

Asset Investment Bank Limited

Annual Report 1999

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COMPANY INFORMATION

CHAIRMAN

S. M. Abdullah

CHIEF EXECUTIVE

Syed Naveed H. Zaidi

DIRECTORS

Dr. Khalid Iqbal
Mohammad Ashiq Rehmani
Rana M. Abu Obaida
Azhar Tariq Khan
Sohail Ali
Shamim I. Junejo

COMPANY SECRETARY

Muhammad Naem Aslam

BANKERS

Habib Bank Limited
Muslim Commercial Bank Limited
National Development Finance Corporation
Habib American Bank

AUDITORS

Ford, Rhodes, Robson, Morrow
Chartered Accountants

REGISTRAR

Noble Computer Services (Pvt) Limited
2nd Floor, A1-Manzoor Building
Dr. Ziauddin Ahmed Road, Karachi.
Phones: (021) 2635511-14

REGISTERED OFFICE

1-B, First Floor, Ali Plaza
Khayaban-e-Quaid-e-Azam
Blue Area, Islamabad
· Phones: (051) 270621 - 270626
Fax: (051) 272506

LIAISON OFFICE

9th Floor, Lakson Square Building No. 1
265-R.A. Lines, Karachi-74200
Phones: (021) 568.2027 - 5689580 - 5687412 - 5687419
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Telex: 20538 ASSET PK

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 7th Annual General Meeting of Asset Investment Bank Limited will be held at 1-B, First Floor, Ali Plaza, Khayaban-e-Quaid-e-Azam, Blue Area, Islamabad on Thursday, December 30, 1999, at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the minutes of Extra Ordinary Annual General Meeting held on May 07, 1999
- 2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 1999 together with the Directors' and Auditors' Reports thereon.
- 3) To appoint Auditors for the next term and fix their remuneration.

The present Auditors, M/S Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and being eligible, offer themselves for re-appointment.

- 4) To transact any other business with the permission of the chair.

By order of Board

Islamabad
December 09, 1999

Muhammad Naeem Aslam
Company Secretary

NOTES:

1. 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.
2. The members are requested to immediately notify the change in address, if any.
3. The share transfer books of the Company will remain closed from December 24, 1999 to December 30, 1999 both days inclusive.

DIRECTORS' REPORT

The directors of Asset Investment Bank Limited are submitting the 7th Annual Report of the Bank together with the audited accounts of the company for the year ended June 30, 1999.

FINANCIAL REVIEW

Due to adverse economic and capital market position of the country, coupled with international economic sanctions due to nuclear tests and adverse policies of government on foreign currency deposit accounts, resulted in skeptical attitude of local and foreign investors for investments and their was substantial decline in the public savings due to heavy inflationary pressure, which resulted in substantial decline in our foreign currency deposits, which was a secured source of income for the Bank.

For the year under review the bank had to take difficult steps to consolidate its position thus resulting in a loss Rs. 14.131 million. Following are the major reasons:

1. We have settled a non-performing loan and sold the securities held by us and utilized the sale proceeds for adjustment of the total liabilities. The Bank had to sustain a loss of 14.56 million, which included a refund of Rs. 3.0 million, charged as commission to the borrower, for arranging funds/credit facilities from other banks and DFIs, as we could not arranged the required facility for them.
2. The Stock Market like the previous years remained under tremendous pressure throughout the fiscal year 1999 also, and therefore, Asset Bank, as recommended by our auditors, had to make provision of 5.66 million for the diminution in value of our investment portfolio, doubtful debt and receivables.

The paragraph 1 of Auditors' Report/Observations in fact pertains to next fiscal year's event, which will be reported in next year's accounts. The Bank has, however, recovered its entire

amount of investment i.e. principal amount of Rs. 20.0 million plus mark-up of Rs. 5.0 million from the borrower.

As regard paragraph 2 of the Auditors' Report, the Bank's management held various meetings with the top management of Muslim Commercial Bank Limited regarding the settlement of total outstanding liabilities amounting to Rs. 67.86 million, which were maturing in the year 2003. The MCB management in principle agreed to waive the accrued mark-up of Rs. 22.523 million provided we pay them the entire present and future installments in lump-sum by March 31, 1999. Accordingly Asset Investment Bank paid them a sum of Rs. 45.339 million on March 31, 1999.

FUTURE OUTLOOK

The depressed' economic conditions prevailing in the country for most part of the year and liquidity crunch in the credit market made it very difficult to raise funds. However, we are confident that our serious and vigorous efforts will yield fruitful results and we would be able to raise substantial amount of funds during the current year.

Meanwhile, our efforts to increase the capital of the Bank by setting up of a joint venture with financially sound investors are in progress. We are at an advance stage of negotiations with the potential! investors and we are confident that we should succeed not only in raising the capital of the Bank but also to get long term credit lines. These measures will improve the financial position of your Bank in due course.

ASSET INVESTMENT BANK LIMITED

RECTIFICATION OF COMPUTER SYSTEM REGARDING ADVENT OF NEXT CENTURY

Asset Investment Bank Limited has made necessary changes in its MIS and the year 2000 problem "The Millennium Bug" has been solved.

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 1999 is annexed.

AUDITORS

The present auditors, M/S Ford, Rhodes, Robson, Morrow, Chartered Accountants retire, and being eligible, offer themselves for re-appointment.

ACKNOWLEDGMENT

Our thanks are due to the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their support and guidance. We also extend appreciation to depositors, clients and correspondents for their trust and support and for recognition of Bank's services.

The Board wishes to place on record its appreciation of the work and concerted efforts of the company personnel.

We seek Allah's guidance and His blessings in achieving our objectives.

On Behalf of the Board

Islamabad
December 02, 1999

S. M. Abdullah
Chairman

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Asset Investment Bank Limited as at June 30, 1999 and the related Profit and Loss Account and the Statement of Changes in Financial Position (Cash Flow Statement), 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:

1. As fully explained in Note 12.3.1 to the accounts, the company entered into a settlement agreement with a borrower, subsequent to the Balance Sheet date, and that resulted in a loss of Rs. 19,996,349. No provision has been made for this loss in these accounts.

2. The Company has recognised a gain of Rs. 22,521,941 on settlement of 16aris taken from a commercial bank on the basis stated in Note 19 to the accounts. There is no documentary basis for recording of this income as the lender did not agree to this settlement and has filed a case in the Sindh High Court for recovery of the outstanding amount, subsequent to the Balance Sheet date.

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) except for the effect on the financial statements of the matters reported in paragraph 1 and 2 above, 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 statement of changes in financial position, 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 June 30, 1999 and of the loss and the changes in financial position for the year then ended;

d) in our opinion, zakat deductible at source, if any, 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; and

e) without qualifying our opinion we draw attention to Notes 12.2 and 12.4.1 to the accounts. The uncertainties attached with the projects may cause delay in the repayment of rescheduled loans and mark-up thereon, and may impair the financial position of the Company.

Islamabad
December 02, 1999

Ford, Rhodes, Robson, Morrow
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
SHARE CAPITAL AND RESERVES			
Authorised capital- 20,000,000 ordinary shares of Rs. 10/- each		200,000,000	200,000,000
		=====	=====
Issued, subscribed and paid-up capital- 10,000,000 ordinary shares of Rs. 10/- each fully paid in cash		100,000,000	100,000,000
Reserves			
Capital reserve -			
Statutory / special reserve	3	2,387,791	2,387,791
Revenue reserve -			
Accumulated loss		(31,678,852)	(17,547,358)
		-----	-----
		(29,291,061)	(15,159,567)
		-----	-----
		70,708,939	84,840,433
LONG TERM FINANCES	19	--	63,015,325

LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	4	300,166	--
LONG TERM DEPOSITS	5	29,400,820	13,050,530
CURRENT LIABILITIES			
Short term deposits	6	145,932,726	244,830,000
Short term finances	7	61,897,300	59,128,046
Creditors, accrued and other liabilities	8	52,011,922	31,496,787
		-----	-----
		259,841,948	335,454,833
CONTINGENCIES AND COMMITMENTS	9	--	--
		-----	-----
		360,251,873	496,361,121
		=====	=====
TANGIBLE FIXED ASSETS	10	7,148,108	7,998,510
LONG TERM INVESTMENTS	11	77,911,664	81,679,614
LONG TERM LOANS	12	111,203,827	125,456,107
LONG TERM PREPAYMENTS	13	250,000	980,000
CURRENT ASSETS			
Short term investments	14	25,000,000	7,000,000
Loans and advances	15	34,620,516	120,111,600
Income accrued and receivables	16	41,500,433	37,435,617
Advances, deposits, prepayments and other receivables	17	42,754,978	60,524,135
Cash and bank balances	18	19,862,347	55,175,538
		-----	-----
		163,738,274	280,246,890
		-----	-----
		360,251,873	496,361,121
		=====	=====

The annexed notes form an integral part of these accounts.
The auditors' report dated December 02, 1999 is annexed hereto.

Rana M. Abu Obaida
Director

Syed Naveed H. Zaidi
Chief Executive

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
INCOME			
Income from bank deposits		7,301,958	8,935,514
Income from loans and advances		25,964,188	43,412,110
Income from investments in Government securities		2,450,362	731,280
Commission and fees		2,589,780	2,626,636
Remission of loan	19	22,521,341	--
Dividend income		302,619	580,286
Gain/(loss) on sale of shares and certificates	20	(6,000,000)	6,150,202
Gain on sale of fixed assets	10.10	104	77,419
Profit/(loss) on sale of property		--	(6,000,000)
Other income	21	2,004,272	--
		-----	-----
		57,134,624	56,513,447
EXPENDITURE			
Return on deposits, borrowings and running finance		37,871,995	56,248,910
Loss on settlement of loan, mark-up and commission	22	14,560,841	--
Administrative and operating	23	11,181,098	15,186,311
Provision for doubtful debts		1,192,065	4,502,079
Provision for doubtful receivables		700,773	--
Provision for diminution in value of			

long term investments	3,767,950	1,968,803
	-----	-----
	69,274,722	77,906,103
	-----	-----
Loss before taxation	(12,140,098)	(21,392,656)
.Provision for taxation		
- Current year	200,000	300,000
- prior year	1,791,396	--
	-----	-----
	1,991,396	300,000
	-----	-----
Loss after taxation	(14,131,494)	(21,692,656)
Profit/(loss) brought forward	(17,547,358)	4,145,298
	-----	-----
Accumulated loss carried forward	(31,678,852)	(17,547,358)
	=====	=====

The annexed notes form an integral part of these accounts
The auditors' report dated December 02, 1999 is annexed hereto.

Syed Naveed H. Zaidi
Chief Executive

Rana M. Abu Obaida
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1999**

	1999	1998
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Return, commission and other receipts	38,310,560	55,705,540
Return on deposits, borrowings and running finance	(37,871,995)	(51,913,500)
Administrative and operating expenses	(9,918,042)	(18,072,358)
	-----	-----
	(9,479,477)	(14,280,318)
.(Increase) / decrease in assets-		
Loans and advances	90,813,745	(66,909,599)
Income accrued and receivables	(7,888,103)	(5,602,677)
Advances, deposits, prepayments and other receivables	8,798,383	11,639,249
Increase / (decrease) in liabilities-		
Deposits	(82,546,984)	54,170,560
Creditors, accrued and other liabilities	21,156,160	6,824,780
	-----	-----
Net cash flow from operating activities before tax	20,853,724	(14,158,005)
Income tax paid	(42,944)	(2,805,023)
	-----	-----
Net cash generated from/ (used) in operating activities	20,810,780	(16,963,028)
CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received	302,619	580,286
Purchase of fixed assets	(47,000)	(135,560)
Proceeds from sale of fixed assets and property	180,000	(5,233,000)
Proceeds from sale of investments	--	23,955,085
Purchase of investments	(18,000,000)	(16,015,000)
	-----	-----
Net cash generated from/(used) investing activities	(17,564,381)	3,151,811
CASH FLOW FROM FINANCING ACTIVITIES		
. Short term finances	(37,724,730)	11,356,971
Repayment of. obligations under finance lease	(834,860)	(1,472,313)
	-----	-----
Net cash generated from/(used) in financing activities	(38,559,590)	9,884,658
	-----	-----

Net decrease in cash and cash equivalents	(35, 313,191)	(3,926,559)
Cash and cash equivalents at the beginning of the year	55,175,538	59,102,097
	-----	-----
Cash and cash balances at the end of the year	19,862,347	55,175,538
	=====	=====

Syed Naveed H. Zaidi
Chief Executive

Rana M.Abu Obaida
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 1999

1. LEGAL STATUS AND NATURE OF BUSINESS

Asset Investment Bank Limited was incorporated in Pakistan on June 9, 1992 as a public limited company and is listed on the Karachi, Lahore and Islamabad stock exchanges. The company is principally engaged in the business of investment banking under the provisions of SRO 585(1)/87 dated July 13, 1987 issued by the Ministry of Finance, Government of Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation on all operating fixed assets is charged to income on reducing balance method at the rates given in note 10.

Full year's depreciation is provided in the year of purchase and no depreciation is charged on assets deleted during the year.

Minor renewals or replacements, maintenance, repair, gains or losses on disposal of fixed assets are included in income currently. Major renewals and replacements are capitalised.

2.3 Assets subject to finance lease

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and fair value of the assets. The related obligations of the lease are accounted for as liabilities.

Assets acquired under a finance lease are amortised over their useful lives on reducing balance method at the rates given in note 10. Amortisation of the leased assets is charged to income.

2.4 Employees retirement benefits

The company operates a contributory provident fund for all its permanent employees and contributions to the fund are made by the company and the employees in accordance with the fund rules.

2.5 Taxation

Provision for current taxation is based on taxable income at the current rate of taxation after considering all applicable tax credits, rebates and exemptions. The company accounts for deferred tax using the liability method on all major timing differences.

2.6 Investments

Long term investments are stated at moving average cost of the respective entities' shares/certificates. Provision is made if the diminution in the value of investment is considered permanent.

Short term investments are stated at moving average cost of the respective entities'

shares/certificates less provision for diminution in market value. The provision for diminution in market value is determined on portfolio basis and is charged to income currently.

Profit or loss on sale of investments is accounted for currently.

2.7 Government securities repurchase/resale transactions

The company enters into transactions of repurchase or resale in registered Government securities at contracted rates for specified periods of time. These are recorded as follows:

(a) in the case of sale under repurchase obligations, the securities are deleted from the books at cost (whilst the coupon income continues to be accrued) and the charges arising from the differential in sale and repurchase values are accrued on pro-rata basis and recorded under income from Government securities. Upon repurchase the securities are reinstated at their respective original cost.

(b) in the case of purchases under resale obligations the securities are booked at the contracted purchase price and the differential of the contracted purchase and resale prices is amortised over the period of the contract and recorded under income from Government securities.

2.8 Revenue recognition

Mark-up/return on finance provided is recognised on a time proportion basis taking account of the relevant maturity dates. Commission and fees are taken to income currently.

Dividend income from investment in shares/certificates is recognised at the time of declaration of dividend by the investee companies.

Income on Government securities is recognised by pro-rata accruals of the differential in cost and maturity values and/or the coupon rate applicable.

Project examination, commitment and other charges are recognized as income on receipt basis.

2.9 Foreign currency translations

Assets and liabilities in foreign currencies are translated into Rupees at the exchange rates prevailing on the balance sheet date. However, liabilities representing deposits in foreign currencies and return on them are converted at the rate prevailing on the date of deposits where the option of exchange risk coverage has been exercised. Other foreign currency transactions are converted at the rate prevailing on the date of transaction. Exchange differences are included in income currently.

ASSET INVESTMENT BANK LIMITED

3. STATUTORY/SPECIAL RESERVE

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
At the beginning of year	2,387,791	2,387,791
Transfer from profit and loss account	--	--
	-----	-----
	2,387,791	2,387,791
	=====	=====

The statutory/special reserve is created by transferring 20% of the profit for the year. This reserve is required to be maintained under the provisions of the regulations of the State Bank of Pakistan for Non-Banking Financial Institutions.

4. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

This represents the outstanding balance against obligations under finance leases. The rate of return used as discounting factor is from 21.30% to 25.01% (1998: 23.49% to 25.01%) per annum. The lease rentals are payable in equal monthly instalments.

The future minimum lease payments to which the company is committed under the lease

agreements are due as follows:

During the year 1998-1999	--	1,196,759
During the year 1999-2000	582,700	--
During the year 2000-2001	176,640	--
During the year 2001-2002	176,480	--
	-----	-----
	935,820	1,196,759
Less: Finance charge allocated to future periods	122,121	93,749
	-----	-----
	813,699	1,103,010
Less: Current liability	513,533	1,103,010
	-----	-----
	300,166	--
	=====	=====
	29,400,820	13,050,530
	=====	=====

5. LONG TERM DEPOSITS

These deposits are held for 5 years and the expected rate of return payable on these deposits is 19.5% (1998: 18% to 19.5%) per annum.

6. SHORT TERM DEPOSITS

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Banks and financial institutions -			
Local currency		28,277,000	44,908,000
Foreign currency		--	80,780,000
		-----	-----
		28,277,000	125,688,000
Others-			
Local currency		117,298,536	112,116,050
Foreign currency		357,190	7,025,950
		-----	-----
		117,655,726	119,142,000
		-----	-----
		145,932,726	244,830,000
		=====	=====

These represent deposits received from customers with maturity periods ranging between 30 days to one year. Expected return is payable at the rates varying from 2.25% to 6.5268% (1998: 6.40% to 6.8438%) per annum on US dollar deposits and from 13% to 23% (1998: 13% to 23%) per annum on Rupee deposits.

7. SHORT TERM FINANCES

From Investment Banks, unsecured	7.10	32,000,000	16,600,000
Muslim Commercial Bank Ltd. DF-II	19	--	12,630,746
Habib Bank	7.20	29,897,300	29,897,300
		-----	-----
		61,897,300	59,128,046
		=====	=====

7.1 These carry mark-up from 6% to 23% (1998:18%) per annum.

7.2 This represents running finance out of total sanctioned facility of Rs. 30 million. The rate of mark-up is 17.52% (1998: 17.52%) per annum. The facility is secured by way of charge on book debts/receivables and pledge of shares of quoted companies amounting to Rs. 31,843,141.

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Accrued return on deposits	34,514,673	22,995,265
Accrued return on finances	12,494,132	5,745,309
Accrued liabilities	1,654,536	370,050

Margin against letters of guarantees	3,364,432	3,364,432
Provision for taxation	5,086,093	3,094,697
Tax deducted at source and advance tax	(8,748,277)	(8,705,333)
	-----	-----
	(3,662,184)	(5,610,636)
Withholding tax payable	1,837,032	534,049
Commission and fee received in advance	96,569	182,194
Current portion of obligations under finance lease	513,533	1,103,010
Other payables	1,199,199	2,813,114
	-----	-----
	52,011,922	31,496,787
	=====	=====

9. CONTINGENCIES AND COMMITMENTS

Guarantees issued on behalf of customers	55,675,535	36,195,763
Commitments for repurchase of Government securities	--	14,000,000
Tax demands assessed but not provided pending decision of appeals	10,931,310	10,931,310
Mark-up on loan not admitted by the company as expense for the reason stated in Note 19	7,648,817	--
	-----	-----
	74,255,662	61,127,073
	=====	=====

10. TANGIBLE FIXED ASSETS

	COST					DEPRECIATION					Written Down
	As at	Additions	Deletion	As at	Rates	As at	For the Year	On	As at	Value as at	
	01-07-98			30-06-99	%	01-07-98		Deletion	30-06-99	30-06-99	
	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees	
Office equipment	1,674,924	47,000	--	1,721,924	10	610,070	111,185	--	721,255	1,000,669	
Furniture and fixture	1,324,402	--	--	1,324,402	10	486,636	83,776	--	570,412	753,990	
Lease-hold improvements	1,475,425	--	--	1,475,425	33.33	1,231,680	81,240	--	1,312,920	162,505	
Vehicles	5,467,282	--	(610,000)	4,857,282	20	3,391,968	379,084	(430,104)	3,340,948	1,516,334	
Premises for car parking	2,520,000	--	--	2,520,000	5	245,700	113,715	--	359,415	2,160,585	
	12,462,033	47,000	(610,000)	11,899,033		5,966,054	769,000	(430,104)	6,304,950	5,594,083	
Assets subject to finance lease-vehicles	2,591,860	440,000	--	3,031,860	20	1,089,329	388,506	--	1,477,835	1,554,025	
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	
1999	15,053,893	487,000	(610,000)	14,930,893		7,055,383	1,157,506	(430,104)	7,782,785	7,148,108	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	
1998	16,537,583	487,000	(1,619,250)	15,053,893		6,606,889	11,378,163	(929,669)	7,055,383	7,998,510	
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	

10.1 Statement of disposal of fixed assets

Item description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Purchaser
	Rupees	Rupees	Rupees	Rupees	Rupees		
Toyota Corolla	610,000	430,104	179,896	180,000	104	By inviting quotation	Ms. Nida Rehman
	=====	=====	=====	=====	=====		

11. LONG TERM INVESTMENTS

	Note	1999	1998
		Rupees	Rupees
Shares and certificates of listed companies and modarabas	11.1	73,648,417	73,648,417
Shares of unlisted companies	11.2	10,000,000	10,000,000
		-----	-----
		83,648,417	83,648,417

Provision for diminution in value of long term investments		(5,736,753)	(1,968,803)
		-----	-----
	11.3	77,911,664	81,679,614
		=====	=====
11.1 Investments in shares and certificates of listed companies and modarabas			
Associated Companies-			
National Asset Leasing Corporation Limited 800,000 ordinary shares of Rs. 10 each	11.11	10,122,000	10,122,000
Caravan East Fabrics Limited 2, 423,050 ordinary shares of Rs. 10 each	11.1.2	24,230,500	24,230,500
		-----	-----
Other companies and modarabas-			
First General Leasing Modaraba 902,163 certificates including 101,963 bonus certificates	11.1.3	8,019,205	8,019,205
First Islamic Modaraba 25,000 certificates of Rs. 10 each		250,000	250,000
First Punjab Modaraba 50,000 certificates of Rs. 10 each including 14,000 bonus certificates		925,900	925,900
Bankers Equity Limited 23,000 ordinary shares of Rs. 10 each including 3,000 bonus shares		1,102,012	1,102,012
Khadim Ali Shah Bukhari & Co. Limited 6,600 ordinary shares of Rs. 10 each including 1,600 bonus shares		355,958	355,958
Crescent Investment Bank Limited 8,400 ordinary shares of Rs. 10 each including 4,400 bonus shares		169,450	169,450
Asian Stock Fund 172,500 ordinary shares of Rs. 10 each		1,725,000	1,725,000
Indus Bank Limited 100,500 ordinary shares of Rs. 10 each		1,653,660	1,653,660
Gulistan Spinning Mills Limited 34,500 ordinary shares of Rs. 10 each		1,274,020	1,274,020
Gadoon Textile Mills Limited 9,843 ordinary shares of Rs. 10 each including 3,543 .bonus shares		806,757	806,757
Dadabhoy Cement Limited 6,000 ordinary shares of Rs. 10 each		315,960	315,960
Pioneer Cement Limited 40,000 ordinary shares of Rs. 10 each		2,036,615	2,036,615
Cherat Cement Limited 35,000 ordinary shares of Rs. 10 each including 2,000 bonus shares		2,730,400	2,730,400
Searle Pakistan Limited 1,596 ordinary shares of Rs. 10 each including 338 bonus shares		109,940	109,940

Nishat Tek Limited 24,600 ordinary shares of Rs. 10 each including 1,100 bonus shares	928,825	928,825
Pakistan Industrial Leasing Corporation Limited 20,000 ordinary shares of Rs. 10 each	724,000	724,000
Security Leasing Corporation Limited 167,400 ordinary shares of Rs. 10 each	1,674,000	1,674,000
Askari Commercial Bank Limited 3,932 ordinary shares of Rs. 10 each 1,182 bonus shares	111,655	111,655
Nayab Spinning Mills Limited 700,000 ordinary shares of Rs. 10 each	6,300,000	6,300,000
Genertech Pak 10,000 ordinary shares of Rs. 10 each	254,500	254,500
Lucky Cement Limited 2,500 ordinary shares of Rs. 10 each	51,500	51,500
KASB Premier Fund 100,000 ordinary shares of Rs. 10 each	1,024,150	1,024,150
Pak Apex Leasing Limited 192,900 ordinary shares of Rs. 10 each	1,934,000	1,934,000
Pak Datacom Limited 11,000 ordinary shares of Rs. 10 each	408,000	408,000
Sui Northern Gas Pipelines Limited 112,500 ordinary shares of Rs. 10 each	3,913,410	3,913,410
I.C.I. (Pak) Limited 20,000 ordinary shares of Rs. 10 each	497,000	497,000
Aggregate market value: Rs. 44,703,699 (1998: Rs. 46,444,890)	39,295,917	39,295,917
	73,648,417	73,648,417

11.2 Investment in unlisted companies

Sihala Biotech Limited	11.2.1		
Break-up value Rs. 10,000,000 (1998: Rs. 10,000,000)		10,000,000	10,000,000
		10,000,000	10,000,000

11.1.1 Percentage of equity held in the investee company is 8.39% (1998: 8.39%)

11.1.2 Percentage of equity held in the investee company is 24.23% (1998: 24.23%)

11.1.3 Percentage of equity held in the investee company is 16.03% (1998: 16.03%)

11.2.1 Percentage of equity held in the investee company is 36.60% (1998: 36.60%)

11.3 Shares amounting to Rs. 67,939,184 are pledged with banks and financial institutions against loans taken from them.

12. LONG TERM LOANS

Lease Pak Limited	12.1	15,794,000	20,000,000
Caravan East Fabrics Limited	12.2	43,182,534	43,182,534
Mina Leathers Limited	12.3	29,827,630	29,827,630
Sihala Biotech Limited	12.4	40,301,926	40,295,926
Other		678,341	838,339
		129,784,431	134,144,429

Less: Current portion taken to current assets	15	18,580,604	8,688,322
		-----	-----
		111,203,827	125,456,107

Lease Pak Limited

12.1 The loan carries mark-up of 20% per annum and is secured by specific charge on the machinery leased to their clients. The loan is repayable in three years by quarterly instalments.

Caravan East Fabrics Limited

12.2 The Company has invested substantial amount of funds in Caravan East Fabrics Limited in the form of equity and project loan. Due to substantial past losses and borrower's inability to repay the loan, the bank alongwith others took over the management of the Caravan East Fabrics Limited in April 1999. The management of the Company is confident that the borrower will soon be in a position to repay the loan as per revised repayment plan approved by the Company and no provision is required thereagainst.

The loan carries mark-up of 20% per annum and is secured by a first charge on fixed assets of the company. The loan is repayable in twelve equal quarterly instalments commencing from July 2000.

Mina Leathers Limited

12.3 The loan carries mark-up of 20% per annum and is secured by a first and floating charge on the whole project including fixed and other assets of the company. The loan is repayable in twelve equal quarterly instalments commencing from December 1999

12.3.1 Subsequent event

The Company entered into a settlement agreement with the borrower subsequent to the balance sheet date. According to the terms of the settlement agreement, the receivables from borrower comprising loan of Rs. 29,827,630, mark-up of Rs. 5,968,719 (note 16.1) and arrangement fee of Rs. 9,200,000 (note 17.2) have been settled at Rs. 25,000,000. This settlement has resulted in a loss of Rs. 19,996,349 which has been recognized in the subsequent period on the date of settlement.

Sihala Biotech Limited

12.4 The loan carries mark-up of 20% per annum. The loan is secured by mortgage of factory land, building and machinery.

12.4.1 Due to delay in completion of the project, the loan was rescheduled by the Company. It is now repayable in twelve equal quarterly installments commencing from July 2000. The management of the company expects that the project would commence its operations in March 2000 and hence would be able to commence repayment of loan from July 2000 and no provision is required thereagainst.

13. LONG TERM PREPAYMENTS

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Prepaid office rent		1,000,000	2,257,300
Less: Current portion shown under current assets	17	750,000	1,277,300
		-----	-----
		250,000	980,000
		=====	=====

14. SHORT TERM INVESTMENTS

Federal Investment Bonds (under Repo),
at cost Face value: Rs. 25,000,000
(1998: Rs. 7,000,000)

	14.1	25,000,000	7,000,000
		-----	-----
		25,000,000	7,000,000
		=====	=====

14.1 Investment in Federal Investment Bonds is made to meet the liquidity requirement as per State Bank of Pakistan regulations. The rate of return varies from 4% to 16.5% (1998: 14% to 18%) per annum.

15. SHORT TERM LOANS AND ADVANCES- SECURED

Promissory notes discounted and margin loans considered good		16,039,912	111,423,278
considered bad		7,737,554	--
considered doubtful		9,954,683	8,762,618
		-----	-----
		33,732,149	120,185,896
Less:			
Bad debts	22	7,737,554	--
Provision for doubtful debts		9,954,683	8,762,618
		-----	-----
		17,692,237	8,762,618
		-----	-----
		16,039,912	111,423,278
Add: Current portion of long term loans	12	18,580,604	8,688,322
		-----	-----
		34,620,516	120,111,600
		=====	=====

These are principally secured by hypothecation of or a charge on assets of customers, lien on deposits from customers in local/foreign currency, bank guarantees and pledge of shares of listed companies. The bills have been discounted at rates ranging between 18% to 24% (1998: 15% to 24%) per annum.

16. INCOME ACCRUED AND RECEIVABLES

On bank deposits		14,121,311	15,850,851
On loans and advances	16.1	37,946,230	28,252,489
Mark-up written off		(3,823,287)	-
Provision for doubtful receivable		(6,986,836)	(6,986,836)
		-----	-----
		27,136,107	21,265,653
On Government securities		243,015	317,478
Dividend receivable		--	1,635
		-----	-----
		41,500,433	37,435,617
		=====	=====

16.1 This includes Rs. 5,968,719 which has been written off in the subsequent period on the basis disclosed in note 12.3.1

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
17. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advance for expenses	17.1	842,338	899,223
Prepayments-			
Office rent	13	750,000	1,277,300
Exchange risk coverage		833	234,820
Insurance		140,623	204,456
		-----	-----
		891,456	1,716,576
Receivables against sale of investments		429,250	429,250
Commission and fee	17.2	16,494,966	15,224,117
Less: Written off		3,000,000	--
		-----	-----
		13,494,966	15,224,117
Excise duty		700,773	700,352
Less: Provision		(700,773)	--
		-----	-----
		--	700,352
Other receivables	2 3	26,243,245	40,894,582
Security deposits		600,950	576,350

Shares transfer stamps	8,568	56,239
Staff loans	244,205	27,446
	-----	-----
	42,754,978	60,524,135
	=====	=====

17.1 This includes loans amounting to Rs. 685,361 (1998: Rs. 585,361) due from directors of the Company. the maximum aggregate amount of loans outstanding at any time during the year from directors was Rs. 685,361 (1998: Rs. 585,361).

17.2 This includes amount of Rs. 9,200,000 which has been written off in the subsequent period on the basis disclosed in note 12.3.1.

	1999	1998
	Rupees	Rupees
18. CASH AND BANK BALANCES		
Cash inhand	9,483	4,844
Balance with banks		
- on current accounts	2,056,933	2,762,341
- on deposit accounts	17,795,931	52,408,353
	-----	-----
	19,852,864	55,170,694
	-----	-----
	19,862,347	55,175,538
	=====	=====

19. REMISSION OF LOANS

Long term loan - DF I	63,015,325	--
Short term loan - DF II	12,630,746	--
	-----	-----
	75,646,071	--
Final Settlement amount	53,124,130	--
	-----	-----
	22,521,941	--
	=====	=====

The Company entered into an informal arrangement with the Muslim Commercial Bank Limited, whereby the loans amounting to Rs. 75,646,071 were fully settled at Rs. 53,124,130. The Company accordingly recognized the amount of Rs. 22,521,941 remitted by the bank as income in these accounts. Since this arrangement was not agreed in writing, the Muslim Commercial Bank filed a suit against the Company for recovery of the remaining amount of Rs. 30,170,158 including Rs. 22,521,941 in October 1999. The Company is contesting this suit and is confident that the case will be decided in its favour.

20. This represents reversal of profit on sale of shares recognized in 1998 on the basis of a sale agreement, the terms of which were not complied with by the buyer. The partial payment of Rs. 2,000,000 received from the buyer under the sale agreement has been forfeited by the company (refer to Note 21).

21. OTHER INCOME

This includes part payment of Rs. 2,000,000 forfeited against sale of share as referred in Note 20.

22. LOSS ON SETTLEMENT OF LOAN, MARK-UP AND COMMISSION

Due to adverse financial position, excess borrowings and continuous losses, M/S Hira Spinning Mills Limited expressed their inability to repay pro-note discount facility of Rs. 12,537,554, markup of Rs. 3,823,287 and commission of Rs. 3,000,000 and requested to utilize sale proceeds of 800,000 shares held by the bank as security towards the full and final settlement of their loan, mark-up and commission. This request was approved by the directors of the company and accordingly a loss of Rs. 14,560,841 has been recognized in these accounts.

1999	1998
Rupees	Rupees

23. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and benefits		3,884,098	6,929,585
Rents and utilities		2,540,212	2,767,066
Amortisation of deferred costs		--	71,201
Depreciation		1,157,508	1,378,162
Travelling and conveyance		845,627	771,519
Lease finance charges		109,949	329,519
Vehicle running		582,640	675,383
Printing and stationery		206,523	268,889
Advertisement and publicity		162,620	60,365
Insurance		269,060	421,135
Repair and maintenance		82,146	94,021
Postage		55,906	97,552
Legal and professional charges	23.1	385,145	271,605
Other		896,664	1,050,309
		-----	-----
		11,181,098	15,186,311
		=====	=====

23.1 These include auditors' remuneration and expenses as follows:

Audit fee -.current		55,000	55,000
Tax consultancy charges		180,000	--
Out of pocket expenses including prior year		10,000	8,900
		-----	-----
		245,000	63,900
		=====	=====

24. TRANSACTIONS WITH ASSOCIATED COMPANIES

Other than those already stated above, balances as at June 30, 1999 in respect of, and income and expenditure arising out of, transactions with the associated companies are summarised below:

Income on loans and advances	8,616,781	--
Deposits received	20,647,000	6,958,000
Return on deposits	1,222,925	1,775,603
Funds borrowed	5,100,000	5,100,000
Mark-up on borrowings	1,067,088	1,000,003
Other receivable	523,961	667,364
	-----	-----
	37,182,755	15,500,970
	=====	=====

25. FUND MANAGEMENT ACCOUNT

The Company had received Rs. 288,500,000/- as at June 30, 1999 (1998: Rs. 288,500,000) under the Fund Management Scheme, offered to its customers. The funds received under this scheme have been invested in advances on the authority of the customers. These amounts were received and utilized without any liability on the part of the bank. The Company's income on such transactions between 0.5% to 1.75% per annum.

26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	June 30, 1999			June 30, 1998		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Managerial remuneration	580,644	--	776,788	580,644	967,740	1,227,714
Housing and utilities	319,356	--	438,093	319,356	532,260	675,244
	-----	-----	-----	-----	-----	-----
	900,000	--	1,214,881	900,000	1,500,000	1,902,958
	=====	=====	=====	=====	=====	=====
Number	1	--	6	1	2	6
	=====	=====	=====	=====	=====	=====

The chairman, chief executive and two executive directors are allowed the use of chauffeur driven company maintained cars. Some executives are also allowed to use company maintained cars.

27. GENERAL

All figures have been rounded off to the nearest Rupee.

Previous year's figures have been rearranged and regrouped, wherever necessary, for the purpose of comparison.

Chief Executive

Director

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1999

<i>Number of Shareholders</i>	<i>SHAREHOLDINGS</i>		<i>Total Shares held</i>
	<i>From</i>	<i>To</i>	
75	1	100	7,500
1,206	101	500	561,900
111	501	1,000	108,600
170	1,001	5,000	480,300
38	5,001	10,000	317,500
13	10,001	15,000	160,000
14	15,001	20,000	252,500
5	20,001	25,000	112,000
4	25,001	30,000	111,200
2	30,001	35,000	68,800
1	35,001	40,000	39,300
2	45,001	50,000	96,100
1	60,001	65,000	64,300
1	65,001	70,000	66,700
3	90,001	95,000	275,600
1	95,001	100,000	100,000
1	115,001	120,000	115,800
1	140,001	145,000	141,500
1	145,001	150,000	150,000
1	200,001	205,000	204,000
1	275,001	280,000	275,700
2	295,001	300,000	600,000
1	355,001	360,000	356,500
1	395,001	400,000	399,900
3	445,001	450,000	1,349,000
1	695,001	700,000	700,000
1	885,001	890,001	885,300
2	995,001	1,000,000	2,000,000
-----	-----	-----	-----
1,663			10,000,000
=====	=====	=====	=====

<i>Categories of Shareholders</i>	<i>Number of</i>		<i>Percentage held</i>
	<i>Shareholders</i>	<i>Shares held</i>	
1. Individuals	1,629	3,512,300	35.12
2. Investment Companies	10	889,600	8.90
3. Insurance Companies	1	300,000	3.00
4. Joint Stock Companies	13	2,103,500	21.04
5. Financial Institutions	6	1,579,300	15.79
6. Modaraba Companies	3	730,000	7.30
7. Foreign Investors	1	885,300	8.85
	-----	-----	-----
TOTAL	1,663	10,000,000	100.00
	=====	=====	=====