

ALTOFEEK INVESTMENT BANK LIMITED

(Annual Report 1997)

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CORPORATE INFORMATION

CHAIRMAN

Mr. Khalid Mahmood Bhaimia
- Nominee AIBaraka Investment & Development Co, Jeddah

VICE CHAIRMAN

Mr. Osman A. Suleiman
- Nominee AlBaraka Investment & Development Co, Jeddah

CHIEF EXECUTIVE

Mr. Faisal A. Jamall
- Nominee AlBaraka Investment & Development Co, Jeddah

DIRECTORS

Mr. Yelcin Oner
- Nominee AIBaraka Investment & Development Co, Jeddah
Mr. Iftikhar Soomro
- Nominee AlBaraka Investment & Development Co, Jeddah
Mr. Shahid Ghaffar
- Nominee National Investment Trust
Dr. Morteza Gharehbaghian
- Nominee Islamic Development Bank, Jeddah

COMPANY SECRETARY

Farooq Ahmed

AUDITORS

Sidat Hyder Qamar Maqbool & Co, Chartered Accountants.

SHARE REGISTRARS

Software (Pvt) Limited
5/79 Usman Block, New Garden Town, Lahore

REGISTERED OFFICE

63- Shahrah-e-Quaid-e-Azam, Lahore

LEGAL ADVISORS

Salim & Baig Advocates

BANKERS

AlBaraka Islamic Investment Bank B.S.C.(E.C)
Allied Bank of Pakistan Limited
Faisal Bank Limited
Habib Bank Limited
Muslim Commercial Bank Limited
National Bank of Pakistan
Prime Commercial Bank Limited
Union Bank Limited
United Bank Limited

BRANCHES

- 63- Shahrah-e-Quaid-e-Azam, Lahore.
- Lakhani Centre, I.I. Chundrigar Road, Karachi.
- Hotel East Inn Building, Sheikhpura Road, Faisalabad.
- 6-A Islamia Road, Peshawar Cantt.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 7th Annual General Meeting of AlTowfeek Investment Bank Limited will be held at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore on Tuesday December 23,1997 at 3.00 P.M to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the minutes of the Extra Ordinary General Meeting of the company held on April 26,1997.
- 2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30,1997 together with the Directors' and Auditors' Reports thereon.
- 3) To appoint the auditors for the next term and to fix their remuneration.
- 4) To consider and approve the issue of Right Shares, at par, at the rate of one share for every two shares held.
5. To transact any other business with the permission of the chair.

NOTES

- (i) A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend the meeting and vote for him/her. Form of Proxy is enclosed with the annual report. Proxies in order to be effective, must be received at the registered office of the Company, at least 48 hours before the time of holding the meeting.
- (ii) The members are requested to immediately notify the change in address, if any.
- (iii) The share transfer books of the Company will remain closed from December 17, 1997 to December 23, 1997 both days inclusive.

**CHAIRMAN'S REPORT
TO THE SHAREHOLDERS**

The Directors of your Bank are pleased to present to you the financial results of the Bank for the fiscal year ended 30 June 1997.

Fiscal 1997 was a difficult year for our industry. Political uncertainty, poor economy, rapidly depreciating rupee, extreme volatility in the stock markets, numerous changes in the banking laws and banking sector have made life difficult for all of us. In many respects it was a continuation of the previous fiscal year.

Our results reflect this poor economic environment. The financial results of the Bank as of 30 June, 1997 are as follows:

	(Rs' 000)
Profit before provisions	1,948
Provisions	(31,164)

(Loss) before tax	(29, 216)
Taxation	6,365

After tax (Loss)	(22,851)
	=====

However, this is a significant improvement over the first six months of the fiscal year. Our December 1996 results showed an after tax loss of Rs. 49.8 Million. The reasons for this turnaround in the second half of the year were:

- In the last Annual Report we had advised you that there could be an upside potential to our mark to market policy on our investment portfolio. During this period we were able to realize both -

through actual disinvestment and through reduced 'provisions'. As markets improve further, we foresee further claw back of the provisions.

- Reduction in our operating expenses as a result of closure of Sialkot Branch, of the incomplete Islamabad Office and of the in house brokerage business.
- Greater focus on recovery of doubtful morabaha portfolio.
- General overall focus on business.

During the year we have further broadened our franchise. We have taken a substantial interest in Paramount Leasing Ltd. This is part of our plan to be a financial conglomerate. We are the only Group with a commercial bank, investment bank, brokerage and leasing company. In addition Dallah AlBaraka Group continues to support these businesses from abroad i-e Saudi Arabia, Bahrain and the United Kingdom. Our commitment to Islamic finance and banking is unequivocal.

Our long term customer deposits have increased from Rs. 72.3 million to Rs. 509.1 million - a 6 fold increase. It is beneficial for your Bank to have long term funds and is also consistent with the State Bank emphasis on such deposits.

Our Morabaha portfolio has declined from Rs.2.06 billion to Rs. 1.76 billion - a reduction of over 14%. This is as a result of our emphasis on risk-reward relationship, as well as continuing emphasis on relationship profitability rather than deal profitability alone. This reduction has also facilitated in our compliance of capital adequacy rule of 1: 10.

We have a long way to go in restructuring and positioning your Bank as a premier Islamic Investment Bank in the market place. We need:

- A new Chief Executive Officer (CEO) who could lead the bank. Since July 1997, we have no CEO. In the interim, Mr. Faisal. A. Jamall - Assistant General Manager of our Karachi Branch is acting as CEO.

- To increase our capital. Due to strict compliance with State Bank of Pakistan (SBP) rules and our prudent policies, current net worth has been depleted. Furthermore, current capital will not allow us to grow - since we are at I : 10 capital adequacy ratio, allowed by the SBP. We are, therefore, proposing for your approval a capital injection of Rs. 155 million. We recognize that based on our recent performance and current unstable market conditions, it is a challenge to raise new capital but we are looking forward to your continuing commitment and support to your Bank.

- To introduce truly Islamic products both on asset and liability side. We have begun this process by seeking guidance from Maulana Taqi Usmani, one of Dallah Albaraka Group's International Sharia Advisors, as well as Mr. Yelcin Oner, your Director, who pioneered Islamic Banking in Turkey.

- To further change current practices, procedures and current business focus.

We have had the following changes in the Board during the year:

. Mr. S.M.Siddiqui, of National Investment Trust (NIT) was replaced by Mr. Shahid Ghaffar as the new Director.

. Dr. Omar Zohair Hafez of Islamic Development Bank (IDB) was replaced by Dr. Morteza Gharehbaghian as the new Director.

. Mr. Salman All Shaikh resigned as the CEO/Director. In his place Mr. Faisal. A.Jamall, acting CEO, has been co-opted as the new Director.

We thank the departing Directors for their contributions and look forward to the new Directors to lead your Bank and help achieve the objectives.

We continue to foresee volatile and unstable markets. It is critical that we remain conservative and prudent. Furthermore, we must learn from our past experiences and remain focused.

On behalf of the Shareholders and the Board, we thank the staff for their dedication and hard work put in during the year. We also thank State Bank of Pakistan for their guidance and are most thankful to our customers for continuing to direct their business to your Bank.

We look forward to your continuing support especially in increasing the capital, at the next Annual General Meeting.

**PATTERN OF SHARE HOLDING
AS ON JUNE 30, 1997**

From	TO	NO. OF SHAREHOLDERS	TOTAL SHARES HELD
1	100	93	9,300
101	500	976	446,700
501	1000	1,268	1,240,200
1001	5000	487	1,214,300
5001	10000	67	531,300
10001	15000	15	198,500
15001	20000	11	197,700
20001	25000	14	335,800
25001	30000	5	135,200
30001	35000	2	64,100
35001	40000	2	80,000
40001	45000	1	40,400
45001	50000	3	147,800
85001	90000	1	86,100
120001	125000	1	120,800
125001	130000	2	257,800
145001	150000	1	150,000
180001	185000	1	185,000
215001	220000	1	216,600
245001	250000	1	250,000
315001	320000	1	318,300
1465001	1470000	1	1,466,900
1545001	1550000	1	1,550,000
3155001	3160000	1	3,157,200
8595001	8600000	1	18,600,000
		-----	-----
		2,957	31,000,000
		=====	=====

SHARE HOLDERS	NO. OF SHARE HOLDERS	TOTAL SHARES HELD	PERCENTAGE
1. Individuals	2,905	4,530,000	14.62
2. Financial Institutions	4	59,200	0.19
3. Public Limited Companies	6	270,500	0.87
4. Private Limited Companies	6	270,900	0.87
5. Banking/Investment Companies	17	25,428,000	82.03
6. Insurance Companies	5	192,100	0.62
7. Modarabas	11	225,900	0.73
8. Leasing Companies	2	22,400	0.07
9. Proprietor/Partnership	1	1,000	0.00
		-----	-----
		2,957	31,000,000
		=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ALTOWFEEK INVESTMENT BANK LIMITED as at 30 June, 1997 and the related profit and loss account and statement of sources and application of funds, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the period was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of sources and application of funds, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at and 30 June, 1997 and of the loss and the changes in sources and application of funds, for the year then ended;

d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

SIDAT HYDER QAMAR MAQBOOL & CO.

Chartered Accountant

Lahore: November 29, 1997

BALANCE SHEET AS AT JUNE 30, 1997

	Note	Rupees' 000 1997	1996
SHARE CAPITAL, RESERVES AND LIABILITIES			
SHARE CAPITAL			
Authorised capital:			
100,000,000 ordinary shares of Rs. 10/- each		1,000,000	1,000,000
		=====	=====
Issued, subscribed and paid-up capital:			
31,000,000 ordinary shares of Rs. 10/- each			
fully paid up in cash		310,000	310,000
RESERVES			
Statutory reserve	4	25,826	25,826
Accumulated (Loss)		(53,485)	(30,634)
		-----	-----
		(27,659)	(4,808)
SHAREHOLDERS' EQUITY			
		282,341	305,192
CUSTOMER DEPOSITS- DUE AFTER ONE YEAR			
	5	509,101	72,345
CURRENT LIABILITIES			
Customer deposits - due within one year	5	1,866,402	2,474,212
Accrued and other liabilities	6	173,420	147,233
Unclaimed dividend		250	558
Provision for taxation		2,000	12,000
		-----	-----
		2,042,072	2,634,003
COMMITMENTS AND CONTINGENT LIABILITIES			
	7	-----	-----
		2,833,514	3,011,540
		=====	=====
The annexed notes form an integral part of these accounts			
ASSETS			
CURRENT ASSETS			
Cash and bank balances	8	148,054	331,124
Short term placements		110,000	70,000
Advances, deposits, prepayments and other receivables	9	209,117	230,698
Investments	10	387,129	280,426
Morabaha finance	11	1,759,404	2,056,634
		-----	-----
		2,613,704	2,968,882

LONG TERM INVESTMENTS	12	170,937	2,500
LONG TERM SECURITY DEPOSITS	13	4,801	5,198
DEFERRED TAX ASSET		31,387	23,022
TANGIBLE FIXED ASSETS	14	12,685	11,938
		-----	-----
		2,833,514	3,011,540
		=====	=====

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

		Rupees' 000	
		1997	1996
	Note	(12 months)	(18 months)
INCOME			
Profit on morabaha finance		306,804	469,898
Profit on bank deposits		39,442	54,608
Non fund based income		11,965	30,428
Dividend income		14,920	9,206
Profit/(Loss) from investments	15	14,796	(76,441)
Profit on disposal of fixed assets	16	348	285
		-----	-----
		388,275	487,984
		=====	=====
EXPENDITURE			
Return on deposits		347,931	473,468
Operating expenses	17	38,396	55,315
		-----	-----
		386,327	528,783
OPERATING PROFIT (LOSS) BEFORE PROVISIONS		1,948	(40,799)
PROVISIONS			
Doubtful morabaha financing		26,105	29,859
Doubtful receivables		5,059	4,090
		-----	-----
		31,164	33,949
LOSS BEFORE TAXATION		(29,216)	(74,748)
TAXATION			
Current		(2,000)	(12,000)
Deferred		8,365	23,022
		-----	-----
		6,365	11,022
(LOSS) FOR THE YEAR / PERIOD AFTER TAX		(22,851)	(63,726)
(LOSS)/PROFIT BROUGHT FORWARD		(30,634)	33,092
		-----	-----
ACCUMULATED (LOSS) CARRIED FORWARD		(53,485)	(30,634)
		=====	=====

The annexed notes form an integral part of these accounts.

STATEMENT OF SOURCES AND APPLICATION OF FUNDS
FOR THE YEAR ENDED JUNE 30, 1997

	Rupees' 000	
	1997	1996
	12 months	18 months
CASH FLOW FROM OPERATING ACTIVITIES		
Loss after taxation	(22,851)	(63,726)
Adjustments for items not involving the movement of funds		
(Gain) on disposal of fixed assets	(348)	(285)
(Gain) / Loss on investments	(14,796)	76,441
Provisions for doubtful advances and receivables	31,164	33,949

Provisions for deferred tax	(8,365)	(23,022)
Depreciation	2,362	2,544
	-----	-----
	10,017	89,627
	-----	-----
FUNDS (ABSORBED BY)/GENERATED FROM OPERATIONS	(12,834)	25,901
WORKING CAPITAL ADJUSTMENTS:		
Decrease in term finance	2,711,251	9,447
(Increase)/Decrease in receivables, prepayments & deposits	16,521	(82,570)
Increase in accounts payable	26,187	33,849
Decrease in current taxation	(10,000)	(8,536)
Increase/(Decrease) in customer deposits	(171,054)	288,756
	-----	-----
	132,779	240,946
Dividend paid	(308)	(45,942)
	-----	-----
	132,471	195,004
NET CASH FLOW FROM OPERATING ACTIVITIES	119,637	220,905
CASH FLOW FROM INVESTING ACTIVITIES		
(Increase)/Decrease in security deposits	397	(514)
Additions to fixed assets	(4,687)	(6,056)
Sale proceeds of fixed assets	1,926	856
(Increase)/Decrease in long term investments	(168,437)	10,,134
(Increase) in short term investments	(91,906)	(80,720)
	-----	-----
NET CASH APPLIED ON INVESTING ACTIVITIES	(262,707)	(76,300)
	-----	-----
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(143,070)	144,605
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	401,124	256,519
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF YEAR	258,054	401,124
	=====	=====

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 1997

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

AlTowfeek Investment Bank Limited is a Public Limited Company incorporated in Pakistan under the Companies Ordinance, 1984. The Company is quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The Company has been registered as an "Investment Bank" to carry on investment finance business in accordance with the objects and functions contained in SRO 585(1)/87 dated July 13, 1987 and further in accordance with the principles of Islamic Banking.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting Convention**

These accounts have been prepared under the historical cost convention.

2.2 Tangible Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income using the straight line method over the expected useful lives of the assets.

A half year's depreciation is charged on additions made in the second half of the year and deletions in the first half, while a full year's depreciation is charged on assets deleted during the second half of the year.

Normal repairs and maintenance and gains or losses on disposal of fixed assets are taken to the Profit and Loss Account. Major renewals and improvements are capitalised.

2.3 Investments

Long term quoted and unquoted investments are stated at cost. Provision for diminution in value is made only if considered permanent.

Short term quoted investments are carried at market value.

Quoted investments purchased under resale arrangements are included under short term investments until resale. Profits and losses are recognised on a time proportion basis.

2.4 Provision for Taxation

Provision for. current taxation is based upon taxable income at current rates of tax and applicable rules and regulations currently in force.

The company accounts for deferred taxation using the liability method on major timing differences.

2.5 Revenue Recognition

Return on finance provided and placements with banks and financial institutions is recognised on a time proportion basis.

Dividend income is recognised if declared on or before the balance sheet date.

Fees and commissions are taken to income on an actual receipts basis except guarantee commission received in advance which is taken to income on a straight line basis over the period of guarantee.

2.6 Foreign Currencies

Assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing on the balance sheet date. Foreign currency deposit liabilities subject to forward exchange cover are translated at rates prevailing on dates when these deposits were received. Forward cover fee is amortised over the period of the forward contract.

Other foreign currency transactions are translated at rates prevailing on the date of the transactions.

Exchange differences are taken to income.

2.7 Retirement Benefits

The company operates a contributory provident fund scheme covering all regular employees. Equal monthly contributions are made to the fund by the company and employees.

2.8 Provision for Doubtful Financing

The Company provides for doubtful term financing in accordance with NBFIs Rules issued by the State Bank of Pakistan as applicable to non-banking financial institutions.

3. RESERVE FOR CONTINGENCIES

	June 30, 1997 Rs '000	June 30, 1996 Rs '000
Opening Balance	--	30,000
Add: Appropriation	--	--
	-----	-----
	--	30,000
Less: Adjustment against provision for doubtful advances	--	(30,000)
	-----	-----
	--	--
	=====	=====

This reserve was created to meet any future losses from doubtful morabaha financing and was transferred to provisions for doubtful advances in the period ended June 30, 1996.

June 30, 1997	June 30, 1996
------------------	------------------

	Rs'000	Rs'000
4. STATUTORY RESERVE		
Opening Balance	25,826	25,826
Transfer for the Period	--	--
	-----	-----
	25,826	25,826
	=====	=====

20% of after tax profits are appropriated to this reserve in compliance with NBFBI Circular No. 1 of December 5, 1991 from the State Bank of Pakistan.

5. CUSTOMER DEPOSITS

Due after one year	509,101	72,345
Due within one year	1,866,402	2,474,212
	-----	-----
	2,375,503	2,546,557
	=====	=====

These can be reclassified as under:

Deposits from banks and financial institutions	1,433,011	1,517,371
Deposits from corporate and other clients	942,492	1,029,186
	-----	-----
	2,375,503	2,546,557
	=====	=====

Certificates of Deposit issued by the Company range in maturity from 30 days to 5 years and offer expected returns on a profit/loss sharing basis ranging from 12.5% to 17% (1996:11% to 18.25%) per annum for Pak. Rupees and 3.5% to 8% 1996:3.5 % to 7.5 %) per annum for various foreign currencies.

Included in the above are foreign currency deposits equivalent to Rs. 647.1 Million (1996 - Rs. 584.91 Million) and Rupee deposits of Rs. 85 Million (1996 - Rs. 203.5 Million) mobilised from various companies of the Dallah Albaraka Group.

Funds received from customers under portfolio management mandates and invested on the customer's authority in Morabaha financing without any liability on the part of the Bank are excluded from balances shown above. Underlying assets and profit applicable for the period on funds under portfolio management are excluded from these accounts. Outstanding funds under portfolio management as at June 30, 1997 were Rs 325.9 Million (June 30, 1996 Rs 407.6 Million). The current basis of accounting and presentation is in accordance with generally accepted practice for investment banks offering portfolio management services. Corresponding figures for the period ended June 30, 1996 have been restated to conform with the current period's presentation.

	June 30, 1997 Rs'000	June 30, 1996 Rs'000
6. ACCRUED AND OTHER LIABILITIES		
Margin deposits	32,071	26,705
Accrued expenses and other liabilities	31,977	37,856
Accrued return on deposits	97,214	69,753
Excise duty payable	10,811	8,198
Withholding taxes payable	355	876
Cheques awaiting clearance	925	1,067
Share transaction accounts	67	2,778
	-----	-----
	173,420	147,233
	=====	=====

7. COMMITMENTS AND CONTINGENT LIABILITIES.

7.1 Commitments for lease payments in respect of vehicles under various lease agreements were as follows:-

	Rs'000
	1998-99
	1997-98

Atlas Lease Limited	848	25
Pacific Leasing Company Limited	273	68
	-----	-----
	1,121	93
	=====	=====

7.2 Contingent liabilities were as follows:-

	June 30, 1997 Rs'000	June 30, 1996 Rs'000
Acceptances	28,451	61,175
Letters of credit	80,526	54,748
Guarantees	69,192	177,667
Public issue of shams underwritten	30,000	25,000
Forward sale/repurchase agreements	330,506	33,611
	-----	-----
	538,675	352,201
	=====	=====

7.3 Taxation

The Company has used income tax rates applicable to public limited companies (other than banking companies) in its returns filed since inception. The Tax Department has levied income tax rates applicable to banking companies against which the Company has appealed.

No provision has been made in these accounts to reflect the additional tax liability, in case the Company is assessed as a banking company. If the rates applied by the Income Tax Department are accepted by the Income Tax Appellate Tribunal, additional tax liability is estimated at Rs. 2.818 million for the completed assessments of 1990 and 1991 and Rs. 16.79 million for years ended 1992 and 1993. Tax returns for the year 1994, six months ended June 30, 1995 and year ended June 30, 1996 have been filed and decision awaited.

	June 30, 1997 Rs'000	June 30, 1996 Rs'000
--	----------------------------	----------------------------

8. CASH AND BANK BALANCES

With banks:

- Current accounts	31,443	285,389
- PLS deposits	115,636	44,606
	-----	-----
	147,079	329,995
Cheques in clearing	925	1,067
Cash in hand	50	62
	-----	-----
	148,054	331,124
	=====	=====

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Accrued Return on:

- Morabaha finance	123,570	88,223
- Deposits with banks	5,595	12,540
- Investments		8,081
Excise duty receivable	8,275	2,125
Advances - considered good (Note 9.1)	2,856	3,118
Prepayments	2,762	2,741
Due from brokers and clients - (considered good)	4,137	8,790
- (considered doubtful)	7,749	4,090
Forward cover fee	23,096	39,718
Advance tax	36,161	38,147
Other receivables	2,665	27,215
	-----	-----
	216,866	234,788
Provision for doubtful receivables	(7,749)	(4,090)
	-----	-----
	209,117	230,698
	=====	=====

9.1 Includes advance to an executive, subsequently appointed Chief Executive, representing secured house building advance as per service rules and is recoverable in equal monthly instalments.

The maximum outstanding balance during the period was Rs. 2.87 million (1996 - Rs. 2.9 Million). This was also the maximum outstanding balance at the end of any month during the year.

10. INVESTMENTS

Quoted:

- Ordinary shares of joint stock

Companies	(Note 10.1)	339,876	289,406
- Modaraba certificates	(Note 10.2)	17,234	21,424
		-----	-----
		357,110	310,830
NIT Units	(Note 10.3)	45,102	93,613
		-----	-----
		402,212	404,443
Less: Provision for diminution in value		(15,083)	(124,017)
		-----	-----
		387,129	280,426
		-----	-----

10.1 Ordinary Shares of Joint Stock Companies of Rs. 10 each (fully paid)

Name of Company	1997		(R s' 0 0 0)		
	No. of Shares	Cost	Market Value	Cost	Market Value
ICI Pakistan Ltd.	19,397,519	213,373	237,925	1,260	848
Askari Commercial Bank Ltd.	559,260	20,790	15,519	37,775	24,488
Fauji Jordan Fertilizer Co. Ltd.	685,000	10,549	10,549	--	--
Legler Nafees Denim Mills Ltd.	500,000	10,500	10,500	--	--
Dawood Leasing Co. Ltd.	1,500,000	10,500	10,500	--	--
Pakistan Telecommunication Co. Ltd.	222,000	9,106	6,804	9,961	9,105
Sazgar Engineering Works Ltd.	904,000	9,040	5,876	9,040	9,040
Spencer & Company Ltd.	36,700	5,389	5,767	--	--
Shell Pakistan Ltd.	21,605	3,391	5,077	6,752	6,995
Sana Industries Ltd.	66,800	6,261	5,010	10,244	10,046
KASB Premier Fund	772,500	7,725	2,781	9,800	4,802
Emco Industries Ltd.	175,000	4,463	2,625	5,100	4,500
Pakistan State Oils Ltd.	5,835	1,231	1,899	5,472	9,800
Crescent Textile Mills Ltd.	114,901	3,927	1,804	3,947	1,576
American Life Insurance Co. Ltd.	92,000	4,422	1,799	4,669	3,290
Ravi Textile Mills Ltd.	863,000	3,021	1,683	3,143	2,245
Confidence Mutual Fund	216,650	2,166	1,571	2,166	1,648
Gulistan Textile Mills Ltd.	30,308	2,970	1,209	3,232	2,335
Crown Textile Mills Ltd.	445,155	4,336	824	4,335	668
Lucky Cement Company Ltd.	100,000	223	790	2,314	1,500
Engro Chemicals Ltd.	5,232	636	748	3,179	3,348
Tri Pak Films Ltd.	63,500	1,569	572	1,909	826
23rd ICP Mutual Fund	141,900	1,419	497	1,979	891
Crescent Steel & Allied Products Ltd.	16,540	822	472	1,479	1,288
LTV Redeemable Capital Certificates	3,737	336	351	355	374
EFU Life Assurance Company Ltd.	20,000	388	195	388	240
Saif Textile Mills Ltd.	11,000	419	173	419	151
Standard Chartered					
Mercantile Leasing Ltd.	8,733	350	154	534	258
Pak Suzuki Motors Ltd.	1,000	46	50	819	830
Pakistan Oil Fields Ltd.	675	43	49	503	378
Crescent Investment Bank Ltd.	1,500	50	22	2,602	1,329
P.I.C.I.C.	1,700	114	16	1,800	214
Essa Cement Industries Ltd.	1,265	106	13	6,571	898
Shadman Cotton Mills Ltd.	1,255	32	13	612	224
Gharibwal Cement Ltd.	500	36	12	43	17
Millat Tractors Ltd.	200	16	7	770	795
Adamjee Insurance Company Ltd.	75	8	7	484	569
Sitara Chemical Industries Ltd.	155	14	6	6,113	3,487

Pakistan Industrial Leasing Corporation Ltd.	400	17	5	2,301	796
Trust Leasing Ltd.	776	14	5	335	129
Umer Fabrics Ltd.	385	6	5	266	112
Nishat (Chunian) Ltd.	300	4	4	4	2
Searle Pakistan Ltd.	108	8	3	1,202	499
National Development Leasing Corporation Ltd.	375	12	3	890	396
24th ICP Mutual Fund	400	4	2	2,494	1,434
Faysal Bank Ltd.	50	1	1	836	716
D.G. Khan Cement Ltd.	50	2	1	2,089	680
Elahi Electric Company Ltd.	200	20	1	1,474	633
Prosperity Weaving Mills Ltd.	--	--	--	16,000	17,480
Javed Omar Vohra & Co. Ltd.	--	--	--	39,672	9,000
First Capital Mutual Fund	--	--	--	9,482	6,180
First Capital Securities Corp. Ltd.	--	--	--	8,870	3,943
Nestle Milk Pak Ltd.	--	--	--	3,477	3,639
Karachi Electric Supply Corp. Ltd.	--	--	--	2,595	2,591
Fazal Textile Mills Ltd.	--	--	--	4,699	1,986
Genertech Pakistan Ltd.	--	--	--	3,638	1,944
Kohinoor Genertek Ltd.	--	--	--	5,140	1,900
Paramount Leasing Ltd.	--	--	--	2,500	1,750
Cherat Cement Ltd.	--	--	--	1,844	1,705
Ibrahim Leasing Ltd.	--	--	--	5,000	1,600
Hub Power Company Ltd.	--	--	--	1,257	1,372
Al-Faisal Investment Bank Ltd.	--	--	--	3,544	950
Indus Motor Company Ltd.	--	--	--	1,660	823
Sui Southern Gas Company Ltd.	--	--	--	818	768
Pacific Leasing Company Ltd.	--	--	--	1,457	638
Capital Asset Leasing Corporation Ltd.	--	--	--	1,202	558
Quetta Textile Mills Ltd.	--	--	--	388	475
Pioneer Cement Ltd.	--	--	--	2,376	413
Askari Leasing Corporation Ltd.	--	--	--	432	415
Asian Stocks Fund	--	--	--	1,000	400
Pak Synthetics Ltd.	--	--	--	1,381	399
The Bank of Punjab Ltd.	--	--	--	714	365
Dewan Salman Fibres Ltd.	--	--	--	455	320
Gadoon Textile Mills Ltd.	--	--	--	543	307
First Leasing Corporation Ltd.	--	--	--	361	275
Fidelity Investment Bank Ltd.	10	--	--	1,695	270
Sapphire Fibre Ltd.	--	--	--	350	255
The Star Shipping Lines Ltd.	--	--	--	383	180
Gulshan Spinning Mills Ltd.	--	--	--	439	173
Mandviwala Mauser Ltd.	--	--	--	397	169
Idrees Textile Mills Ltd.	--	--	--	1,084	167
Ibrahim Energy Ltd.	--	--	--	726	159
Fauji Fertilizer Company Ltd.	--	--	--	124	147
Dhan Fibres Ltd.	--	--	--	226	126
Faisal Spinning Mills Ltd.	--	--	--	165	106
Soneri Bank Ltd.	--	--	--	126	84
ICP State Enterprises Mutual Fund	--	--	--	84	74
First Int'l Investment Bank Ltd.	40	1	--	180	69
Crescent Leasing Company Ltd.	--	--	--	125	69
Ghazi Fabrics Ltd.	--	--	--	350	63
Chashma Sugar Mills Ltd.	--	--	--	125	57
Shakarganj Mills Ltd.	--	--	--	95	45
Golden Arrow Selected Stocks Fund**	--	--	--	184	28
J.A. Textile Mills Ltd.	--	--	--	220	25
Mohib Exports Ltd.	--	--	--	79	11
Orix Leasing Ltd.	--	--	--	11	9
Nishat Mills Ltd.	--	--	--	12	6
Tri Star Mutual Fund	--	--	--	33	5
Suzuki Motorcycles Pakistan Ltd.	--	--	--	28	3
	339,876	333,899	289,406	178,896	
	=====	=====	=====	=====	

** Shares of Rs. 5/- each

10.2 Modaraba Certificates of Rs. 10 each.

Name of Company	1997			Rupees in Thousands 1996	
	No. of Shares	Cost	Market Value	Cost	Market Value
First Alnoor Modaraba	784,400	7,419	5,883	7,419	3,334
First Confidence Modaraba	476,630	9,497	1,883	8,563	2,383
Financial Link Modaraba	28,000	283	56	505	45
LTV Capital Modaraba **	5,000	23	19	984	488
First Hajveri Modaraba	489	4	2	357	201
Modaraba al Mall	500	2	2		
First Crescent Modaraba	250	4	1	604	83
First B.F. Modaraba	500	2	1	7	4
First Islamic Modaraba	--	--	--	2,235	1,229
Unicap Modaraba	--	--	--	480	60
First BRR Capital Modaraba	--	--	--	221	53
First Professional Modaraba	--	--	--	15	15
First Pak Modaraba	--	--	--	9	11
First Punjab Modaraba	--	--	--	25	11
		17,234	7,799	21,424	7,917
10.3 NIT Units	3,253,841	45,102	45,431	93,613	93,613

** Certificates of Rs. 5/- each.

June 30, 1997	June 30, 1996
Rs'000	Rs'000

11. MORABAHA FINANCE

- Morabaha Finance	1,845,368	2,116,493
Provision against doubtful financing	(85,964)	(59,859)
	1,759,404	2,056,634

These are facilities to corporate and other customers and repayable within one year. Provision for doubtful accounts has been computed in accordance with prudential regulations issued by State Bank of Pakistan. Morabaha finance facilities are principally secured by hypothecation of or charge on assets of customers, mortgage of property of customers, lien over bank deposits, bank guarantees and pledge of shares of listed companies. These advances do not include any financing to Directors, Chief Executive, other Executives or associated companies.

12. LONG TERM INVESTMENTS

Name of Company	1997		1996	
	No. of Shares	Cost Rs'000	No. of Shares	Cost Rs'001
Quoted: (Ordinary shares of Rs. 10 each)				
Jahangir Siddiqui & Co.Ltd. Chief Executive: Mr. Jahangir Siddiqui Equity hold 23.40%	2,339,611	92,660	--	--
Paramount Leasing Limited Chief Executive: Mr. Itrat H. Rizvi Equity held 13.54% (Market Value Rs 137.3 Million)	6,884,900	70,777	--	--
		163,437		--
Unquoted: (Ordinary shares of Rs. 10 each)				
First Capital Investment (Private) Ltd., (Chief Executive: Mr. Salman Taseer)	250,000	2,500	250,000	2,500
Information System Associates (Private) Ltd. (Chief Executive: Mr. Samiullah Bajwa)	500,000	5,000	--	--
(Valuation Rs7.4 Million)		7,500		2,500

-----	-----
170,937	2,500
=====	=====

13. LONG TERM SECURITY DEPOSITS

	June 30, 1997 Rs '000	June 30, 1996 Rs '000
Lahore Stock Exchange Membership (Seat)	4,000	4,000
Lahore Stock Exchange office	271	271
Deposit against leased assets	142	427
Telephone and other security deposits	388	500
	-----	-----
	4,801	5,198
	=====	=====

14. TANGIBLE FIXED ASSETS

	Rs '000				Total
	Office Equipment	Furniture & Fixtures	Motor Vehicles	Leasehold Improvements	
Cost at 1.07.96	4,747	3,820	2,168	5,436	16,171
Additions	515	486	3,520	166	4,687
Disposals	(303)	(552)	(1436)	(649)	(2,940)
	-----	-----	-----	-----	-----
6/30/1997	4,959	3,754	4,252	4,953	17,918
	=====	=====	=====	=====	=====
Depreciation:					
Rate % (Straight Line)	10%	10%	10%	20%	
	-----	-----	-----	-----	-----
At 1.07.96	1,283	959	1,029	962	4,233
Charge for year	533	422	868	549	2,362
On disposals	(77)	(198)	(827)	(260)	(1362)
	-----	-----	-----	-----	-----
6/30/1997	1,729	1,183	1,070	1,251	5,233
	=====	=====	=====	=====	=====
Net Book Value 30.06.97	3,230	2,571	3,182	3,702	12,685
Net Book Value 30.06.96	3,464	2,861	1,139	4,474	11,938

June 30, 1997 Rs '000	June 30, 1996 Rs '000
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15. PROFIT / (LOSS) ON INVESTMENTS

(Loss)/Profit on sale of investments	(94,137)	47,576
Mark to market valuation adjustment	108,933	(124,017)
	-----	-----
	14,796	(76,441)
	=====	=====

16. DISPOSAL OF FIXED ASSETS

Asset	Cost	Book Value	Sale Proceeds	Mode of Disposal	Sold To
Cash box & safe	20	1	5	Negotiation	Sagheer Ahmed, Lahore Cantt.
Photocopier	78	43	25	Negotiation	Sagheer Ahmed, Lahore Cantt.
Telephone PABX	60	30	25	Negotiation	46 Field Regiment, Sialkot
Personal computer	8	7	6	Negotiation	Sajjad Ahmed, Sialkot
Photocopier	82	64	30	Negotiation	Jaffar Bros., Lahore
Furniture, fixtures & equipment	102	52	44	Negotiation	46 Field Regiment, Sialkot
Airconditioners	122	64	68	Negotiation	46 Field Regiment, Sialkot
Fans	2	1	2	Negotiation	Ghulam Qadir, Distt. Khushab
Water filter	5	4	3	Negotiation	Shafiq Ahmed, Sialkot
Furniture & fixtures	23	14	14	As per Policy	Agha Zafar All, Ex-employee
Furniture & fixtures	96	72	72	As per Policy	Waheed Alavi, Ex-employee
Furniture & fixture	79	68	68	As per Policy	Waseem Ali Ex-employee

Furniture & fixtures	30	25	25	As per Policy	Beena Nomani Ex-employee
Suzuki Khyber	313	31	190	Negotiation	Shuja Satwar, Sialkot
Yamaha motorcycle	35	4	22	Competitive Building	Zahid Hussain, Ex-employee
Suzuki Khyber	280	140	140	Part of settlement	Abu Bakar Ex-employee
Daihatsu Charade	223	178	223	Bid from employees	Masud Wahedna Ex-employee
Suzuki Mehran	150	120	150	Bid from employees	Beena Nomani Ex-employee
Toyota Corolla	61	61	432	Negotiation	Car Provider, PECHS, Karachi
Suzuki Margalla	374	75	277	Negotiation	Abdul Majeed, Queens Rd., Lahore
Leasehold improvements	649	389	105	Negotiation	Emirates Bank Ltd. Sialkot
Furniture & fixtures	90	81	--	Written off	Scrapped
Mobile phone	28	22	--	Written off	Stolen
Mobile phone	27	19	--	Written off	Stolen
Voltage stabilizer	3	3	--	Written off	Scrapped
	-----	-----	-----		
Total	2,940	1,578	1,926		
	=====	=====	=====		

	June 30,	June 30,
	1997	1996
	Rs'000	Rs'000

17. ADMINISTRATIVE AND OPERATING EXPENSES

Staff Related:

Salaries and other benefits	12,866	17,014
Lease rentals and costs	2,755	5,194
Travelling and conveyance	3,720	3,836
Repairs and maintenance	550	1,051
Entertainment	267	521
Insurances	718	368

Premises Related:

Rent, rates and taxes	3,695	4,201
Repairs and maintenance	785	1,338
Insurances	2	806
Security services	606	695

Other Operating Expenses:

Telephone and telex	2,921	4,125
Fines and penalties	--	2,127
Bank charges	253	914
Printing and stationary	1,231	2,795
Consultancy charges	256	614
Auditors' remuneration (Note 17.1)	100	600
Courier and postage	231	356
Subscriptions and fees	151	300
Depreciation	2,362	2,544
Utilities	2,097	1,927
Advertising and promotion	233	247
Donations	--	26
Legal and other consultancy charges	749	969
Brokerage commissions	382	1,075
Registrar services fees	144	285
Miscellaneous	1,322	1,387
	-----	-----
	38,396	55,315
	=====	=====

17.1 Auditors' Remuneration

Audit fee current period	100	75
Audit fee prior periods	--	75
Sundry accounting services	--	400
Out of pocket expenses	--	50
	-----	-----
	100	600
	=====	=====

18. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Deposits received (cumulative)	997,609	780,410
Profits paid on deposits received	44,458	22,180
Finance provided	--	--

Profit received on finance provided	--	--
Guarantees and Letters of credit on account of customers	92,912	140,000
Securities transactions - aggregate of purchases and sales (on behalf of the Company and it's customers)	946,372	--

The Company maintains Current and PLS accounts with AlBaraka Islamic Investment Bank, B.S.C.(E.C) branches in Pakistan. The Bank is a scheduled bank branch of a Bahrain incorporated associated undertaking.

19. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Executives		Total	
	1997	1996	1997	1996	1997	1996
Managerial						
Remuneration	1,412	587	3,519	4,502	4,931	5,089
House rent						
Allowance	635	264	1,583	2,023	2,218	2,287
Utilities	90	59	334	451	424	510
Leave fare	0	50	229	469	229	519
Conveyance allowance	0	0	18	25	18	25
	-----	-----	-----	-----	-----	-----
	2,137	960	5,683	7,470	7,820	8,430
	=====	=====	=====	=====	=====	=====
Number of Persons	1	1	17	18	18	19

In addition to the above, the Chief Executive and certain executives are provided free use of cars and reimbursement of residential telephone expenses.

20. CORRESPONDING FIGURES

Corresponding figures for previous period have been rearranged as required to conform with the current year's presentation.