

# **Prudential Investment Bank Limited**

## **Annual Report 1999**

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### **Corporate & Investors Information**

#### **Chairman**

Rashidullah Yacoob

#### **Board of Directors**

Muhammad Nasimuddin Mirza  
Muhammad Tahir Siddiqui  
M. Obaidullah Siddiqui  
A.A.K. Sherwani  
Naveed A. Wahid  
Muhammad Yakoob Admaney

#### **Chief Executive Officer**

Tahir Hasan

#### **Secretary**

Muhammad Tahir Siddiqui

#### **Bankers**

Muslim Commercial Bank Ltd.  
Prudential Commercial Bank Ltd.  
United Bank Limited

#### **Auditors**

M/s. Riaz Ahmed, Saqib, Gohar & Co.  
Chartered Accountants

#### **Legal Advisors**

- Liaquat Merchant & Co.  
- Akhtar Mehmood & Co.

#### **Registered Office**

Firdausi Building  
Jinnah Road, Quetta, Balochistan  
Tel: 081-111-00-1987  
Fax: 081-924061

### **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.,**

Mehrsos Estate, Block-E, B-E-1,

Talpur Road, Karachi.

Tel: 2429632-35 Fax: 2420015

### **Notice of Meeting**

Notice is hereby given that the Tenth 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 Friday, December 31, 1999, at 11:30 a.m., to transact the following business:

#### **AGENDA**

1. To confirm the Minutes of the Annual General Meeting held on November 20, 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 Report thereon.
3. To approve declaration of cash dividend @ 5% as recommended by the Board of Directors in their meeting held on 9th December, 1999.
4. To appoint auditors for the year 1999-2000 and to fix their remuneration. The present auditor Messrs, Riaz Ahmed, Saqib, Gohar & Co., Chartered Accountants, retires and being eligible offer themselves

for re-appointment.

### **SPECIAL BUSINESS**

5. To approve the remuneration of a Working Director of the Bank and of the Chief Executive, as recommended by the Board.

6. To transact any other business, which may be placed before the meeting with the permission of the Chair.

**By Order of the Board**

**MUHAMMAD TAHIR SIDDIQUI**  
**Company Secretary**

Karachi: December 9, 1999

#### **Note:**

1. The Share Transfer Books of the Company will remain closed from December 30, 1999 to January 07, 2000. (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. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her NIC to prove his/her identity, and in case of Proxy must enclose an attested copy of his/her NIC. Representatives of Corporate members should bring the usual documents required for such purpose.

4. Members are required to notify the change of address, if any, immediately.

(Statement Under Section 160 of the Companies Ordinance, 1984 pertaining to the special business is being sent to the Share holders alongwith this notice.)

### **Director's Report**

The Board of Directors are pleased to present the ninth Annual Report together with the audited accounts of the Bank for the fiscal year ended June 30, 1999.

#### **THE ECONOMY**

The year 1998-99 has been another difficult year in the economic history of the country. Besides East Asian economic turmoil, the economy was subjected to economic sanctions putting severe pressure on the balance of payments. This led to major regulatory changes during the year.

In order to maintain the forex reserves to a respectable level, the Government suspended major forex payments. This resulted in erosion of investor's confidence, decline in the stock markets, drying up of the external official inflows, low level of remittances and private capital inflows, and depreciation of the rupee in the free market. This was followed by the introduction of a dual exchange rate system.

The Karachi Stock Exchange dropped to the level of 945 on December 31, 1998 and finally closed at 1054 on June 30, 1999. Main Reasons being the Government IPP tussle, which continued till date. The East Asian crises, nuclear blasts of May 1998 and massive off loading of existing positions by

foreign investors.

#### **FINANCIAL RESULTS**

The mandatory freezing of foreign currency accounts had a direct bearing in the contraction of the balance sheet size, Those clients who were availing of facilities against their foreign currency deposits, had prematurely extinguish their obligations, which effected our overall earning.

The bank posted a pretax profit of Rs. 2.154 M as against a loss of Rs. 16.681 million, in the proceeding year.

#### **FUTURE OUTLOOK**

The overall economic performance of the fiscal year showed some improvement. The stock market showed some signs of recovery from the third quarter of fiscal year 1998-99 and before dipping back to 1054 on June 30, 1999 touched the level of 1300.

The Government forecasts also envisage a positive trend to continue. Investment Banking Sector is at a crossroad where future strategies have to be carefully re-evaluated.

In view of the changing scenario, greater emphasis is now being placed on fee based business, and development of capital market related activities.

With falling productivity, hostile border situation and tough fiscal and monetary measures, the economic recovery seems less likely to gain momentum. However, our commitment to progress and growth is undaunted and we will continue to endeavour for the best.

#### **DIVIDEND**

Your directors take pleasure in recommending a dividend at the rate of 5 percent.

#### **YEAR 2000 COMPLIANCE**

Your bank has achieved the year 2000 compliance on all the business critical systems and equipment installed at the premises. We are pleased to report that Bank's computers are fully geared to move into the 21st century.

#### **PATTERN OF SHAREHOLDING**

Pattern of shareholding of the company is enclosed.

#### **AUDITORS**

The current auditors M/s. Riaz Ahmed, Saqib, Gohar & Co., retire and offer themselves for re-appointment.

#### **ACKNOWLEDGMENT**

We wish to place on record our gratitude to the Ministry of Finance, Security and Exchange Commission of Pakistan and the State Bank of Pakistan for their continued assistance and guidance.

We are thankful to our valuable clients and our shareholders for their continued support and co-operation.

The Directors also appreciate the hard work and team effort put in by the officers and staff of the Investment Bank.

**For and on behalf of the  
Board of Directors**

Karachi  
Dated December 9, 1999

**Rashidullah Yacoob  
Chairman**

## Auditor's Report To The Members

We have audited the annexed balance sheet of Prudential Investment Bank Limited as at 30 June, 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 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 after due verification thereof, we report that:

1) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984.

2) In our opinion:

a) 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 in agreement with the books of account and are further in accordance with accounting policies consistently applied;

b) the expenditure incurred during the year was for the purpose of the Company's business; and

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

3) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & loss account and cash flow statement, 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, 1999 and of the profit and cash flow for the year then ended; and

4) 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 the Ordinance.

Without qualifying our opinion we would like to point out that the company has made financing to one of its clients as referred in note 14.2 to the tune of Rs. 12,978,809/= (principal) against which the company has made a provision for doubtful receivable amounting to Rs. 6,489,405/= and has also obtained a court's decree in its favour for recovery of the debt. Management has assured us that the total debt will be recovered in due course, therefore no provision for the balance amount has been made in these accounts.

Karachi:  
December 09, 1999

**RIAZ AHMAD, SAQIB, GOHAR & CO.**  
**Chartered Accountants**

## Balance Sheet as at June 30, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
<b>SHARE CAPITAL AND RESERVES</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
Profit and loss account		(13,914,693)	(15,086,075)
		35,209,307	34,037,925
		135,209,307	134,037,925
Long term loan	5	34,393,977	44,570,744
Deposits	6	259,357,025	82,753,657
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities	5	9,736,038	8,484,394
Borrowings		--	100,000,000
Deposits	6	153,614,434	671,673,751
Cash management account	7	326,366,633	52,929,285
Accrued expenses and other liabilities	8	21,512,354	39,342,557
Taxation	9	29,010,201	28,026,701
		540,239,660	900,456,688
Contingencies and commitments	10	--	--
		969,199,969	1,161,819,014
<b>PROPERTY AND ASSETS</b>			
<b>TANGIBLE FIXED ASSETS - AT COST</b>			
<b>LESS ACCUMULATED DEPRECIATION</b>	11	2,761,842	2,625,824
Long term investments	12	79,159,456	79,159,456
Deferred taxation		2,700,000	2,700,000
Long term loans and advances	13	--	333,153
<b>CURRENT ASSETS</b>			
Financing	14	532,696,707	584,685,043
Short term finances	15	92,913,799	247,213,799
Investments	16	41,248,383	19,583,198
Short term loans and advances	17	785,753	861,210
Advances, prepayments and other receivables	18	174,696,237	190,378,543
Balances with banks and in hand	19	42,237,792	34,278,788
		884,578,671	1,077,000,581
		969,199,969	1,161,819,014

The annexed notes form an integral part of these accounts.

**TAHIR HASAN**  
Chief Executive Officer

**M. OBAIDULLAH SIDDIQUI**  
Director

**Profit and Loss Account**  
**For the Year ended June 30, 1999**

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<b>INCOME</b>			
Return on financing		96,937,371	105,112,144
Income from investments	20	48,819,506	55,923,353
Return on bank deposits		4,208,267	3,005,150
Fee and commission	21	5,119,488	5,043,079
Other income		2,189,446	94,702
		-----	-----
		157,274,078	169,178,428
<b>EXPENDITURE</b>			
Return on deposits, etc.		(139,796,564)	(142,965,800)
Financial charges	22	(5,027,067)	(2,259,301)
Administrative and other operating expenses	23	(15,170,010)	(14,517,845)
		-----	-----
		(159,993,641)	(159,742,946)
		-----	-----
		(2,719,563)	9,435,482
(Provision against)/Reversal of provision			
Diminution in the value of investments-shod term	16.1	4,904,445	(15,535,487)
Decline in value of investments-long term		--	(6,356,183)
Doubtful receivables		(30,000)	--
		-----	-----
		4,874,445	(21,891,670)
		-----	-----
<b>PROFIT/(LOSS) FOR THE YEAR BEFORE TAXATION</b>		2,154,882	(12,456,188)
Prior year adjustment		--	(4,224,881)
		-----	-----
		2,154,882	(16,681,069)
<b>TAXATION</b>			
Current		(983,500)	(1,721,158)
		-----	-----
Profit/(Loss) after taxation		1,171,382	(18,402,227)
Accumulated loss brought forward		(15,086,075)	3,316,152
		-----	-----
<b>Accumulated profit/(loss) carried to balance sheet</b>		(13,914,693)	(15,086,075)
		=====	=====
Earning/(loss) per shares		0.12	(1.84)

**TAHIR HASAN**  
**Chief Executive Officer**

**M. OBAIDULLAH SIDDIQUI**  
**Director**

**Cash Flow Statement**  
**For the Year ended June 30, 1999**

**1999**                      **1998**

	<i>Rupees</i>	<i>Rupees</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>PROFIT/(Loss) for the year before taxation</b>	2,154,882	(16,781,069)
<b>Adjustments for:</b>		
Depreciation	563,306	521,160
Financial charges	5,027,067	2,259,301
Reversal of / diminution in value of quoted shares	(4,904,445)	15,535,487
Decline in value of long term Investments	--	6,356,183
Provision against doubtful receivables	30,000	--
	-----	-----
	715,928	24,672,131
<b>(Increase)/decrease in operating assets</b>		
Investments	(16,760,740)	(2,677,711)
Financing	51,958,336	125,449,734
Short term finance	154,633,153	221,113,027
Advances, Prepayments and other Receivables	20,854,020	(43,352,885)
Shod term finance	75,457	235,990
	-----	-----
	210,760,226	300,768,155
<b>Increase/(decrease) in operating liabilities</b>		
Deposit of fixed maturities	(341,455,949)	17,316,094
Borrowing	(100,000,000)	100,000,000
Cash management account	273,437,348	(369,575,338)
Accrued expense and other liabilities	(17,515,076)	12,287,677
	-----	-----
	(185,533,677)	(239,971,567)
Income tax paid	(5,171,714)	(9,370,999)
Financial charges paid	(5,342,194)	(10,743,696)
	-----	-----
Net cash flow from operating activities	17,583,451	48,572,955
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of fixed assets	(699,324)	(564,309)
Proceeds from sale of fixed assets	--	--
Long term investments	--	(41,599,444)
	-----	-----
Net cash flow from investing activities	(699,324)	(42,163,753)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term loan	(8,925,123)	53,055,138
Running finance under markup arrangements	--	(45,010,640)
	-----	-----
	(8,925,123)	8,044,498
Net Increase/(Decrease) in balance with banks and in hand	-----	-----
	7,959,004	14,453,700
Balances with bank and in hand at beginning of the year	34,278,788	19,795,088
Balances with bank and in hand at end of the year	42,237,792	34,278,788
	-----	-----
Net Increase/(Decrease)= in balances with banks and in hand	7,959,004	14,483,700



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The annexed notes form an integral part of these accounts.

## **Notes to the accounts For the year ended June 30, 1999**

### **1. STATUS AND NATURE OF BUSINESS**

Prudential Investment Bank Limited is a public limited company quoted on the 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

### **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.

#### **2.4 Investments:**

##### **Short term**

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 the last working day of the income year.

##### **Long term**

These are stated at cost. The carrying amount is reduced to recognize any decline other than temporary in the value of these investments.

Capital gain / loss arising on sale of investment 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 recognized as investments and deleted upon resale. The difference 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 accumulated depreciation; Depreciation on fixed assets is charged to income on a straight line basis at the rates specified in Note-12.

A full month's depreciation is charged in the month of acquisition while no depreciation is charged in the month of disposal.

**2.7 Revenue Recognition:**

Income from financing 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 as income if declared on or before the balance sheet date.

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 Rupee 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 or losses on transactions are based on rate applicable on the transaction dates. Gains or losses on translations are taken to profit and loss account currently.

**2.9 Staff retirement benefits:**

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

**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.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>4. OTHER RESERVES</b>		
Statutory Reserve (Note 4.1)		
Balance at the beginning and end of the year	13,142,000	13,142,000
General Reserve		
Balance at the beginning and end of the year	35,000,000	35,030,000
	-----	-----
	48,142,000	48,142,000
	=====	=====

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

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>5. LONG TERM LOAN</b>		
Loan amount	53,055,138	55,000,000
Paid during the year	8,925,123	1,944,862
Transferred to current maturity	9,736,038	8,484,394
	-----	-----
	18,661,161	10,429,256
	-----	-----
	34,393,977	44,570,744
	=====	=====

This represents conversion of the running finance facility obtained from Muslim Commercial Bank

Limited (Refer note 7) alongwith the capitalization of the related mark-up.

Sanction date	March 09, 1998
Sanctioned amount	Rs. 55 million
Security	Letters of 9,040,898 right shams of M/s. Kohinoor Spinning Mills Limited
Term of repayment	20 equal quarterly installments commencing from April 01, 1998
Rate of interest	14% per annum

#### 6. DEPOSITS

Balance as at June 30,	412,971,459	754,427,408
Due within one year	(153,614,434)	(671,673,751)
	-----	-----
	259,357,025	82,753,657
	=====	=====

These can be reclassified as under:

Deposits from bank	50,000,000	40,000,000
Deposits from corporate and other clients	362,971,459	714,427,408
	-----	-----
	412,971,459	754,427,408
	=====	=====

Expected rates of return payable on these deposits range from approximately 4.97% per annum (1998: 6.19% per annum) to 19% per annum (1998: 19% per annum).

#### 7. CASH MANAGEMENT ACCOUNT

Expected rates of return payable on these accounts range from approximately 10% annum (1998: 14% per annum) to 18% per annum (1998: 18% per annum).

	<b>1999</b>	<b>1998</b>
	<b>Rupees</b>	<b>Rupees</b>

#### 8. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued:		
Return on running finance	1,541,803	1,856,930
Return on cash management account	8,984,203	12,153,545
Expenses	335,250	165,250
Return of deposits	3,607,327	18,488,146
	-----	-----
	14,468,583	32,663,871
Guarantee margin	6,470,217	6,470,217
Unclaimed dividend	58,380	60,619
Others	515,174	147,850
	-----	-----
	7,043,771	6,678,686
	-----	-----
	21,512,354	39,342,557
	=====	=====

#### 9. TAXATION

Income tax assessments of the company have been finalized upto assessment year 1996-97 while assessment for assessment years 1997-98 and 1998-99 are pending with the income tax authorities.

**10. CONTINGENCIES AND COMMITMENTS**

Contingency in respect of guarantees issued	319,284,046	265,378,087
	=====	=====

The company's commitments for outstanding capital expenditure amount to Rs. 374,948 (1998: 519,764).

**11. Tangible Fixed Assets - (At Cost Less Accumulated Depreciation)**

<i>PARTICULARS</i>	<i>COST</i>			<i>RATE</i>	<i>DEPRECIATION</i>		<i>Written Down</i>	
	<i>As on 1 July 1998</i>	<i>Addition/ (Deletion) During the Year 1999</i>	<i>As at 30 June 1999</i>		<i>As on 1 July 1998</i>	<i>Charge for the Year</i>	<i>As at 30 June 1999</i>	<i>Value as at 30 June 1999</i>
Furniture and fixtures	1,522,777	--	1,522,777	10 & 20	868,820	342,370	1,211,190	311,587
Equipments	2,498,318	627,924	3,126,242	10 & 20	951,252	105,559	1,056,811	2,069,431
Vehicles	659,553	71,400	730,953	33	234,752	115,377	350,129	380,824
	-----	-----	-----	-----	-----	-----	-----	-----
Total 1999:	4,680,648	699,324	5,379,972		2,054,824	563,306	2,618,130	2,761,842
	=====	=====	=====	=====	=====	=====	=====	=====
Total 1998:	4,116,339	564,309	4,680,648		1,533,664	521,160	2,054,824	2,625,824
	=====	=====	=====	=====	=====	=====	=====	=====

**1999**  
**Rupees**

**1998**  
**Rupees**

**12. LONG TERM INVESTMENTS**

Certificates - Quoted

First Equity Modaraba

[68,200 (1998: 68,200) certificates of Rs. 10/-- each  
Market value Rs. 225,166]

450,034      450,034

Shares - Quoted

Lease Pak Limited [1,500 (1998: 1,500) shares  
of Rs. 10/= each Market value Rs. 5,475]

15,013      15,013

.Paramount Leasing Limited

[500,000 (1998: 500,000) shares of Rs. 10/= each  
Market value Rs. 2,500,000]

5,000,000      5,000,000

Pakistan Industrial Credit and  
Investment Corporation

[26,173 (1998: 26,173) shares of Rs. 10/= each  
Market value Rs. 187,137]

366,638      366,638

Fidelity Investment Bank Limited

[35,500 (1998: 35,500) shares of Rs. 10/= each  
Market value Rs. 74,550]

576,875      576,875

Ibrahim Fibres Limited

[120,000 (1998: 120,000) shares of Rs. 10/= each  
Market value Rs. 840,000]

2,112,000      2,112,000

Kohinoor Genertech Limited [50,000 (1998: 50,000) shares of Rs. 10/= each Market value Rs. 550,000]	1,250,000	1,250,000
Dadabhoy Cement Limited [51,000 (1998: 51,000) shares of Rs. 10/= each Market value Rs. 216,650]	2,951,590	2,951,590
Maple Leaf Cement Limited [6,625 (1998: 6,625) shares of Rs. 10/= each Market value Rs. 18,881]	172,250	172,250
Maple Leaf Electric Limited [50,000 (1998: 50,000) shares of Rs. 10/= each Market value Rs. 155,000]	1,448,093	1,448,093
Sui Northern Gas Pipelines Limited [230,000 (1998: 230,000) shares of Rs. 10/= each Market value Rs. 1,909,000]	6,612,250	6,612,250
Japan Power Generation Company Limited [620,000 (1998: 620,000) shares of Rs. 10/= each Market value Rs. 2,449,000]	6,721,600	6,721,600

<b><i>1999</i></b>	<b><i>1998</i></b>
<b><i>Rupees</i></b>	<b><i>Rupees</i></b>

### **13. LONG TERM LOANS AND ADVANCES**

#### **- CONSIDERED GOOD**

Loan due from director	333,153	753,153
Less: Receivable within one year	(333,153)	(420,000)
	-----	-----
	--	333,153
	=====	=====

13.1 This represents an interest free secured house building advance given to a working director as per terms of employment and is recoverable in monthly installments.

The maximum aggregate amount due from a working director at the end of any month during the year was Rs. 0.333 million (1998; 0.75 million).

The loan has subsequently been paid off.

### **14. FINANCING**

14.1 Financing includes Rs. 14.148 million (1998:14.148 million) due from an associated company in respect of amount paid under a financial guarantee issued on their behalf.

#### **14.2 Dandot Cement Limited:**

Principal	12,978,809
Mark-up	10,899,118
	-----
Total outstanding	23,877,927

Court decree of	24,004,100
Provision provided in 1997	6,489,404
Provision not provided	6,489,405
	12,978,809

**15. SHORT TERM FINANCES**

Prudential Commercial Bank Limited	--	3,800,000
Equity REPO	92,913,799	143,413,799
Federal Investment Bonds REPO	--	100,000,000
	92,913,799	247,213,799

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

**16. INVESTMENTS**

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

<i>No. of Shares/ Certificates</i>		<i>Name of Companies/Modaraba</i>	
<i>1999</i>	<i>1998</i>		
<b>MUTUAL FUNDS</b>			
56,400	56,400	Twenty Third ICP	260,300
24,000	24,000	Confidence Mutual Fund Limited	240,000
<b>MODARABAS</b>			
1,400	1,400	Trust Modaraba	15,850
25,854	25,854	First Interfund Modaraba	632,618
6,500	6,500	LTV Capital Modaraba (Rs. 5/= each)	48,053
94,050	94,050	First Pak Modaraba	570,050
65,800	65,800	First Confidence Modaraba	909,215
<b>LEASING COMPANIES</b>			
4,560	4,560	Trust Leasing Corporation Limited	123,655
		National Development Leasing	
4,600	4,600	Corporation Limited (Rs. 5/= each)	31,686
9,000	9,000	Askari Leasing Limited	186,195
500	500	Gemini Leasing Company Limited	24,230
<b>INVESTMENT COMPANIES AND BANKS</b>			
20,398	20,398	Jahangir Siddiqui Company Limited	938,148
2,500	2,500	Bankers Equity Limited	185,175
30,093	30,093	Union Bank Limited	791,458
38,950	38,950	Bank Of Punjab	940,515
15,771	11,500	Prime Commercial Bank Limited	479,490
90,980	90,980	Crescent Investment Bank Limited	3,369,033
25,100	25,100	Faysal Bank Limited	678,920
10,000	10,000	AI-Faysal Investment Bank Limited	193,455

<b>INSURANCE</b>			
7,944	7,944 International General Insurance Co. Ltd.	604,711	604,711
40,000	-- Adamjee Insurance Company Limited	1,560,000	--
<b>TEXTILE COMPOSITE</b>			
50,000	50,000 Zahoor Textile Mills Limited	2,927,050	2,927,050
7,250	7,250 Mohib Exports Limited	157,838	157,838
<b>SYNTHETIC AND RAYON</b>			
33,000	33,000 Pak Synthetics Limited	1,695,196	1,695,196
6,260	6,260 Dewan Salman Fibre Limited	169,950	169,950
39,000	39,000 Ibrahim Fibre Limited	497,695	497,695
45,000	45,000 Dhan Fibre Limited	189,780	189,780
<b>SUGAR AND ALLIED INDUSTRIES</b>			
30,027	30,027 Shakargunj Sugar Mills Limited	1,057,575	1,057,575
10,000	10,000 Hasib Waqas Sugar Mills Limited	151,100	151,100
65,500	65,500 AI-Abbas Sugar Mills Limited	694,625	694,625
6,000	6,000 Ansari Sugar Mills Limited	76,450	76,450
10,000	10,000 Tandianwala Sugar Mills Limited	92,900	92,900
<b>CEMENT</b>			
243	243 Pioneer Cement Limited	2,430	2,430
86,050	86,050 D.G. Khan Cement Company Limited.	1,935,500	1,935,500
28,500	28,500 Cherat Cement Company Limited	1,339,400	1,339,400
11,000	11,000 Facto Cement Industries Limited	638,375	638,375
51,000	51,000 Lucky Cement Limited	875,330	875,330
10,000	10,000 Dandot Cement Limited	56,300	56,300
56,000	39,000 Maple Leaf Cement Limited	275,641	275,641
<b>FUEL AND ENERGY</b>			
549,607	549,607 Sui Northern Gas Pipelines Limited	11,693,070	11,693,070
394	394 Sui Southern Gas Company Limited	10,576	10,576
190	190 Pakistan State Oil Company Limited	39,930	39,930
330,000	--Hub Power Generation Company Limited	4,702,500	--
532,000	32,000 Japan Power Generation Company Limited	2,355,200	355,200
15,000	15,000 Kohinoor Genertech Limited	250,062	250,062
8,500	8,500 Maple Leaf Electric Limited	38,500	38,500
19,000	19,000 Kohinoor Power Limited	87,550	87,550
<b>CHEMICALS AND PHARMACEUTICAL</b>			
305,865	40,865 ICI Pakistan Limited	3,265,789	880,789
45,000	--Engro Chemicals Limited	3,375,000	--
172,500	22,500 FFC Jordan Fertilizer Company Limited	2,135,475	447,975
35,000	10,000 Fauji Fertilizer Company Limited	1,758,125	733,125
<b>AUTO AND ALLIED ENGINEERING</b>			
7,000	7,000 Indus Motor Company Limited	336,970	336,970
9,500	9,500 Ghandhara Nissan Limited	633,650	633,650
4,625	4,625 Baluchistan Wheels Limited	162,910	162,910
5,000	5,000 Pak Suzuki Motor Company Limited	303,300	303,300

1999

1998

		<i>Rupees</i>	<i>Rupees</i>
Sui Southern Gas Pipelines Limited 78,000 (1998: 78,000) shares of Rs. 10/= each Market value Rs. 678,600]		1,863,724	1,863,724
Southern Electric Company Limited [860,500 (1998: 860,500) shares of Rs. 10/= each Market value Rs. 5,332,000]		14,119,885	14,119,885
Kohinoor Energy Limited [142,000 (1998: 142,000) shares of Rs. 10/-- each Market value Rs. 1,505,200]		2,314,685	2,314,685
Unit Trust of Pakistan Limited [2,000 (1998: 2,000) shares of Rs. 5,000/= each Market value Rs. 11,484,000]		10,000,000	10,000,000
Prudential Commercial Bank Limited, an associated undertaking [1,742,000 (1998: 1,742,000) shares of Rs. 10/= each Market value Rs. 17,420,000]		17,541,002	17,541,002
		73,515,639	73,515,639
Less: Provision for decline other than temporary in value of investments			
Opening balance		(8,756,183)	(2,400,000)
Provision made during the year		--	(6,356,183)
		-----	-----
		(8,756,183)	(8,756,183)
		-----	-----
		64,759,456	64,759,456
Shares- Unquoted Prudential Securities Limited an associated undertaking	12.1	9,900,000	9,900,000
Government Securities WAPDA Bearer Bonds [45 (1998: 45) Scrips of Rs. 100,000/each]	12.2	4,500,000	4,500,000
		-----	-----
		79,159,456	79,159,456
		=====	=====

12.1 The above investment represents 990,000 (1998: 990,000) ordinary shares of Rs. 10/= each constituting 19.8% shares of the company. Break up value per share of the company being on audited accounts for year ended June 30, 1998 is Rs. 9.6 (1998: 9.6) Mr. Sameer Rauf is the Chief Executive of this company.

12.2 These are ten years bonds maturing in the year 2K and carry a rate profit of 12.5% per annum receivable biannually.

12.3 The market value of quoted investments as at 30 June, 1999 amounted to Rs. 45,550,759/=



**1999**  
**Rupees**

**1998**  
**Rupees**

**FOOD AND ALLIED**

13,775	13,775 Rafhan Maize Products Company Limited	1,703,621	1,703,621
7,761	7,761 Brooke Bond (Pakistan) Limited	577,339	577,339

**TEXTILE SPINNING AND WEAVING**

35,700	35,700 Kohinoor Spinning Mills Limited	1,609,285	1,609,285
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 Textiles Mills Limited	94,358	94,358
31,086	31,086 Mohib Textile Mills Limited	660,039	660,039
8,100	8,100 Dewan Khalid Textile Mills Limited	421,370	421,370
110	110 Umer Fabrics Limited	1,649	1,649
1,500	1,500 Dewan Mushtaq Textile Mills Limited	80,874	80,874
9,300	9,300 Elahi Spinning Mills Limited	126,316	126,316
11,500	11,500 Taj Textile Mills Limited	255,430	255,430
5,000	5,000 Kohinoor Weaving Mills Limited	110,650	110,650
4,000	4,000 Gadoon Textile Mills Limited	159,870	159,870
79,500	79,500 Nishat Mills Limited	937,692	937,692

**TRANSPORT AND COMMUNICATION**

11,366	11,366 Pakistan International Airlines Corporation	135,890	135,890
--------	--	---------	---------

**ASSOCIATED COMPANY**

40,865	40,865 Pakistan In. and Comm. Leasing Limited	678,000	678,000
--------	---	---------	---------

-----  
69,295,477      52,534,737

Less: Provision of diminution in the value  
of quoted investments

Opening balance      32,951,539      17,416,052

(Reversal of provision)/

Provision for the year      (4,904,445)      15,535,487

-----  
28,047,094      32,951,539

-----  
41,248,383      19,583,198

=====

**17. SHORT TERM LOANS AND ADVANCES**

Due from employees      452,600      441,210

Current portion of long term loan (refer note no. 13)      333,153      420,000

785,753      861,210

**1999**  
**Rupees**

**1998**  
**Rupees**

**18. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

Advances

- For expenses      1,076,912      3,532,512

- Income Tax		31,623,400	36,795,114
		-----	-----
		32,700,312	40,327,626
Prepayments		12,936,516	2,278,466
Profit accrued on			
- Investments		50,975,501	35,202,261
- Deposit accounts		32,821	32,821
- Financing	18.1	76,942,261	104,620,350
		-----	-----
		127,950,583	139,855,432
Accounts receivable - Current Excise Duty			
Due from associated undertakings	18.2	70,027	3,908,035
Others		4,069,535	978,248
		-----	-----
		174,696,237	190,378,543
		=====	=====

18.1 This includes Rs. 48,827,599/- on account of return receivable against equity REPO.

18.2 The maximum aggregate balance outstanding from associated undertakings at end of any month during the year was Rs. 4.783 million (1998:4.783 million).

#### 19. BALANCES WITH BANKS AND IN HAND

Cash at Banks			
On current accounts		33,312,046	13,327,873
On deposit accounts		2,547,460	15,862,592
State Bank of Pakistan		6,150,000	4,750,000
		-----	-----
		42,009,506	33,940,465
Cash in hand		98,711	227,126
Stationery in hand		129,575	111,197
		-----	-----
		42,237,792	34,278,788
		=====	=====

#### 20. INCOME FROM INVESTMENTS

Capital (loss)/gain on sale of shares		24,400	130,942
Return on Government Securities		10,016,052	22,115,997
Return on portfolio management		34,399,181	32,779,007
Dividend income		4,379,873	897,407
		-----	-----
		48,819,506	55,923,353
		=====	=====

#### 21. FEE AND COMMISSION

On guarantees issued		5,119,488	5,030,079
Others		--	13,000
		-----	-----
		5,119,488	5,043,079
		=====	=====

#### 22. FINANCIAL CHARGES

Mark-up on running finance		4,468,646	2,014,455
----------------------------	--	-----------	-----------

Bank charges and others	558,421	244,846
	-----	-----
	5,027,067	2,259,301
	=====	=====

**23. ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

Director's fee		5,000	6,000
Salaries, wages and other benefits		6,791,507	6,526,614
Rent, rates and taxes		966,206	1,021,653
Rentals of leased vehicles		344,906	500,206
Stationery and supplies		199,417	296,960
Telephone, telegram and postage		1,390,427	531,797
Advertisement		219,900	505,777
Travelling and conveyance		565,091	1,407,482
Insurance		128,216	137,843
Repairs and maintenance		1,754,842	1,117,346
Legal and professionals		201,975	58,533
Auditor's remuneration	23.1	170,000	165,250
Depreciation		563,306	521,160
Fees and subscription		1,007,152	961,977
Entertainment		151,920	227,022
Gas and Electricity		559,604	289,781
Donations	23.2	14,000	14,800
Miscellaneous		136,541	227,644
		-----	-----
		15,170,010	14,517,845
		=====	=====

**23.1 Auditor's Remuneration**

Audit fee		150,000	150,000
Out of pocket expenses		20,000	15,250
		-----	-----
		170,000	165,250
		=====	=====

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

**1999**      **1998**  
**Rupees**      **Rupees**

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

	<b>CHIEF EXECUTIVE</b>		<b>EXECUTIVES</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
Managerial remuneration	504,000	504,000	793,536	773,569
Housing	216,000	216,000	357,096	348,112
Utilities	--	--	79,356	79,109
Others	480,000	480,000	78,000	96,000
	-----	-----	-----	-----
	1,200,000	1,200,000	1,307,988	1,296,790

Number of persons	1	1	5	5
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In addition, the Chief Executive and certain executives are provided with company maintained cars.

## 25. FINANCIAL INSTRUMENTS

The company has acquired financial instruments with both fixed and floating interest rates as specifically disclosed in the respective notes. The company while dealing in the financial instruments negotiate attractive fixed interest rates which reduce the interest rate price risk.

Non interest bearing financial instruments with maturity over one year may have an exposure of interest rate price risk.

The range on the weighted average of effective interest rates are disclosed in the respective notes to the accounts.

### Financial Assets - Recognised

	<i>Interest Bearing</i>			<i>Total</i>
	<i>Maturity Less Than One Year</i>	<i>Over One Year</i>	<i>Non-Interest One Year</i>	
Loans and advances	1,115,569	--	--	1,115,569
Advances, deposits & other receivables	--	--	174,696,237	174,696,237
Cash and bank	42,237,792	--	--	42,237,792
Investment	41,248,383	79,159,456	--	120,407,839
Short term financing	625,280,690	--	--	625,280,690
1999 Rupees	709,882,434	79,159,456	174,696,237	963,738,127
1998 Rupees	867,038,840	79,159,456	190,378,543	1,136,576,839

	<i>Interest Bearing</i>			<i>Total</i>
	<i>Maturity Less Than One Year</i>	<i>Over One Year</i>	<i>Non-Interest Year</i>	
Loans	9,736,038	34,393,977	--	44,130,015
Cash management account	326,366,633	--	--	326,366,633
Creditors, accrued and other liabilities	--	--	21,512,354	21,512,354
Certificates of investment	259,357,025	153,614,434	--	412,971,459
Short term borrowings	--	--	--	--
1999 Rupees	595,459,696	188,008,411	21,512,354	804,980,461
1998 Rupees	833,087,430	127,324,401	39,342,557	999,754,388

### FAIR VALUE

The fair value of the financial instruments which are substantially different from the carrying value are disclosed in the respective notes to the accounts. Such fair values are determined either considering the quoted market price, if available or the price of the most recent transactions.

## 26. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

The aggregate amount of transactions with associated undertakings during the year were:

Commission earned on guarantee issued	--	1,503
Expenses incurred	--	0.99
Consultancy and Commission earned		1.48
Reverse REPOS of FIBs, NIT units and shares	250.00	1,175.00
Interest Income	32.00	12.37
Placements received in cash management account during the year	349.00	1,358.01
Interest expense - cash management account	19.54	34.83
Cash management account as at June 30, 1998	--	18.19
Interest payable on cash management account	--	11.71

## 27. GENERAL

Figures have been rounded off to the nearest rupee.

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

## Pattern of Share Holdings

As at 30 June 1999

<i>NUMBER OF SHARES HOLDERS</i>	<i>SHARE HOLDINGS</i>		<i>TOTAL SHARES HELD</i>	
132	1	--	100	13,200
347	101	--	500	137,600
99	501	--	1000	91,100
81	1001	--	5000	240,300
31	5001	--	10000	276,500
10	10001	--	15000	129,800
10	15001	--	20000	182,200
15	20001	--	25000	371,000
6	25001	--	30000	169,300
3	30001	--	38000	97,900
1	40001	--	45000	40,900
7	45001	--	50000	350,000
5	50001	--	55000	273,000
4	55001	--	60000	233,000
1	60001	--	65000	65,000
2	65001	--	70000	136,400
2	70001	--	75000	146,500
1	75001	--	80000	80,000
1	80001	--	85000	83,000
10	95001	--	100000	1,000,000
1	100001	--	105000	100,700
6	115001	--	120000	711,900
2	120001	--	125000	243,400

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	830001	--	835000	835,000
1	1785001	--	1790000	1,789,700
-----			-----	
790				10,000,000
=====			=====	

**CATEGORIES OF  
SHARE HOLDERS**

**NUMBERS OF  
SHARE  
HOLDERS**

**SHARES  
HELD**

**PERCENTAGE**

1. INDIVIDUALS	770	6,405,300	64.05
2. INVESTMENT COMPANIES	3	24,600	0.25
3. INSURANCE COMPANY	1	10,600	0.11
4. JOINT STOCK COMPANIES	8	430,400	4.30
5. FINANCIAL INSTITUTIONS	2	2,623,100	26.23
6. MODARABA COMPANIES	6	506,000	5.06
7. OTHERS (TO BE SPECIFIED)			

-----	-----	-----	-----
790	10,000,000		100
=====	=====	=====	=====