.	Father's/ husband's name	Outstanding liabilities at the beginning of the year				Principal written-off	Interest/mark-up written-off	Other financial relief provided	Total	
					Principal	Interest/mark-up	Others	Total					
100	M/s. Silva Industries (Pvt.) Limited, Plot No.LF-34, Landhi Industrial Area, Karachi.	Akbar M. Paracha Asghar M. Paracha Ghulam Farid Paracha Afaq Ahmed	N/A N/A N/A N/A	N/A N/A N/A N/A		2,589	1,032	-	3,621	-	-	9,860	9,860
101	M/s. Ali Foundry & Engineering Works, Arbab Karam Khan Road, Quetta.	Muhammad Afzal Shah Muhammad Akbar	N/A N/A	Syed Nawab Shah Muhammad Ayub		-	757	-	757	-	-	778	778
102	Haji Saeed Abbas Shahbaz Colony, Badin	Haji Saeed Abbas	457-33-020381	Haji Saeed		756	431	-	1,187	-	380	175	555
103	Mr. Ahmed Ali Pasha, 12-A, Hussain Homes, Block - 5, Clifton, Karachi.	Ahmed Ali Pasha	N/A	N/A		147	269	-	416	416	-	163	579
104	Ch. Muhammad Saleem Sadiq, 42-B-III, Cantt. Employees Co-op. Housing Society, Model Town, Lahore.	Ch. Muhammad Saleem Sadiq	272-86-033558	Ch. Muhammad Sadiq		675	356	43	1,074	429	386	-	815
<b>TOTAL:</b>					<b>968,138</b>	<b>302,371</b>	<b>1,241</b>	<b>1,271,750</b>	<b>363,372</b>	<b>154,422</b>	<b>837,119</b>	<b>1,354,913</b>	

## DIRECTORS' REPORT TO THE MEMBERS

It gives me great pleasure to present to you the 45<sup>th</sup> Annual Report and Financial Statements of United Bank Limited for the year ended December 31, 2003. This was the first complete year as a private bank.

### STRONG FINANCIAL RESULTS WITH A PROMISING FUTURE



In 2003, the bank generated a net profit before tax of Rs 4.5 billion which represents a 63% growth from last year. Net revenue from funds (NRFF) and gain on sale of investments were the two major contributors. NRFF increased by 24% to Rs 7.3 billion, despite falling interest rates and gain on sale of investments increased by 381% to Rs 2.1 billion through realization of mark to market gains on Government and other listed securities. Although administrative expenses appear to have increased by 13% to Rs 6.6 billion, they included one offs of Rs 598 million on account of one time

charge for compensated absences and accelerated amortization of deferred cost. Excluding the above one-offs the administrative expenses increased by only 3%. Income from dealing in foreign currencies declined sharply to Rs 471 million as spreads evaporated with the strengthening of the Rupee and the absence of Rs/US\$ volatility.

As a result the profit after tax almost doubled to Rs 2.8 billion giving us the capacity to declare cash dividend of Rs 1.2 billion for the first time in decades and within the first full year of privatization.

The balance sheet further strengthened during the year, with a staggering 45% growth in Performing Advances (Rs 31 billion over last year) to Rs 100 billion, which is one of the highest growth rates amongst the large network banks. Non-performing advances, on the other hand, decreased by Rs 2 billion mainly through cash recoveries. Consequently the Bank's domestic market share of advances jumped to 8.0% at the end of the year (2002: 6.9%)

On the liabilities side, the Customer deposits and other accounts increased by 17% to Rs 190 billion, with over 25% growth from our stable savings accounts which increased to Rs 104 billion. Our field staff was instrumental in achieving this growth as they met their targets successfully.

While these are solid results taking into account tough economic conditions and reducing interest rate spread, we are highly focused on increasing revenue in 2004 in pursuing our long- term goals of a steady annual growth.

## ECONOMY AND FUTURE OUTLOOK

Pakistan's economy (GDP) continues to grow with a trajectory of over 5%, higher than anticipated while inflation remained stable at 3.5%. Although the home remittances have declined from all time highs in 2002 of US\$ 4 billion, return of savings from abroad continue to bolster the foreign exchange reserves of more than US\$ 11.5 billion. This in turn resulted in stable Rupee during the year.

While, agriculture output grew at 4.1%, the main engine of growth was large-scale manufacturing, which grew by 8.7% over the financial year. Exports accelerated to US\$11.03 billion partly due to higher quotas given by the EU in 2001 while imports rose due to higher oil prices and rising imports of machinery. The major catalyst to higher economic growth was a commendable monetary stance in the form of lower domestic interest rates. Despite the low interest rates, the global recession and local uncertainties, the credit demand lagged and liquidity continued to accumulate.

However, for Pakistan to sustain the GDP growth momentum and eventually steer back to its historical growth trajectory of 6%, substantive investment will be required largely from the private sector.

Going forward, the squeeze on spreads due to single digit interest rates is pushing the banking system to look towards non-traditional arenas such as personal loans, small business finance, mortgage loans and agriculture lending. Expansion into these new areas of business, though still in its infancy stages, will enable the banks to expand their scope of lending and customer outreach.

## ACHIEVEMENTS - OPERATIONAL PERFORMANCE

2003 was the first year of privatization, and the bank achieved major successes in having concluded the most corporate finance transactions, adding several high quality corporate customers and building a stable low cost deposit base.

### The Corporate Banking and Financial Institutions Group

Corporate Bank continued to be a key business area for the franchise, providing multi-pronged products and services to both Corporate and Financial Institution customers. CBG in pursuit of its 'house bank' strategy has been relatively successful in building up well-entrenched relationships and a strong market presence during 2003. This strategy would continue with an enhanced vigor as new Corporate Finance, Cash Management and Treasury & Capital Markets products are rolled out providing CBG the product depth it needs to build.

In 2003, the Treasury Unit was renamed "**Treasury and Capital Markets Group**" (TCM) order to reflect the wider range of activity within the group.

TCM has a strong focus on professionalism, innovativeness, execution capabilities and above all a strong client focus. At this point in time, UBL is able to compete effectively with local and international banks, in areas as diverse as fixed income sales and trading, derivatives and structured products, FX sales and trading and many other areas.

TCMs major achievements during the year were:

- **Record revenues** helped by trading income in the PKR fixed income and equity markets and became the single largest contributor to UBL's bottom line.
- Induction as a **Primary Dealer** in Government Securities. This has coincided with an increase in the trading and distribution capabilities of the group. The fixed income desk is now one of the most active market makers in the government securities market.
- Pioneers in launching **the first PKR derivative transaction** in the market, a Forward Rate Agreement with a corporate client. Since then the bank has closed several other derivative transactions.
- Establishment of the **Equities Trading Desk**. Success was immediate and financially rewarding, as the desk substantially outperformed the KSE 100 index.

**Commercial Banking** serves over 3 million active customers, through more than 1,000 branches, providing comprehensive product offerings.

In 2003, **Commercial Banking** was able to combat shrinking spreads and stiffer competition and delivered a 16% increase in total deposits, which rose to Rs 153 billion by year-end. Performing advances grew by 51%. Considerable improvement was also made in optimizing the mix of low cost to expensive deposits.

During the year the Agriculture division was segregated from the Commercial Banking business to give much greater support. We strongly believe that supervised credit at the farmers' doorstep will greatly improve productivity leading to exportable surplus. There is great appetite in this sector and controlled lending programmes will not only lead to economic growth but will also alleviate poverty and reverse urban deprivation.

The business plans a complete restructuring of the policies and procedures through segmentation of farm loans and non-farm development loans, expansion of seasonal and commodity financing.

The **Investment Banking Group ("IBG")** maintained its leadership in the sector and advised and arranged transactions totaling over Rupees 32 billion. Some of the high profile transactions were, acting as joint arranger of the largest Privately Placed Term Finance Certificate (PPTFC) of Rupees 15 billion for the national airline, and also jointly structured and arranged a Rupees 2.5 billion PPTFC for a mobile telephone company, the largest capital raising in the telecom sector thus far.

During the year IBG structured and arranged Pakistan's first listed and rated Asset Backed Securitization TFC of a mobile operator's present and future receivables worth Rupees 990 million.

IBG is now focusing on the fast emerging Technology, Media and Telecom sector to further strengthen its leadership position.

The **Overseas Operations** continued to build on the core Gulf Business of trade financing, middle tier lending and the profitable personal loans segments in the UAE, Bahrain and Qatar.

## **OUR VISION – TO BE A WORLD CLASS BANK, WHERE YOU COME FIRST**

The vision of the bank commitment to higher customers and its people as our strength, towards a fully integrated and multi product institution, that is more than just a bank – it is a financial partner to its customers.



reflects its standards for both its employees. With our we are moving

During the year, a comprehensive and far reaching review was undertaken to develop a vision and strategic plan for the bank. This has helped lay the foundation for the development of a dynamic financial institution. Some significant initiatives included:

**Corporate Image** – In August 2003, UBL launched its new corporate identity, signifying its new vision and consistent with its revamped strategy. Following this, signages were changed at branches both in and outside Pakistan depicting the Bank’s new logo.

**Working environment at the Bank** – A comprehensive program of branch renovation has been initiated and work on 5 model branches has begun. Based on the experience and analysis, fast track renovation of 40 key branches is planned for completion by December 2004. This would not only enhance the image of the bank but also provide appropriate business environment for both customers and employees.

**Call Center** – A 24 x 7 call center has been launched to improve the quality of service to the customer.

**Human Resource** – We have taken cognizance of the importance of the human resource development. Improved compensation, training and accountability at each level are being introduced to increase motivation and productivity, which in turn would lead to development of quality personnel with leadership attributes to face the challenges ahead. The management of the bank has been further strengthened through recruitment of managers with proven professional records and market credibility. They will not only provide the required leadership to the bank but also act as ‘Agents of Change’ to improve the organizational structure.

UBL plans to launch a full suite of **Consumer Finance** products in 2004, on the back of state-of-the-art systems, high caliber manpower resources and aggressive branding and marketing strategies backed up by best-in-class credit management, service center and debt collection capability. Some of the products planned for launch in the first year include a credit card backed up by VISA and a number of consumer loans, including auto loans and leasing, housing finance, personal loans, mortgages and running finance.

**ATM and Debit Card** - The Bank will shortly launch an ATM and Debit Card, seen as a key step in improving customer service. To this end, ATM machines are being sourced from a leading global

manufacturer. UBL has also signed an agreement to join 1-Link, which is an ATM sharing agreement between 15 prominent local banks.

**Internet Banking** – UBL already offers a popular website - UBOnline – to its customers. It now plans to leverage its traditional strength in information technology to offer its customers comprehensive E-banking services. These have been designed with customer requirements and convenience in mind and are expected to be another key step towards customer service and the Bank’s image.

**Infrastructure** - The bank firmly believes that a strong infrastructure is critical. Consequently, investment in technology, premises and infrastructure will continue in 2004. Best-in-class IT systems are being sourced to facilitate the launch of consumer banking and treasury products. The drive to automate branches will continue and the number of online branches is set to increase significantly in 2004. Substantial investment has been earmarked for premises improvement and the results of branch uplifting will become apparent over the next few months.

## **BUILDING AND PRESERVING TRUST**



We have a strong corporate governance structure, which enables us to manage all aspects of the bank’s business effectively through an integrated process that includes financial control, risk management and strategic planning. In 2003, in the light of guidelines on risk management by the State Bank of Pakistan, we have reinforced our risk management function. We define risk broadly, including not only credit, market and liquidity risk – the traditional corner stones for banks – but also operational risk,

including risk related to systems, processes or an external event, as well as legal, regulatory and reputation risk. Our management processes, structures and policies help us ensure compliance with laws and regulations and provide clear guidance for decision-making and accountability.

However these disciplines represent only one side of corporate governance. The other side, corporate culture which is equally important. It is the corporate culture, championed by leadership and sustained by every employee within the bank, which determines corporate ethics and provides the foundations that generate strong business performance and underpin long-term growth.

## **STATEMENT UNDER SECTION XIX OF THE CODE OF CORPORATE GOVERNANCE**

The Board is committed to ensure that requirements of corporate governance set by Securities and Exchange Commission of Pakistan are fully met. The Group has adopted good Corporate Governance practices and the directors are pleased to report that:

- The financial statements present fairly the state of affairs of the Group, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Group have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to Banks in Pakistan have been followed in the preparation of the Accounts of financial statements without any departure there-from.
- The system of internal control in the Group is sound in design, and effectively implemented and monitored.
- There is no reason whatsoever to doubt your Group’s ability to continue as a going concern.



- There has been no material departure from the best practice of Corporate Governance, in accordance with the relevant regulations.
- Your Board has appointed the following four Committees with defined terms of references.
  - Board Executive Committee
  - Board Credit Committee
  - Board Human Resources & Compensation Committee
  - Board Audit Committee
- A summary of key operating and financial data of the last ten years is annexed to the audited accounts.
- The Group operates five post retirement schemes, Pension, Gratuity, Benevolent, Provident fund and Post retirement medical. The details and asset values are given in notes 35 and 36 of the audited financial statements of 2003.

### MEETINGS OF THE BOARD

During the year under report, the Board of Directors met four times. The number of meetings attended by each director during the year is shown below:

Name	Attendance
His Highness Shaikh Nahayan Mabarak Al Nahayan, Chairman	02
Sir Mohammed Anwar Pervez, OBE, Hpk, Deputy Chairman	02
Mr. Omar Z. Al Askari, Director	04
Mr. Zameer Mohammed Choudrey, Director	04
Mr. Javed Sadiq Malik, Director	02
Mr. Muhammad Tahsin Khan Iqbal, Director	01
Mr. Ahmed Waqar, Director	03
Mr. Amar Zafar Khan, President and Chief Executive Officer	04

### PATTERN OF SHAREHOLDING

The pattern of shareholding as required u/s 236 of the Companies Ordinance, 1984 and Article (xix) of the Code of Corporate Governance is given below:

Shareholders	Number of shares	Percentage holding
State Bank of Pakistan	252,194,323	48.69
Bestway Group	132,090,000	25.50
Abu Dhabi Group	132,090,000	25.50
Government of Pakistan	1,419,447	0.27
National Bank of Pakistan, Trustee Department	70,702	0.01
State Life Insurance Corporation of Pakistan	53,262	0.01
Sui Southern Gas Company Limited	50,197	0.01
Investment Corporation of Pakistan	29,260	0.01
Metropolitan Steel Corporation	1,646	-
Privatization Commission	727	-
Pakistan Reinsurance Company Limited	435	-
Securities and Exchange Commission of Pakistan	1	-
	518,000,000	100.00

**AUDITORS**

The present auditor M/s A F Ferguson & Co Chartered Accountants retire and being eligible offer themselves for re-appointment in the forthcoming Annual General Meeting. M/s Ford Rhodes Sidat Hyder & Co Chartered Accountants retire and in pursuance to the code of corporate governance are ineligible for re-appointment, as they have completed more than five years as auditors. The Board of Directors are in the process of identifying and short listing the second joint auditor of the Bank for the year 2004 that shall be communicated to the shareholders in the forthcoming Annual General Meeting for their consideration and appointment as they deem fit in terms of section 252 of the Companies Ordinance, 1984.

**CONCLUSION**

In the year ahead, our investment in human resource and technology will keep us at the front, delivering improved customer service. The pressure on the margins and tough price competition will make it difficult to repeat the 2003 performance. But we assure all our shareholders, including the Government, our customers and our employees that with their faith in the bank and our commitment towards excellence, UBL shall become the premier institution in the country. The bank has set itself a vision to be a world-class bank. This can only be achieved with dedication and a passion to excel in every activity.

In conclusion, I extend my thanks and appreciation to UBL shareholders and customers as well as to my fellow members of the Board of Directors for their trust and support, and acknowledge the effort and dedication demonstrated by our staff members. We also express our earnest appreciation to the Government and the State Bank of Pakistan for their unfaltering support.



**Nahayan Mabarak Al Nahayan**  
Chairman

Date: February 15, 2004

**STATEMENT OF COMPLIANCES WITH THE CODE OF CORPORATE GOVERNANCE  
YEAR ENDED DECEMBER 31, 2003**

This statement is being presented to comply with the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan and made applicable by the State Bank to banks in June 2002 to the extent of applicability under Prudential Regulation XXIX and BSD Circular No. 15 dated June 13, 2002 for the purpose of establishing a framework of good governance, to manage a company in compliance with the best practices of corporate governance.

The company has adopted the Code of Corporate Governance and applied the principles contained in the Code in the following manner:

1. Except for the Chief Executive Officer, all other directors, including its Chairman and Deputy Chairman are non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The company has prepared a "Statement of Ethics and Business Practices" which was adopted by the Board of Directors in their 127<sup>th</sup> meeting and which is being circulated for signatures by all the employees of the company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by the Deputy Chairman. In case of absence of both the Chairman and Deputy Chairman a director elected by the Board for this purpose presided over the relevant meeting. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has been notified of the approval of the Board's Human Resources and Compensation Committee for the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer. Copies of the employment contracts were circulated to the Board of Directors in their 127<sup>th</sup> meeting.
10. The Board intends to arrange orientation courses for its directors, although some of its directors including the Chief Executive Officer have attended an orientation course on the Code of Corporate Governance conducted by the State Bank of Pakistan and the Institute of Bankers of Pakistan.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of 3 members, all of whom are non-executive directors including the Chairman of the Committee.
16. The meetings of the audit committee are held at least once every quarter prior to approval of interim and final results of the Bank and as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function. Personnel of the Internal Audit Department are considered suitable qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on a full time basis.

18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide services other than approved services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors



Nahayan Mabarak Al Nahayan  
Chairman

Abu Dhabi: February 15, 2004