

## **PRUDENTIAL INVESTMENT BANK LIMITED**

7TH ANNUAL REPORT 1997

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### **Corporate & Investors Information**

#### **Board of Directors**

Rashidullah Yacoob (Chairman)

Sanobar Akhtar Yacoob

Mohammad Naseemuddin Mirza

Saleha Rashid Umoodi

Muhammad Asif Dar

Syed Haider Jared

Mohammad Yakoob Admaney

#### **Chief Executive Officer**

Tahir Hasan

#### **Secretary**

Muhammad Tahir Siddiqui

#### **Bankers**

Mashreq Bank

Muslim Commercial Bank Ltd.

Prudential Commercial Bank Ltd.

United Bank Limited

#### **Auditors**

Taseer Hadi Khalid & Co.

Chartered Accountants

#### **Legal Advisors**

Liaquat Merchant & Co.

Sair & Munir

#### **Registered Office**

Firdausi Building

Jinnah Road, Quetta, Balochistan

Tel: 081-111-22-3000, 821773

Fax: 081-824061

#### **Corporate Profile**

The Prudential Investment Bank Ltd. (PIBL) was incorporated in 1988 under the Government of Pakistan's SRO No. 585/(1)87. The Bank is regulated by State Bank of Pakistan. PIBL has geographically diversified branch offices in all the provinces of Pakistan.

#### **Stock Exchange Listing**

Prudential Investment Bank Ltd., is listed on all the Stock Exchanges in Pakistan. Daily quotations on the Stocks Exchanges can be obtained from leading newspapers, it is listed under "Investment Companies & Banks".

#### **Public Information**

Prospective investors, financial analysts, stock brokers and financial media desiring information about the Prudential Investment Bank Ltd., should contact the Central Office Karachi.

Tel: 021-2628833-40

Fax: 021-2636607

#### **Share Holders Information**

Enquiry covering lost share certificates, dividend payments, change of address, verification of transfer deeds and shares transfer should be directed to the Registrar of Prudential Investment Bank Ltd., i.e.

#### **Shares & Corporate Services (Pvt.) Ltd.,**

Mehrsons Estate, Block-E, B-E-1,

Talpur Road, Karachi.

Tel: 2429632-35 Fax: 2420015

#### **Notice of Meeting**

Notice is hereby given that the Eighth Annual General Meeting of the shareholders of Prudential Investment Bank Limited will be held at its registered office located at Firdausi Building, Jinnah Road, Quetta, on Wednesday, December 31, 1997 at 10:00 a.m, to transact the following business:

1. To confirm the minutes of the Seventh Annual General Meeting held on December 30, 1996.
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' Report thereon.

3. To appoint auditors for the year 1997-98 and to fix their remuneration.
4. To transact any other business, which may be placed before the meeting with the permission of the Chair.

**Note:**

1. The Share Transfer Books of the Company will remain closed from December 22, 1997 to December 31, 1997 (both days inclusive).
2. A member entitled to attend and vote at this Meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him/her. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.
3. Members are required to notify the change of address, if any, immediately.

**Director's Report**

We are pleased to present 7th Annual Report of your Bank and the Audited Accounts for the period ended June 30, 1997. After the change of fiscal year from December to June last year, this report covers 12 months period ended June 30, 1997. Whereas the previous financial year covered 18 months.

**Economic Conditions**

The period under review was dominated with political uncertainty and depressed economic conditions in the country. The GDP growth rate remained as low as 3.1 percent against growth target of 6.5%. Due to successive bad cotton crop and low sugarcane output, the textile and sugar industry remained affected and shortages were met through import of raw cotton and sugar to meet the local requirements. The weak fiscal position of the public sector and the adverse balance of payment position of the country increased the deficit position and giving rise to inflation and reliance on foreign resources. The increased government borrowings-from the banking system in the year 1996-97 to meet its budgetary deficit had resulted in liquidity crunch affecting the efficiency of banking system and capital markets. The change of government during the second half of the period under review also did not help in improving the economic condition. However, the promises made by the new government to attract the foreign investors and promote the industrialization in the country are expected to bring better results.

**Review of Operations**

Due to the liquidity crunch and increasing cost of funds the performance of your Bank was also affected. Under this scenario, the management of your Bank made efforts to sustain the business and profitability. Due to depressed capital market position, the income from investment reduced by 33.15% as compared to the last year and continued to rely on short term financing and commercial papers. On accounts of hectic marketing efforts, your Bank was able to increase deposits by more than 30.6% and also succeeded in attracting long term funds for its operations. The ratio of deposits mix also changed as dependence on foreign currency funds was reduced due to changes introduced by SBP, wherein Investment Banks were not allowed to keep foreign currency fixed deposits of less than one year maturity.

**Income & Expenditure**

Despite the inflationary pressure, the Bank adopted strict measures to contain the administrative and other operating expenses to the bare minimum. The total expenses of the Bank during the period under review reduced by 50.5% to Rs. 12.9 million as against Rs. 26.1 million during the correspondence period last year. Similarly, the financial charges reduced by 16.09% from Rs. 144.8 million to Rs. 121.5 million.

### **Recoveries**

The recovery performance during the period under review remained satisfactory on account of prudent credit policies, vigilant and continued monitoring at all levels of management. The continued depressed economic conditions affected the cash flow of some of our clients which resulted in delayed payments by them. While the receivables are considered good, the Bank was still required to make provisions of Rs. 6,025,222 in terms of State Bank of Pakistan, NBFI's regulations to cover the delayed payments, irrespective of the fact that receivables are adequately covered by collateral and the Bank is not expected to suffer any loss on account of delayed payments.

### **Resource Mobilisations:**

To achieve the growth targets, the Bank requires continuous flow of funds at competitive rates. Your Bank has been successful in mobilizing funds through issuance of Certificate of Investments both in local and foreign currencies.

Although your Bank is one of the participants in the World Bank's Financial Sector Deepening and Intermediation Project (FSDIP) of US\$ 200 million. The utilization of the credit line has not yet commenced due to the high cost of foreign exchange risk cover.

Your Bank alongwith other institutions is making efforts to find alternate methods of hedging of foreign currency loans in order to utilize the World Bank loan.

### **Future Prospects:**

To revive the economic conditions, the present government has taken a number of bold measures which include packages on agricultural sector economic revival programme and capital market reforms. The main objective of these packages is to improve productivity of agricultural and industrial sectors aimed at putting the economy on the right and strong footings. The political stability and the law and order situation which are pre-requisites to revival of the economic activities in the country. Once these objective are achieved, the economic turn around in the following years can meet the reality.

The signs of improvement in the economy have started emerging. The stock exchanges are showing positive improvements although in some selected scripts. With the establishment of industries for value added goods, the investment opportunities in the country would increase further and your Bank will have more options for making sound investments which will increase the business and profitability.

### **Auditors:**

The Auditors, M/s. Taseer, Hadi, Khalid & Company, Chartered Accountants retire and offer themselves for reappointment for the financial year 1997-98.

### **Acknowledgment:**

We wish to place on record our gratitude to the Ministry of Finance, Corporate Law Authority and the State Bank of Pakistan for their continued assistance and guidance.

We are thankful to our valuable clients and shareholders for their continued support and cooperations. The Directors also appreciate the hard work and team effort put in by the officers and staff of the Bank.

### **Auditors' Report To The Members**

We have audited the annexed balance sheet of Prudential Investment Bank Limited as at 30 June, 1997 and the related profit and loss account and statement of changes in financial position, together

with the notes forming part thereof, for the year then ended in which are incorporated the audited returns of Karachi Branch and unaudited certified returns from the other branches 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 the profit and loss account, together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy as stated in note 2.3 with which we concur.

ii) the expenditure incurred during the year was for the purpose of the company's business; and

iii) the business conducted, investments made and the expenditure incurred during the period 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 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 30 June 1997 and of the profit and the changes in financial position for the year then ended; and

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

**TASEER HADI KHALID & CO.**

Karachi: December 9, 1997

CHARTERED ACCOUNTANTS

**Balance Sheet As At June 30, 1997**

Note	1997 Rupees	1996 Rupees
<b>CAPITAL AND RESERVE</b>		
Authorised capital 50,000,000 ordinary shares of Rs. 10/- each	500,000,000	500,000,000
Issued, Subscribed and Paid-up Capital 10,000,000 ordinary shares of Rs. 10/- each fully paid up in cash	100,000,000	100,000,000
	-----	-----

Special reserve	3	982,000	982,000
Other reserves	4	48,142,000	48,142,000
Unappropriated profit		3,316,152	9,634,036
		-----	-----
		52,440,152	58,758,036
		-----	-----
		152,440,152	158,758,036
<b>DEPOSITS OF FIXED MATURITIES</b>	5	60,674,247	21,210,773
<b>CURRENT LIABILITIES AND PROVISIONS</b>		-----	-----
Deposits of fixed maturities	5	676,437,067	543,159,482
Cash management account	6	422,504,623	139,102,830
Accrued expenses and other liabilities	7	35,639,274	20,380,496
Running finance under mark-up arrangements	8	45,010,640	45,010,640
Taxation	9	26,305,543	31,119,000
		-----	-----
		1,205,897,147	778,772,448
<b>CONTINGENT LIABILITIES AND COMMITMENTS</b>	10	-----	-----
		1,419,011,546	958,741,257
		=====	=====
The annexed notes form an integral part of these accounts.			
<b>TANGIBLE FIXED ASSETS - AT COST LESS ACCUMULATED DEPRECIATION</b>	11	2,582,674	2,146,139
Long term investments	12	43,916.20	47,754,195
Deferred taxation		2,700,000	-
Long term loans and advances	13	1,010,353	1,293,153
<b>CURRENT ASSETS</b>		-----	-----
Balances with banks and in hand	14	19,698,726	187,850,935
Trading Investments	15	32,440,974	35,387,328
Commercial papers	16	710,134,777	535,465,387
Short term finances	17	468,326,826	80,745,191
Loans and advances	13	420,000	701,970
Advances, prepayments and other receivables	18	137,684,659	67,298,207
Stationery in hand		96,362	98,752
		-----	-----
		1,368,802,324	907,547,770
		-----	-----
		1,419,011,546	958,741,257
		=====	=====

**Profit and Loss Account  
For the Year ended June 30, 1997**

		Year ended 30 June 1997 Rupees	Eighteen month ended 30 June 1996 Rupees
<b>INCOME</b>			
Return on commercial papers, etc.		82,778,768	95,708,138
Income from investments	19	47,680,627	70,209,144
Return on bank deposits		3,226,259	44,932,277
Fee and commission	20	2,759,110	3,936,981
Other income	21	1,409,357	6,073,672
		-----	-----
		137,854,121	220,860,212
<b>EXPENDITURE</b>			
Return on deposits, etc.		101,714,843	103,993,278
Financial charges	22	19,825,442	40,892,500
Administrative and other operating expenses	23	12,893,975	26,071,604
		-----	-----
		134,434,260	170,957,382
		-----	-----
		3,419,861	49,902,830
(Provision against) / Reversal of Provision		-----	-----
Diminution in the value of quoted shares		1,467,839	17,214,601
Decline in value of long term investments		(2,400,000)	-
Doubtful receivables		(6,025,222)	10,076,793
Unrealised markup relating to prior year suspended		(3,580,362)	-
		-----	-----
		(10,537,745)	27,291,394
		-----	-----
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(7,117,884)	22,611,436
<b>TAXATION</b>		-----	-----
- Current		(500,000)	19,924,000
- Prior Year		(1,400,000)	(18,173)
- Deferred		2,700,000	-
		-----	-----
		800,000	19,905,827
		-----	-----
<b>(LOSS)/PROFIT AFTER TAXATION</b>		(6,317,884)	2,705,609
UNAPPROPRIATED PROFIT BROUGHT FORWARD		9,634,036	7,470,427
		-----	-----
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		3,316,152	10,176,036
Transfer to statutory reserve		-	542,000
		-----	-----
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>		3,316,152	9,634,036
		=====	=====

The annexed notes form an integral part of these accounts.

### Statement of Changes in Financial Position

**For the Year ended June, 30, 1997**

	Year ended 30 June 1997 (Rupees)	Eighteen months ended 30 June 1996 (Rupees)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit for the year before taxation	(7,117,884)	22,611,436
	-----	-----
<b>Adjustments for:</b>		
Depreciation	436,246	653,120
Fixed assets of closed branches written off	450,058	-
Deferred cost amortised	-	841,081
Diminution in the value of quoted shares	(1,467,839)	17,214,601
Decline in value of long term investments	2,400,000	-
Provision against doubtful commercial papers and receivables	6,025,222	10,076,793
Unrealised markup relating to prior year suspended	3,580,362	-
Gain on disposal of fixed assets	(854,376)	(1,184,097)
	-----	-----
	10,569,673	27,601,498
 (Increase)/decrease in operating assets		
Trading investments	4,414,193	137,507,049
Commercial papers	(180,694,612)	(84,424,059)
Short term finance	(387,561,635)	(80,745,191)
Advances, prepayments and other receivables	(72,009,474)	57,146,275
Stationery in hand	2,390	(1,594)
Loans and advances	564,770	7,043,036
	-----	-----
	(635,304,368)	36,525,516
 Increase/(decrease) in operating liabilities		
Deposits of fixed maturities	172,741,059	(69,036,415)
Cash management account	283,401,793	(17,259,104)
Accrued expenses and other liabilities	15,258,778	(6,075,237)
Running finance under markup arrangements	-	6,523,412
	-----	-----
	471,401,630	(85,847,344)
 Income tax paid	(8,670,796)	(5,356,547)
	-----	-----
 Net cash flow from operating activities	(169,121,745)	(4,465,441)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of fixed assets	(1,499,900)	(1,222,481)
Proceeds from sale of fixed assets	1,031,436	6,695,986
Long term investments	1,438,000	(7,097,312)
	-----	-----
 Net cash from investing activities	969,536	(1,623,807)
	-----	-----
 'Net decrease in balances with banks and in hand	(168,152,209)	(6,089,248)
	=====	=====



Balances with banks and in hand at beginning of the year	187,850,935	193,940,183
Balances with banks and in hand at end of the year	19,698,726	187,850,935
	-----	-----
Net decrease in balance with banks and in hand	(168,152,209)	(6,089,248)
	=====	=====

## Notes to the Accounts

### For the Year ended June 30, 1997

#### 1. STATUS AND NATURE OF BUSINESS

Prudential Investment Bank Limited is a public limited company quoted on Stock Exchanges in Pakistan. The company has been registered as an "Investment Bank" to carry on investment finance business in accordance with the objects and functions contained in S.R.O.585(1)87 dated 13 July 1987.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

##### 2.2 Provision for contingencies

Provision for financing against commercial papers, investments and contingencies, if any, are made annually after review of outstanding portfolio at the year end.

##### 2.3 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax rebates and credits, if any.

The company accounts for deferred taxation, if any, on all major timing differences using the liability method. Upto last year, deferred tax debits were not accounted for. However, from current year the policy has been changed to record deferred tax asset, on provisions for doubtful receivables not currently allowable as a tax deduction. Had the policy not been changed loss for the year would have been higher by Rs. 2,700,000.

##### 2.4 Investments

###### Quoted - Trading

These are valued at lower of average cost and market value on an aggregate portfolio basis. Market value has been taken from Karachi Stock Exchange quotation sheets on last working day of the income year.

###### Long Term Investments

These are stated at cost. The carrying amount is reduced to recognize any decline other than temporary in value of these investments. Capital gain/loss arising on sale of investments is accounted for in the year in which it arises.

##### 2.5 Securities under repurchase/resale agreements

Transactions of repurchase/resale of Government Securities are entered into at contracted rates for specified period of time. The securities under repurchase obligation are deleted from investments and are reinstated upon maturity of the respective repurchase obligation. The Securities under resale obligation are recognised as investments and deleted upon resale. The differential between the initial and maturity value of the contracts is accrued and recorded under income from investments.

#### 2.6 Tangible fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation on fixed assets is charged to income on a straight line basis at the rates specified in Note-11. A full month's depreciation is charged in the month of acquisition, while no depreciation is charged in the month of disposal. Normal renewals, replacements, maintenance, repairs and gain or loss on disposal of fixed assets are included in income currently.

#### 2.7 Revenue recognition

Income on discounted commercial paper is recognized on a time proportion basis over the life of the instruments. Where recovery is considered doubtful, income is recognized on receipt basis.

Dividend on equity investments is recognized at the time of closure of share transfer book of the company declaring dividend.

Commission is recorded on actual receipt basis except guarantee commission received in advance which is deferred over the guarantee period.

#### 2.8 Foreign currency transactions

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

### 3. SPECIAL RESERVE

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

	1997 Rupees	1996 Rupees
<b>4. OTHER RESERVES</b>		
STATUTORY RESERVE (NOTE 4.1)		
Balance at beginning of the year	13,142,000	12,600,000
Transferred during the year	-	542,000
	-----	-----
	13,142,000	13,142,000
GENERAL RESERVE		
Balance at beginning and end of the year	35,000,000	35,000,000
	-----	-----
	48,142,000	48,142,000
	=====	=====

4.1 This reserve has been created as required under Circular No. 1 of Non-Banking Financial Institutions dated 15 December 1991.

	1997 Rupees	1996 Rupees
<b>5. DEPOSITS OF FIXED MATURITIES</b>		
Balance as at 30 June	737,111,314	564,370,255
Due within one year	(676,437,067)	(543,159,482)
	-----	-----
	60,674,247	21,210,773
	=====	=====
These can be reclassified as under:		
Deposits from bank	224,568,788	98,500,000
Deposits from corporate and other clients	512,542,526	465,870,255
	-----	-----
	737,111,314	564,370,255
	=====	=====

Expected rates of return payable on these deposits range from approximately 6.0625% per annum to 17% per annum.

#### 6. CASH MANAGEMENT ACCOUNT

Expected rates of return payable on these accounts range from approximately 15% per annum to 18% per annum.

#### 7. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued return on running finance	13,334,411	4,462,815
Accrued return on cash management account	2,467,749	6,556,137
Central Excise duty	16,855	1,467,566
Accrued return on deposits	12,513,078	3,520,635
Guarantees margin	6,060,217	4,140,473
Guarantee commission received in advance	1,054,552	-
Unclaimed dividend	60,619	60,619
Others	131,793	172,251
	-----	-----
	35,639,274	20,380,496
	=====	=====

#### 8. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS

The company has obtained running finance facility under mark-up arrangements from Muslim Commercial Bank Limited amounting to Rs. 40 million temporarily exceeded (1996: Rs. 40 million) which carries mark-up @ 54 paise per thousand, per day and is secured against marketable securities.

#### 9. TAXATION

The income tax assessments of the bank have been finalised upto assessment year 1996-97. However, appeals/rectifications applications for the assessment year 1996-97 are pending before the Commissioner of Income Tax (Appeals)/Income Tax Appellate Tribunal against certain disallowances and assessment at the rate applicable to banking companies. The management expect decision in their favour. Accordingly, no provision has been made for the additional liability in respect of disallowances amounting to Rs. 3.5 million and respect of assessment at rates applicable to banking companies amounting to Rs. 7.7 million which may arise in case of unfavourable decision.

	1997 Rupees	1996 Rupees
<b>10. CONTINGENT LIABILITIES AND COMMITMENTS</b>		
10.1 Contingency in respect of guarantees Issued [1996: including guarantee issued to an associated undertaking amounting to Rs. 16.65 million]	324,647,344 =====	208,787,331 =====
10.2 Commitments for rental under operating lease agreements in respect of vehicles are payable as follows:		
YEARS		
1996-97	-	42,280
1997-98	289,632	-
1998-99	144,816	-
	-----	-----
	434,448	42,280
	=====	=====

**11. TANGIBLE FIXED ASSETS - (At cost less accumulated depreciation)**

	COST			RATE %	DEPRECIATION			WRITTEN DOWN VALUE	
	As at 01 July 1996	Additions/ (Disposals)	As at 30 June 1997		As at 01 July 1996	For the year	On (Disposals)	As at 30 June 1997	As at 30 Jun-97
Furniture and Fixture	1,562,796	18,752	(224,810)	10 & 20	608,205	145,267	(57,431)	696,041	660,697
Equipment	1,748,191	647,895	(296,038)	10 & 20	653,361	189,490	(108,748)	734,103	1,365,945
Vehicles	3,360	833,253	(177,060)	10 & 20	2,031	101,489	-	103,520	556,033
Improvement to lease premises	201,926	-	(201,926)	20	106,537	-	(106,537)	-	-
	-----	-----	-----	-----	-----	-----	-----	-----	-----
1997 RUPEES	3,516,273	1,499,900	(899,834)	-----	1,370,134	436,246	(272,716)	1,533,664	2,582,675
	=====	=====	=====	=====	=====	=====	=====	=====	=====

1996 RUPEES	9,960,749	1,222,481	(7,666,957)	3,516,273	2,872,082	653,120	(2,155,068)	1,370,134	2,146,139
	=====	=====	=====	=====	=====	=====	=====	=====	=====

11.1 Four vehicles with cost and written down value of Rs. 177,060 were sold to M/s. Nadeem Iqbal Associates for Rs. 1,031,436 through negotiations.

11.2 Assets relating to closed branches amounting to Rs. 450,058 have been written off.

	1997 Rupees	1996 Rupees
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## 12. LONG TERM INVESTMENTS

Certificates - Quoted

First Equity Modaraba

[73,825 (1996: 73,825) certificates of Rs. 10/- each

Market value Rs. 295,300]

482,734	482,734
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Shares - Quoted

Lease Pak Limited

[1,500 (1996: 1,500) certificates of Rs. 10/- each

Market value Rs. 7,725]

15,013	15,013
--------	--------

Paramount Leasing Limited

[500,000 (1996: 500,000) certificates of Rs. 10/- each

Market value Rs. 4,350,000]

5,000,000	5,000,000
-----------	-----------

Pakistan Industrial Credit & Investment Corporation

[26,173 (1996: 26,173) certificates of Rs. 10/- each

Market value Rs. 244,717]

366,638	366,638
---------	---------

Fidelity Investment Bank Limited

[35,500 (1996: 35,500) shares of Rs. 10/- each

Market value Rs. 257,375]

576,875	576,875
---------	---------

Ibrahim Fibres Limited

[120,000 (1996:150,000) shares of Rs. 10/- each

Market value Rs. 990,000]

2,112,000	2,640,000
-----------	-----------

Kohinoor Genertech Limited

[50,000 (1996: 50,000) shares of Rs. 10/-

Market value Rs. 582,500]

1,250,000	1,250,000
-----------	-----------

Dadabhoy Cement Limited

[51,000 (1996: 51,000) shares of Rs. 10/- each

Market value Rs. 408,000]

2,951,590	2,951,590
-----------	-----------

Maple Leaf Cement Limited

[6,625 (1996: 41,625) shares of Rs. 10/- each

Market value Rs. 56,313]

172,250	1,082,250
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Maple Leaf Electric Limited [50,000 (1996: 50,000) shares of Rs. 10/- each Market value Rs. 487,000]		1,448,093	1,448,093
Prudential Commercial Bank Limited, an associated undertaking [1,742,000 (1996: 1,742,000) shares of Rs. 10/- each; Market value Rs. 19,162,000]		17,541,002	17,541,002
		-----	-----
		31,916,195	33,354,195
Less provision for decline other than temporary in value of investments		(2,400,000)	-
		-----	-----
		29,516,195	33,354,195
Shares - Unquoted Prudential Securities Limited 990,000 shares of Rs. 10/- each (Chief Executive: Mr. Mohammad Tahir Siddiqui) Percentage holding 19.8%. The first accounts of the company have not yet been prepared.		9,900,000	9,900,000
WAPDA Bearer Bonds [45 (1996: 45) scrips of Rs. 100,000/- each	12.1	4,500,000	4,500,000
		-----	-----
		43,916,195	47,754,195
		=====	=====

12.1 These are ten years bonds maturing in 2000 which carry a rate of profit @ 12.5% per annum receivable semi annually.

12.2 The market value of quoted investments at 30 June 1997 amounted to Rs. 26,811,430 (1996: Rs. 21,894,797). However, the carrying value has not been adjusted as in the opinion of Directors the decline is temporary.

**13. LONG TERM LOANS AND  
ADVANCES - CONSIDERED GOOD**

Loans due from employees	13.1	1,430,353	1,995,123
Less: Receivable within one year		(420,000)	701,970
		-----	-----
		1,010,353	1,293,153
		=====	=====
Outstanding for period Exceeding three years		-	-
Less than three years		1,430,353	1,995,123
		-----	-----
		1,430,353	1,995,123
		=====	=====

13.1 This includes house building advance given to working director as per terms of employment and is recoverable in monthly installments.

The maximum aggregate amount due from working director at the end of any month during the year was Rs. 1.87 million (1996: Rs. 2.29 million).

	1997 Rupees	1996 Rupees
<b>14. BALANCES WITH BANKS AND CASH IN HAND</b>		
Cash with banks		
On current accounts	18,987,095	128,696,600
On deposit accounts	711,631	58,905,398
	-----	-----
	19,698,726	187,601,998
Cash in hand	-	248,937
	-----	-----
	19,698,726	187,850,935
	=====	=====

**15. TRADING INVESTMENTS**

These shares are of Rs. 10/- each unless stated otherwise:

**No. of shares/  
Certificated**

**Name of Companies/Modaraba**

1997      1996

**MUTUAL FUNDS**

18,900	20,400	Twenty Third ICP	189,000	204,000
24,000	24,000	Confidence Mutual Fund Ltd.	240,000	240,000

**MODARABAS**

1,400	36,400		15,850	409,800
25,854	25,854	Trust Modaraba	632,618	632,618
6,500	6,500	First Interfund Modaraba	48,053	48,053
94,050	94,050	LTV Capital Modaraba (Rs. 5/- each)	570,050	570,050
52,800	52,800	First Pak Modaraba	859,840	859,840
		First Confidence Modaraba		

**LEASING COMPANIES**

4,560	22,060	Trust Leasing Corp. Ltd.	123,655	598,430
300	44,300	National Development Leasing Corp. Limited (Rs. 5/-each)	4,326	1,013,355
9,000	12,500	Askari Leasing Ltd.	186,195	621,750
500	500	Gandhara Leasing Co. Ltd.	24,230	24,230

**INVESTMENT COMPANIES  
AND BANKS**

-	8	Muslim Commercial Bank Ltd.	-	552
16,999	16,999	Jahangir Siddiqui & Co. Ltd.	922,848	922,848
12,500	23,000	Bankers Equity Ltd.	608,375	973,400
30,093	30,093	Union Bank Ltd.	791,458	791,458
13,950	16,000	Bank of Punjab	433,265	742,170
11,500	11,500	Prime Commercial Bank Ltd.	456,000	456,000
66,480	66,480	Crescent Investment Bank Ltd.	2,925,560	2,925,560
35,100	100	Faysal Bank Ltd.	981,970	2,470
19,500	19,500	Al-Faysal Investment Bank Ltd.	398,900	398,900
-	14,000	Orix Investment Bank Pakistan Ltd.	-	167,520

**INSURANCE**

7,944	6,620	International General Insurance Co. Ltd.	804,711	604,711
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**TEXTILE SPINNING  
AND WEAVING**

35,700	60,700	Kohinoor Spinning Mills Ltd.	1,609,285	2,736,285
470,804	470,804	Awan Textile Mills Limited.	4,708,040	4,708,040
12,375	12,375	Brother Textile Mills Limited	270,555	270,555
7,833	7,833	Raza Textile Mills Limited	94,358	94,358
31,086	36,086	Mohib Textile Mills Limited	660,039	1,106,274
8,100	8,100	Dewan Khalid Textile Mills Limited	421,370	421,370
110	19,110	Umer Fabrics Limited	1,649	296,719
1,500	1,500	Dewan Mushtaq Textile Mills Limited	80,874	80,874
9,300	14,300	Elahi Spinning Mills Limited	126,316	186,675
11,500	19,000	Taj Textile Mills Limited	255,430	339,505
5,000	5,000	Kohinoor Weaving Mills Limited	110,650	110,650
4,000	4,000	Gadoon Textile Mills Limited	159,870	159,870

**TEXTILE COMPOSITE**

50,000	50,000	Zahoor Textile Mills Ltd.	2,927,050	2,927,050
7,250	22,250	Mohib Export Ltd.	157,838	484,238

**SYNTHETIC AND RAYON**

33,000	33,000	Pak Synthetics Ltd.	1,695,196	1,695,196
260	260	Dewan Salman Fibres Ltd.	34,850	33,200

**SUGAR AND ALLIED INDUSTRIES**

27,076	27,076	Shakarganj Sugar Mills Ltd.	1,057,575	1,057,575
10,000	20,000	Hasib Waqas Sugar Mills Ltd.	151,100	302,200
65,500	65,500	AI Abbas Sugar Mills Ltd.	694,625	694,625
6,000	6,000	Ansari Sugar Mills Ltd.	76,450	76,450
10,000	10,000	Tandlianwala Sugar Mills Ltd..	92,900	92,900

**CEMENT**

243	243	Pioneer Cement Ltd.	2,430	2,430
81,500	36,050	D.G. Khan Cement Company Ltd.	2,135,350	1,644,200
28,500	28,500	Cherat Cement Company Ltd.	1,337,375	1,337,375
11,000	11,000	Fecto Cement Industries Ltd.	638,375	638,375
51,000	51,000	Lucky Cement Limited	875,330	875,330
10,000	-	Dondot Cement Limited	56,300	-



<b>FUEL AND ENERGY</b>				
478,011	415,488	Sui Northern Gas Pipelines Ltd.	11,583,880	11,862,680
394	6,343	Sui Southern Gas Company Ltd.	10,576	195,676
690	690	Pakistan State Oil Company Ltd.	145,010	145,010
10,000		-Hub Power Company Ltd.	399,500	-
39,500	32,000	Japan Power Company Ltd.	438,450	355,200
15,000		-Kohinoor Genertech	250,062	-
21,000		-Southern Electric Power Company Ltd.	261,830	-

<b>CHEMICALS &amp; PHARMACEUTICAL</b>				
7,365	1,580	ICI Pakistan Ltd.	169,079	111,229
3,600	2,880	Engro Chemicals Ltd.	406,316	406,316
6,000	99,000	FFC Jordan Fertilizer Co. Ltd.	92,955	1,566,994

<b>AUTO &amp; ALLIED ENGINEERING</b>				
7,000	7,000	Indus Motor Company Ltd.	336,970	336,970
9,500	19,500	Ghandhara Nissan Ltd.	633,650	667,900
3,625	3,625	Baluchistan Wheels Ltd.	144,705	170,250
5,000	5,000	Pak Suzuki Motor Company Ltd.	303,300	303,300

<b>FOOD AND ALLIED</b>				
13,775	13,775	Rafhan Maize Products Company Ltd.	1,703,621	1,703,621
7,761	7,761	Brooke Bond (Pakistan) Ltd.	577,339	577,339

<b>TRANSPORT &amp; COMMUNICATION</b>				
5,866	5,866	Pakistan International Airlines Corp.	103,950	103,950

<b>TOBACCO</b>				
5,000	5,000	Pakistan Tobacco Co. Ltd.	184,750	184,750

<b>ASSOCIATED COMPANY</b>				
100,000		-Pakistan Industrial and Commercial Leasing Limited	663,000	-
			-----	-----
			49,857,026	54,271,219
		Less: Provision for diminution in the Value of quoted investments	17,416,052	18,883,891
			-----	-----
			32,440,974	35,387,328
			=====	=====

**16. COMMERCIAL PAPERS**

Commercial papers include Rs. 13.219 million due from an associated company in respect of amount paid under a financial guarantee issued on their behalf.

**17. SHORT TERM FINANCES**

Equity REPO's	17.1	168,326,826	80,745,191
NIT Units REPO's	17.2	300,000,000	-
		-----	-----
		468,326,826	80,745,191

=====

17.1 Equity REPO's represent shares of quoted companies purchased with a firm commitment to resell at fixed prices.

17.2 This represents NIT units purchased from Prudential Commercial Bank Limited, an associated company, with a firm commitment to resell at fixed prices.

	1997 Rupees	1996 Rupees
<b>18. ADVANCES, PRE-PAYMENTS AND OTHER RECEIVABLES</b>		
Advances:		
- For expenses	1,003,942	1,159,110
- Income tax	22,282,401	20,325,062
	-----	-----
	23,286,343	21,484,172
Prepayments	14,242,212	5,225,857
Profit accrued on:	-----	-----
- Investments	572,902	291,652
- Deposit accounts	26,899,502	4,493,524
- Commercial papers, etc.	66,521,600	31,404,372
	-----	-----
	93,994,004	36,189,548
Accounts receivable- Central Excise Duty	66,988	916,402
Due from associated undertakings	18.1 4,783,600	3,365,080
Others	1,311,512	117,148
	-----	-----
	137,684,659	67,298,207
	=====	=====

18.1 The maximum aggregate balance due from associated undertakings at the end of any month during the year was Rs. 5.132 million (1996: Rs. 13.367 million).

	Year ended 30 June 1997 Rupees	Eighteen months ended 30 June 1996 Rupees
<b>19. INCOME FROM INVESTMENTS</b>		
Capital (Loss)/gain on sale of shares	(19,786)	(5,440,472)
Return on Government Securities	19,608,847	56,068,945
Portfolio management	26,049,950	18,279,979
Dividend income	2,041,616	1,300,692
	-----	-----
	47,680,627	70,209,144
	=====	=====
<b>20. FEE AND COMMISSION</b>		
On underwriting of shares	-	420,640

On guarantees issued	2,700,160	2,841,153
Others	58,950	675,188
	-----	-----
	2,759,110	3,936,981
	=====	=====

**21. OTHER INCOME**

Consultancy and commission	-	1,051,247
Gain on sale of fixed assets	854,376	1,184,097
Interest due from associated undertaking	-	2,005,830
Others	554,981	1,832,498
	-----	-----
	1,409,357	6,073,672
	=====	=====

	<b>Year ended</b>	<b>Eighteen months</b>
	<b>30 June</b>	<b>ended 30 June</b>
	<b>1997</b>	<b>1996</b>
	<b>Rupees</b>	<b>Rupees</b>

**22. FINANCIAL CHARGES**

Mark-up on running finance	8,871,596	11,418,999
Mark-up on borrowing	-	2,300,000
Bank charges and others	90,761	1,065,243
Mark-up on REPO transactions	10,863,085	26,108,258
	-----	-----
	19,825,442	40,892,500
	=====	=====

**23. ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

Directors' fee		3,500	4,000
Salaries, wages and other benefits		5,304,667	12,885,087
Rent, rates and taxes		1,198,790	2,540,494
Rentals of leased vehicles		277,194	1,673,215
Stationery and supplies		153,498	387,832
Telephone, telegram and postage		593,498	1,148,042
Advertisement		84,674	35,571
Travelling and conveyance		420,692	1,097,318
Insurance		239,433	299,385
Repairs and maintenance		995,298	1,141,847
Legal and professional		217,658	3,704
Deferred costs amortised		-	841,081
Auditors' remuneration	23.1	452,250	262,855
Depreciation		436,246	653,120
Fees and subscription		621,840	1,588,054
Entertainment		86,282	207,052
Assets of closed branches written off		693,571	-
Gas & Electricity		625,328	407,100
Donation	23.2	-	17,980
Miscellaneous		489,556	877,867
		-----	-----

	12,893,975	26,071,604
	=====	=====

## 23.1 Auditors' Remuneration

Audit fee	100,000	100,000
Other services	352,250	156,900
Out of pocket expenses	-	5,955
	-----	-----
	452,250	262,855
	=====	=====

23.2 The recipients do not include any donee in whom directors or their spouses have any interest.

**24. REMUNERATION OF CHIEF EXECUTIVE  
AND OTHER EXECUTIVES**

	CHIEF EXECUTIVE		EXECUTIVES		DIRECTOR	
	1997 Rupees	1996 Rupees	1997 Rupees	1996 Rupees	1997 Rupees	1996 Rupees
Managerial remuneration	284,516	2,203,632	687,134	765,288	697,516	504,071
Housing	121,935	66,500	190,011	344,376	347,778	168,023
Utilities	-	18,364	83,184	76,536	324,780	126,018
Others	270,968	360,000	159,829	184,000	324,780	42,006
	-----	-----	-----	-----	-----	-----
	677,419	2,648,496	1,120,158	1,370,200	1,694,854	840,118
	=====	=====	=====	=====	=====	=====
Number of person	1	1	2	3	1	1

During the year Mr. Humayun Sadiq was replaced by Mr. Tahir Hasan as Chief Executive of the Bank.

In additions, the Chief Executive is provided with company maintained car and free telephone. Certain executives are also provided with free use of company cars.

**25. TRANSACTIONS WITH ASSOCIATED  
UNDERTAKINGS**

	1997	1996
	(Rupees in Million)	
- Commercial paper facility provided	13.219	-
- Guarantee issued on behalf of an associated undertaking	-	38.852
- Commission earned on guarantee issued	0.031	0.060
- Expenses incurred	0.806	15.628
- Consultancy and Commission earned	-	0.995
- Reverse REPO's of FIBs, NIT Units and shares	3,599.93	1,682.84
- Interest Income	9.682	4.526
- Placements received in cash management account	3792.505	1,392.86

**26. GENERAL**

26.1 Figures have been rounded off to the nearest rupee.

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

**Pattern of Share Holdings**

**As at 30 June 1997**

NUMBER OF SHARES	HOLDERS	SHARE HOLDINGS		
142	1	-	100	14,200
390	101	-	500	155,300
86	501	-	1000	77,700
69	1001	-	5000	204,200
27	5001	-	10000	249,200
9	10001	-	15000	119,600
8	15001	-	20000	149,800
18	20001	-	25000	436,500
5	25001	-	30000	144,000
4	30001	-	35000	129,800
8	45001	-	50000	396,200
5	50001	-	55000	273,000
3	55001	-	60000	177,000
2	60001	-	65000	128,500
1	65001	-	70000	67,100
2	70001	-	75000	146,800
1	75001	-	80000	80,000
2	80001	-	85000	167,700
10	95001	-	100000	1,000,000
1	100001	-	105000	100,700
7	115001	-	120000	830,000
1	120001	-	125000	122,800
2	125001	-	130000	258,500
1	135001	-	140000	140,000
1	170001	-	175000	175,000
1	175001	-	180000	176,800
1	190001	-	195000	192,800
1	195001	-	200000	200,000
3	205001	-	210000	623,900
1	435001	-	440000	435,300
1	835001	-	840000	837,900
1	1785001	-	1790000	1,789,700
-----				
814				10,000,000
=====				

CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
1. INDIVIDUALS	798	8,200,200	82.00
2. INVESTMENT COMPANIES	2	17,400	0.17
3. INSURANCE COMPANIES	1	11,500	0.12
4. JOINT-STOCK COMPANIES	5	424,000	4.24
5. FINANCIAL INSTITUTIONS	1	837,900	8.38
6. MODARABA COMPANIES	7	509,000	5.09
	-----	-----	-----
	814	10,000,000	100.00
	=====	=====	=====

## LIST OF BRANCHES

### 1. Quetta

Firdausi Building,  
Jinnah Road,  
Tel. No: 081 111-22- 3000, 821773  
Fax No: 081-824061

### 2. Karachi

Prudential House,  
Hasan All Street,  
Off: I.I. Chundrigar Road,  
Tel. No: 021-2638075  
021-2628833- 40  
Fax No: 021-2636607

### 3. Lahore

AI Malik Building  
Davis Road,  
Tel. No: 042-6308063  
Fax No: 042-6279272

### 4. Islamabad

1st Floor, Bilal Plaza,  
89, Blue Area, Jinnah Avenue  
Tel. No: 051-824226  
Fax No: 051-824226

### 5. Peshawar

Bilour Plaza, Saddar,  
Tel. No: 091-111- 22-3000, 276937-38  
Fax No: 091-278122

### 6. Mardan

Opposite G.P.O.  
The Mall Road,  
Tel. No: 0931-65568, 65586

Fax No: 0931-65569

**7. Faisalabad**

Regency Shopping Arcade,

The Mall Road,

Tel. No: 0411-619973

Fax No: 0411-619984