

Altowfeek Investment Bank Limited

Annual Report 1998

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CORPORATE INFORMATION

CHAIRMAN	Mr. Khalid Mahmood Bhaimia - Nominee AlBaraka 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 AlBaraka Investment & Development Co. Jeddah Mr. Iftikhar Soomro - Nominee AlBaraka Investment & Development Co. Jeddah Mr. Nasim Beg - Nominee National Investment Trust Mr. Omer Abdullah Sejiyen - Nominee Islamic Development Bank, Jeddah
COMPANY SECRETARY	Tariq Aleem
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
BRANCHES	-63- Shahrah-e-Quaid-e-Azam, Lahore. -Lakhani Centre, I.I. Chundrigar Road, Karachi. -Hotel East Inn Building, Sheikhpura Road, Faisalabad.

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the 8th Annual General Meeting of AI Towfeek Investment Bank Limited will be held at Avari Hotel, Shahrah-e-Quaid-e-Azam, Lahore on Monday December 7,1998 at 9.30 A.M. to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 1998 together with the Directors' and Auditors' Reports thereon.
- 2) To appoint the auditors for the next term and to fix their remuneration. The present auditors M/S SIDAT HYDER QAMAR MAQBOOL & CO. Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
- 3) To transact any other business with the permission of the chair.

By order of the Board

TARIQ ALEEM
COMPANY SECRETARY

Lahore: November 14, 1998

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 his/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 01, 1998 to December 05, 1998 both days inclusive.

PATTERN OF SHARE HOLDING
AS ON JUNE 30, 1998 FORM 34

From	To	No. of Shareholders	Total Shares Held
	100	95	9,500
10	500	983	451,200
50	1000	1,260	1,233,600
100	5000	487	1,222,200
500	10000	63	496,000
1000	15000	16	210,300
1500	20000	11	201,900
2000	25000	14	333,900
2500	30000	4	103,700
3000	35000	2	64,100
3500	40000	3	119,600
4500	50000	3	147,800
8500	90000	2	174,100
12000	125000	1	122,700
12500	130000	2	257,500
14500	150000	1	150,000
18000	185000	1	185,000
21500	220000	1	216,600
24500	250000	1	250,000
27500	280000	1	277,200
146500	1470000	1	1,465,900
154500	1550000	1	1,550,000
315500	3160000	1	3,157,200
859500	8600000	1	18,600,000

2,955 31,000,000
 ===== =====

Share Holders	No. of Share Holders	Total Shares Held	Percentage
1. Individuals	2,902	4,516,100	14.57
2. Financial Institutions	4	54,600	0.18
3. Public Limited Companies	6	237,200	0.77
4. Private Limited Companies	6	270,900	0.87
5. Banking/Investment Companies	16	25,361,500	81.81
6. Insurance Companies	6	205,600	0.66
7. Modarabas	11	200,900	0.65
8. Leasing Companies	2	22,400	0.07
9. Proprietor/Partnership	1	1,000	0.00
10. Others	1	129,800	0.42
	----- 2,955	----- 31,000,000	----- 100.00
	=====	=====	=====

CHAIRMAN'S REPORT TO THE SHAREHOLDERS

The Directors of your Bank are pleased to present to you the results of the Bank for the fiscal year ended 30th June, 1998.

1998 was financially an extremely disappointing year for the economy, in many aspects, the worst in recent history. In our 1997 Annual we had hope for an improvement in 1998. Unfortunately conditions have worsened and they are continuing into fiscal year 1999.

During the year, our financial markets simply collapsed. The stock markets collapsed; rupee took beating; all foreign currency accounts have been frozen; FE-45 Swap funds are not allowed to be repatriated; long awaited new legal framework to recover bad assets has still not materialised; economic slowdown has continued; etc. There was just no positive indicator to report.

The poor economic environment is reflected in the performance of stock markets. The number of new listings was the lowest in six years - clearly reflecting the overall economic slowdown and the poor health of the economy. In 1994 - 72 companies were listed; in 1995-41; in 1996-30; in 1997- 4 and in this year only 1.

Our aspirations to recover a substantial part of bad assets has not materialised, simply because of the regulatory/legal environment. A clear example is our deal with our largest difficult customer we converted the total debt into equity, taking over the assets and then selling it back in the market. Former clients then filed a suit against the bank as a result of that - we lost 8 months, incurred additional costs and opportunity loss on top of it. The deal is finally done.

Another anomaly is taxation. As an Investment Bank, we are required to pay income tax on profit at listed company rate. However, CBR is attempting to tax us at a rate of Banking Company rates. Obviously we are not agreeing to this and the issue is in litigation. This applies to all the Investment Banks. Furthermore under yet another rule of CBR we are required to pay advance income tax based on last tax cleared financial- even though in our case it is 1991-92. As a result we have now paid Rs. 63 million in advance tax even though we have no income tax liability. This advance tax alone has a carrying cost for your bank of around Rs, 10 million per annum. Clearly overall regulatory environment is not pro business and simple.

As a result of this poor macro environment your Bank has also suffered. Our results thus reflect this overall environment.

Rupees' 000

Operating Loss Before Provision	24,808
Provision	1,081

Loss Before Tax	25,889
Tax	1,125

After Tax Loss	27,014
	=====

In our Operating loss before provision in our operating results you will need to recognize the following:

* That we have realized a profit of Rs. 96.124 million on sale/Appreciation of our Investment Portfolio.

Despite, suffering loss we are required to pay income tax (turnover) of Rs. 1.1 million - yet another tax anomaly.

In our last report we had advised you of your Board's decision to remain conservative and prudent. As a result of this policy and in view of very poor market conditions, we have further reduced our Murabaha Portfolio by Rs. 385.755 million. Our deposit base has declined due to the uncertainty created by freeze on foreign currency accounts. Our deposits have declined by Rs. 100.947 million.

We have been able to reduce our operating expenses by 10.93% down to Rs, 34,199, This includes a disproportionately large amount of legal fees - reflecting the cost of recovery of difficult portfolio. During the year we also closed our Peshawar office,

In view of the poor stock market we have not attempted to raise further capital through the stock markets at this time, On the other hand our capital adequacy problem has eased due to drop of our assets. On a risk based capital we are within the limit of SBP Rules for NBFI's, We are at 1: 9.58 times as of June 1998.

Our efforts to truly Islamise the Bank has continued, During the year Albaraka Turkey had run a special program to educate and train the staff here. We have implemented a new Morabaha document designed by Maulana Taqi Usmani. We pray that the Regulatory Environment improves so we can introduce pure Islamic products which are also viable.

During the year we had 2 Board changes:

* Mr. Shahid Ghaffar of NIT left us to become Managing Director of Karachi Stock Exchange. Mr. Nasim Beg, who has 28 years of industry investment and capital market experience replaced Mr. Ghaffar.

* Dr. Morteza Gharehbaghian, Minister in Government of Iran - representing Islamic Development Bank, Jeddah left your Board, He has been replaced by Mr. Omar Abdullah Sejieny, Mr. Sejieny is a very senior professional central banker from Saudi Arabia.

On your behalf, we thank the departing directors for their contributions and look forward to the new directors to lead your bank to achieve our objectives,

We are not very optimistic about fiscal year 1999. Current conditions do not provide any basis for optimism, Without a clear political will to change, current legal/regulatory environment will not enable banks to fully enforce their rights against difficult customers. Similarly CBR needs to close the issue of Investment Banks taxation. Current practices are detrimental for viability of Investment Banks. Lastly, do not believe all of this will happen in fiscal year 1999 and accordingly we are not foreseeing a major turnaround in our results in 1999.

On behalf of the shareholder and the Board we thank the staff for their dedication during the year. We also thank our customers for continuing to direct their business to our Bank, specially when good customers have many choices. We are grateful for their commitments to Altowfeek.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ALTOWFEEK INVESTMENT BANK LIMITED** as at 30 June, 1998 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 year was for the purpose of the Company's business; and

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of 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, 1998 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: 13 November, 1998

BALANCE SHEET AS AT JUNE 30, 1998

	Note	Rupees' 000	
		1998	1997
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	3	25,826	25,826
Accumulated (Loss)		(80,499)	(53,485)
		(54,673)	(27,659)
SHAREHOLDERS' EQUITY		255,327	282,341

CUSTOMER DEPOSITS - Due after one year	4	200	509,101
CURRENT LIABILITIES			
Customer deposits - Due within one year	4	2,274,356	1,866,402
Accrued and other liabilities	5	169,818	173,420
Unclaimed dividend		231	250
Provision for taxation		1,125	2,000
		-----	-----
		2,445,530	2,042,072
COMMITMENTS AND CONTINGENT LIABILITIES			
	6	-----	-----
		2,701,057	2,833,514
		=====	=====
ASSETS			
CURRENT ASSETS			
Cash and bank balances	7	63,843	148,054
Short term placements		--	110,000
Advances, deposits, prepayments and other receivables	8	235,648	209,117
Investments	9	777,366	387,129
Morabaha finance	10	1,375,878	1,759,404
		-----	-----
		2,452,735	2,613,704
LONG TERM INVESTMENTS	11	201,850	170,937
LONG TERM SECURITY DEPOSITS	12	5,635	4,801
DEFERRED TAX ASSET		31,387	31,387
TANGIBLE FIXED ASSETS	13	9,450	12,685
		-----	-----
		2,701,057	2,833,514
		=====	=====

The annexed notes form an integral part of these accounts

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

		Rupees' 000	
	Note	1998	1997
INCOME			
Profit on morabaha finance		201,476	306,804
Profit on bank deposits		16,008	39,442
Non fund based income		7,357	11,965
Dividend income		11,698	14,920
Profit from investments	14	96,124	14,796
Profit on disposal of fixed assets	15	137	348
		-----	-----
		332,800	388,275
EXPENDITURE			
Return on deposits		323,409	347,931
Operating expenses	16	34,199	38,396

	357,608	386,327
OPERATING (LOSS)/PROFIT BEFORE PROVISIONS	(24,808)	1,948
PROVISIONS		
Doubtful morabaha financing	2,230	(26,105)
Doubtful receivables	(3,311)	(5,059)
	(1,081)	(31,164)
LOSS BEFORE TAXATION	(25,889)	(29,216)
TAXATION		
Current	(1,125)	(2,000)
Deferred	--	8,365
	(1,125)	6,365
LOSS FOR THE YEAR AFTER TAX	(27,014)	(22,851)
LOSS BROUGHT FORWARD	(53,485)	(30,634)
ACCUMULATED LOSS CARRIED FORWARD	(80,499)	(53,48.5)

The annexed notes form an integral part of these accounts.

**STATEMENT OF SOURCES AND APPLICATION OF FUNDS (CASH FLOW)
FOR THE YEAR ENDED JUNE 30, 1998**

	Rupees' 000	
	1998	1997
CASH FLOW FROM OPERATING ACTIVITIES		
Loss after taxation	(27,014)	(22,851)
Adjustments for items not involving the movement of funds		
Gain on disposal of fixed assets	(137)	(348)
Gain on investments	(96,124)	(14,796)
Provisions for doubtful advances and receivables	(1,081)	31,164
Provisions for deferred tax	--	(8,365)
Depreciation	2,515	2,362
	(94,827)	10,017
CASH FLOWS FROM OPERATIONS	(121,841)	(12,834)
WORKING CAPITAL ADJUSTMENTS:		
Decrease in term finance	385,755	271,125
Decrease in receivables, prepayments & deposits	396	21,872
(Decrease)/Increase in accounts payable	(3,602)	26,187
(Decrease) in customer deposits	(100,947)	(171,054)
	281,602	148,130
Dividend paid	(19)	(308)
Income tax paid	(28,951)	(15,351)
	252,632	132,471
NET CASH FLOWS FROM OPERATING ACTIVITIES	130,791	119,637

CASH FLOWS FROM INVESTING ACTIVITIES

(Increase)/Decrease in security deposits	(834)	397
Additions to fixed assets	(2,666)	(4,687)
Sale proceeds of fixed assets	3,523	1,926
(Increase) in long term investments	(30,913)	(168,437)
(Increase) in short term investments	(294,112)	(91,906)
	-----	-----
NET CASH FLOWS FROM INVESTING ACTIVITIES	(325,002)	(262,707)
	-----	-----
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(194,211)	(143,070)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	258,054	401,124
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF YEAR	63,843	258,054
	=====	=====

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

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. STATUTORY RESERVE

	Rupees' 000	
	1998	1997
Opening Balance	25,826	25,826
Transfer for the Period	--	--
	-----	-----
	25,826	25,826
	=====	=====

This reserve has been created in compliance with NBFIs Circular No.1 of December 5, 1991 from the State Bank of Pakistan.

4. CUSTOMER DEPOSITS

Due after one year	200	509,101
Due within one year	2,274,356	1,866,402
	-----	-----
	2,274,556	2,375,503
	=====	=====

These can be reclassified as under:

Deposits from banks and financial institutions	1,354,179	1,433,011
Deposits from corporate and other clients	920,377	942,492
	-----	-----
	2,274,556	2,375,503
	=====	=====

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% (1997: 12.5% to 17%) per annum for Pak. Rupees and 3.5% to 8.375% (1997: 3.5% to 8%) per annum for various foreign currencies.

Included in the above are foreign currency deposits equivalent to Rs. 934.04 Million (1997 - Rs. 647.1 Million) and Rupee deposits of Rs. 40 Million (1997 - Rs. 85 Million) mobilised from various associated /related 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, 1998 were Rs 273,90 Million (1997 Rs 325.9 Million). The current basis of accounting and presentation is in accordance with generally accepted practice for investment banks offering portfolio management services.

	Rupees ' 000	
	1998	1997
5. ACCRUED AND OTHER LIABILITIES		
Margin deposits	35,719	32,071
Accrued expenses and other liabilities	2,358	31,977
Accrued return on deposits	106,263	97,214
Excise duty payable	10,736	10,811
Withholding taxes payable	42	355
Cheques awaiting clearance	14,700	925
Share transaction accounts	--	67
	-----	-----
	169,818	173,420
	=====	=====

6. COMMITMENTS AND CONTINGENT LIABILITIES

6.1 Commitments for lease payments in respect of vehicle under lease agreement is as follows:-

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

6.2 Contingent liabilities were as follows:-

Acceptances	10,001	28,451
Letters of credit	26,280	80,526
Guarantees	113,198	69,192
Public issue of shares underwritten	--	30,000
Forward sale / repurchase agreements	84,831	330,506
	-----	-----
	234,310	538,675
	=====	=====

6.3 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 and June 30, 1997 have been filed and decision awaited.

7. CASH AND BANK BALANCES

With banks:		
- Current accounts	7,878	31,443
- PLS deposits	41,225	115,636
	-----	-----
	49,103	147,079
Cheques in clearing	14,700	925
Cash in hand	40	50
	-----	-----
	63,843	148,054
	=====	=====

Rupees ' 000
1998 **1997**

8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Accrued Return on:		
- Morabaha finance	113,771	123,570
- Deposits with banks	2,595	5,595
Excise duty receivable	4,096	8,275
Advances - considered good (Note 8.1)	5,986	2,856
Prepayments	6,378	2,762
	-----	-----
Due from brokers and clients - (considered good)	139	4,137
- (considered doubtful)	9,993	7,749
	-----	-----
	10,132	11,886
Forward cover fee	29,419	23,096
Advance tax	63,112	36,161
Other receivables	10,152	2,665
	-----	-----
	245,641	216,866
Less: Provision for doubtful receivables	(9,993)	(7,749)
	-----	-----
	235,648	209,117
	=====	=====

8.1 Includes advance to an executive and Chief Executive, representing secured house building advance as per service rules and is recoverable in equal monthly installments. The maximum outstanding balance during the period was Rs. 5.9 million (1997 - Rs. 2.9 Million), This was also the maximum outstanding balance at the end of any month during the year.

9. INVESTMENTS**Quoted:**

- Ordinary shares of joint stock Companies	(Note 9.1)	722,736	339,876
- Modaraba certificates	(Note 9.2)	7,705	17,234
		-----	-----
		730,441	357,110
NIT Units:	(Note 9.3)	--	45,102
		-----	-----
		730,441	402,212
Add / (Less): Provision for appreciation /		46,925	(15,083)
		-----	-----

(diminution) in value

777,366

387,129

9.1 Ordinary Shares of Joint Stock Companies of Rs, 10 each (fully paid)

Rupees' 000

Name of Company	1998		1997		Market Value
	No. of Shares	Cost	Market Value	Cost	
ICI Pakistan Ltd.	--	--	--	213,373	237,925
Askari Commercial Bank Ltd.	1,000	37	14	20,790	15,519
Fauji Jordan Fertilizer Co. Ltd.	714,286	9,000	9,000	10,549	10,549
Legler Nafees Denim Mills Ltd.	--	--	--	10,500	10,500
Dawood Leasing Co. Ltd.	--	--	--	10,500	10,500
Pakistan Telecommunication Co. Ltd.	6,700	209	112	9,106	6,804
Sazgar Engineering Works Ltd.	904,000	9,040	5,876	9,040	5,876
Spencer & Company Ltd.	18,600	2,731	3,489	5,389	5,767
Shell Pakistan Ltd.	--	--	--	3,391	5,077
Sana Industries Ltd.	59,800	5,605	4,180	6,261	5,010
KASB Premier Fund	--	--	--	7,725	2,781
Emco Industries Ltd.	175,000	4,463	1,838	4,463	2,625
Pakistan State Oils Ltd.	--	--	--	1,231	1,899
Crescent Textile Mills Ltd,	120,646	3,927	995	3,927	1,804
American Life Insurance Co. Ltd.	78,000	3,749	1,482	4,422	1,799
Ravi Textile Mills Ltd.	863,000	3,021	604	3,021	1,683
Confidence Mutual Fund	--	--	--	2,166	1,571
Gulistan Textile Mills Ltd.	30,308	2,970	1,159	2,970	1,209
Crown Textile Mills Ltd.	445,155	4,336	824	4,336	824
Lucky Cement Company Ltd.	--	--	--	223	790
Engro Chemicals Ltd.	--	--	--	636	748
Tri Pak Films Ltd.	--	--	--	1,569	572
23rd ICP Mutual Fund	100	1	--	1,419	497
Crescent Steel & Allied Products Ltd.	6	--	--	822	472
LTV Redeemable Capital Certificates	3,737	299	351	336	351
EFU Life Assurance Company Ltd.	--	--	--	388	195
Saif Textile Mills Ltd.	--	--	--	419	173
Standard Chartered					
Mercantile Leasing Ltd.	--	--	--	350	154
Pak Suzuki Motors Ltd.	800	37	28	46	50
Pakistan Oil Fields Ltd.	--	--	--	43	49
Crescent Investment Bank Ltd,	--	--	--	50	22
P.I.C.I.C.	--	--	--	114	16
Essa Cement Industries Ltd.	265	22	2	106	13
Shadman Cotton Mills Ltd.	--	--	--	32	13
Gharibwal Cement Ltd	500	36	3	36	12
Millat Tractors Ltd.	200	16	8	16	7
Adamjee Insurance Company Ltd.	--	--	--	8	7
Sitara Chemical Industries Ltd,	19	1	--	14	6
Pakistan Industrial Leasing					
Corporation Ltd.	--	--	--	17	5
Trust Leasing Ltd.	400	4	1	14	5
Umer Fabrics Ltd.	200	3	1	6	5
Platinum Commercial					
Bank Ltd. (Note 9.4)	24,963,360	501,491	559,179	--	--
Nishat (Chunian) Ltd,	300	4	3	4	4
Searle Pakistan Ltd.	--	--	--	8	3
National Development					

Leasing Corporation Ltd.	--	--	--	12	3
24th ICP Mutual Fund	--	--	--	4	2
Faysal Bank Ltd.	--	--	--	1	1
D.G. Khan Cement Ltd.	50	2	--	2	1
Elahi Electric Company Ltd	--	--	--	20	1
AI-Faisal Investment Bank Ltd.	900,000	9,000	9,000	--	--
Commercial Union Life Assurance Ltd	1,058,823	9,000	9,000	--	--
P. I. A.C.	2,571,421	9,000	9,000	--	--
Knoll Pharmaceuticals Ltd	121,622	9,000	9,000	--	--
Telecard Ltd	851,000	29,000	30,178	--	--
Altern Energy Ltd	5,573,000	55,730	63,277	--	--
Fidelity Investment Bank Ltd	10	--	--	--	--
First International Investment Bank Ltd	--	--	--	1	--
Shakarganj Mills Ltd	200	4	2	--	--
Unit Trust of Pakistan	10,042	50,998	55,362	--	--
		722,736	773,968	339,876	333,899
First Alnoor Modaraba	784,400	7,419	3,373	7,419	5,883
First Confidence Modaraba	130	3	--	9,497	1,835
Financial Link Modaraba	28,000	283	25	283	56
LTV Capital Modaraba**	--	--	--	23	19
First Hajveri Modaraba	--	--	--	4	2
Modaraba al Mall	--	--	--	2	2
First Crescent Modaraba	--	--	--	4	1
First B.F. Modaraba	--	--	--	2	1
		7,705	3,398	17,234	7,799
9.3 NIT Units		--	--	45,102	45,431
Grand Total:		730,441	777,366	402,212	387,129

**Certificates of Rs. 5/- each.

9.4 This represents shares held earlier by the bank as security which has since been realized at a mutually agreed valuation in settlement of an outstanding Morabaha Finance due from a client. Prior to the balance sheet date, the bank caused to invite open bids for the sale of these shares and thereafter, executed a Memorandum of sale for the disposal for an aggregate consideration of Rs. 574.16 million, consequent upon an agreement in July 1998 for execution of sale of the said shares, the bank in accordance with its accounting policy for valuation of short term investment, has valued the same as of the balance sheet date at the market value represented by the contracted price of the shares and has thus recognised a gain of Rs. 57.69 million.

	1998	1997
10. MORABAHA FINANCE		
Morabaha Finance	1,459,613	1,845,368
Provision against doubtful financing	(83,735)	(85,964)
	1,375,878	1,759,404
These can be reclassified as under:		
Due after one year	125,168	--
Due within one year	1,250,710	1,759,404
	1,375,878	1,759,404

10.1 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.

11. LONG TERM INVESTMENTS

Name of Company	1998		1997	
	No. of Shares	Cost	No. of Shares	Cost
Quoted: (Ordinary shares of Rs. 10 each)				
Jahangir Siddiqui & Co. Ltd. (Chief Executive: Mr. Jahangir Siddiqui) Equity held 20.64%	2,807,533	92,660	2,339,611	92,660
Paramount Leasing Limited (Chief Executive: Mr. Itrat H. Rizvi) Equity held 27.54%	6,884,900	70,817	6,884,900	70,777
Legler Nafees Denim Mills Ltd. (Chief Executive: Mr. Humayun Naseer)	1,469,786	30,873	--	--
(Market Value Rs. 156.4 Million)		194,350		163,437
Unquoted: (Ordinary shares of Rs.. 10 each)				
First Capital Investment (Private) Ltd., (Chief Executive: Mr. Salman Taseer) Equity held: 13.15%	250,000	2,500	250,000	2,500
Information System Associates (Private) Ltd. (Chief Executive: Mr. Samiullah Bajwa)	500,000	5,000	500,000	5,000
		7,500		7,500
		201,850		170,937

	1998	1997
12. LONG TERM SECURITY DEPOSITS		
Lahore Stock Exchange Membership (Seat)	4,000	4,000
Lahore Stock Exchange office	271	271
Deposit against leased assets	37	142
Telephone and other security deposits	727	388
Central Depository Company, Karachi	600	--
	5,635	4,801

13. TANGIBLE FIXED ASSETS

	Office Equipment	Furniture & Fixtures	Motor Vehicles	Leasehold Improvements	Total
Cost at 1-07-97	4,959	3,754	4,252	4,953	17,918
Additions	105	204	2,357	--	2,666
Disposals	(11)	(214)	(2,067)	(2,185)	(4,477)
30-06-98	5,053	3,744	4,542	2,768	16,107
Depreciation:					
Rate % (Straight Line)	10%	10%	20%	10%	
At 1-07-97	1,729	1,183	1,070	1,251	5,233
Charge for year	502	385	1,133	495	2,515
On disposals	(1)	(38)	(421)	(631)	(1,091)
30-06-98	2,230	1,530	1,782	1,115	6,657
Net Book Value 30-06-98	2,823	2,214	2,760	1,653	9,450
Net Book Value 30-06-97	3230	2571	3,182	3702	12,685

14. PROFIT / (LOSS) ON INVESTMENTS

	1998	1997
Profit/(Loss) on sale of investments	34,117	(94,137)
Mark to market valuation adjustment	62,007	108,933
	<u>96,124</u>	<u>14,796</u>

15. DISPOSAL OF: FIXED ASSETS

Asset	Cost	Book Value	Sale Proceeds	Mode of Disposal	Sold To
Furniture & fixtures	30	24	24	As per Co. Policy	Tariq Saleem, Ex-Employee.
Furniture & fixtures	30	24	24	As per Co. Policy	Kh. Abrar Elahi, Ex-Employee.
Furniture & fixtures	20	11	11	As per Co. Policy	Arif Shahab, Ex-Employee.
Furniture & fixture	50	35	39	Negotiation	Saima Nasir, Garden Town, Lahore,
Xerox Fax Machine	11	10	5	Negotiation	A. Rahim, Jabbar Chamber, Karachi
Toyota Corolla	62	50	425	Negotiation	Rizwan Ashrat, 841 Shadman, Lhr,
Toyota Corolla	67	53	460	Negotiation	Muhammad Shabbir, Mozang Lhr.
Suzuki Khyber	34	21	240	Negotiation	Shuja Sarwar, Sargodha,
Mitsubishi Lancer	465	326	350	Negotiation	Mr. Nadir Khan, Lahore.
Honda Civic	856	685	750	Insurance Claim	Insurance Claim from Adamjee Insurance Co. Ltd,
Honda Motorcycle	65	26	26	Negotiation	Shafiq-ur-Rehman Lahore.
Furniture & Fixture	30	27	27	As per Co. Policy	Baseer Wahab, Ex-Employee
Gas Stove	3	2	1	Negotiation	Muhammad Zahid, Peshawar
Refrigerator	17	12	10	Bid from Employee	Khalid Majid, Lahore Cantt.
Leasehold Improvements	2,166	1,540	--	--	Written off
Suzuki, Khyber	202	202	265	Bid from Employee	Khalid Majid, Lahore.
Toyota Corolla	56	56	350	Bid from Employee	Abu Bakar, Model Town, Lahore.
Suzuki, Khyber	202	202	235	Bid from Employee	Atiq-ur-Rehman, Samanabad, Lhr.
Honda Motorcycle	52	21	35	Negotiation	Saudi Travel Agency, Peshawar.
Suzuki, Khyber	59	59	246	Insurance Claim	Theft, Insurance Claim from EFU

Total	4,477	3,386	3,523
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	1998	1997
16. ADMINISTRATIVE AND OPERATING EXPENSES		
Staff Related:		
Salaries and other benefits	9,085	12,866
Lease rentals and costs	1,245	2,755
Travelling and conveyance	5,795	3,720
Repairs and maintenance	316	550
Entertainment	135	267
Insurances	564	718
Premises Related:		
Rent, rates and taxes	3,193	3,695
Repairs and maintenance	530	785
Insurances	177	2
Security services	432	606
Other Operating Expenses:		
Telephone and telex	2,315	2,921
Fines and penalties	23	--
Bank charges	196	253
Printing and stationary	966	1,231
Consultancy charges	1,205	256
Auditors' remuneration (Note 16.1)	123	100
Courier and postage	197	231
Subscriptions and fees	256	151
Depreciation	2,515	2,362
Utilities	1,726	2,097
Advertising and promotion	129	233
Legal and other consultancy charges	1,056	749
Brokerage commissions	62	382
Registrar services fees	154	144
Miscellaneous	1,804	1,322
	34,199	38,396

	Rupees ' 000	
	1998	1997
16.1 Auditors' Remuneration		
Audit fee	100	1
Out of pocket expenses	23	--
	123	100

17. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Deposits received (cumulative)	934,030	997,609
Profits paid on deposits received	41,648	44,458
Guarantees and Letters of credit on account of customers	56,232	92,912
Securities transactions - aggregate of purchases and sales (on behalf of the Company and it's customers)	3,130,383	946,372

18. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Executives		Total	
	1998	1997	1998	1997	1998	1997
Managerial						
Remuneration	471	1,412	2,547	3,519	3,018	4,931
House rent						
Allowance	212	635	1,145	1,583	1,357	2,218
Utilities	47	90	255	334	302	424
Leave fare	118	--	351	229	469	229
Conveyance allowance	--	--	7	18	7	18
	848	2,137	4,305	5,683	5,153	7,820
Number of Persons	1	1	11	17	12	18

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

19. CORRESPONDING FIGURES

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