

Union Bank Limited

Annual Report 1998

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(Subsidiary Company)

Company Information

BOARD OF DIRECTORS

Mr M Naseem Saigol (Chairman)
Mr M Azam Saigol
Mr Hameed Abdullah Haroon
Mr Shahid Sethi
Mr Haroun Rashid
Mr Khalil A Malik
Qazi Mazharul Haque
Syed Salman Ali Shah

PRESIDENT & CHIEF EXECUTIVE

Mr M Saleem Jan

SECRETARY

Mr Khalil A Malik

AUDITORS

M/s Hameed Chaudhri & Co.
Chartered Accountants

LEGAL ADVISOR

M/s Cornelius, Lane & Mufti
Advocates & Solicitors

REGISTERED OFFICE

Kohinoor Nagar
Jaranwala Road
Faisalabad

Chairman's Review

INTRODUCTION

I am pleased to present before you a detailed report on the performance of your bank, during 1998. The year was characterized by major upheavals both domestically and internationally. Pakistan became a victim of economic sanctions imposed by the west following the nuclear device detonation in late May. The shocks of which, it continues to experience still.

ECONOMIC SCENE

The macro-economic scenario for fiscal year 1997-98 was dismal. The developments in May 1998 spiraled the negative view of the various multilateral financing agencies and the credit rating firms on Pakistan's economy.

The nuclear blast shook the confidence of the international investors and the country witnessed turmoil in the stock markets and the foreign exchange markets. The foreign currency account debacle added to the down turn in the overall economy.

The State Bank of Pakistan in its annual review of 1997-98 contends that notwithstanding the chaotic economic scene, the economy performed well in comparison to 1996-97. The real growth rate of 5.4%, being the highest in the past six years, was close to the target. Agriculture recorded a growth rate of 5.9%, industry grew by 6.2% and services sector by 4.8%. Gross National Savings, as percentage of GNP increased from 11.3% in 1996-97 to 14.6% in 1997-98. Budget deficit also declined from 6.3% to 5.4% of GDP. The current account deficit declined from US\$ 3.8 billion in 1996-97 to US\$ 2.1 billion during 1997-98 and the trade account deficit declined from US\$ 3.1 billion to US\$ 1.9 billion.

In the aftermath of the economic sanctions, the country continues, to be negatively impacted upon, despite some encouraging agreements with IMF, Paris Club and other International Financing Agencies.

FINANCIAL HIGHLIGHTS

Amidst tumultuous economic situation, your bank's performance was not only consistent, but also registered considerable growth.

The bank, in addition to stiff competition, was confronted with declining interest margins owing to reduction in yields on government paper; also the introduction of the two-tier exchange rate mechanism eroded the exchange spreads. Undaunted by these realities, the bank moved forward with its professional attitude and commitment. We recorded steady growth in profitability and foreign trade business, while maintaining a healthy deposit base, despite the crunch on foreign currency accounts.

Our total deposits as on 31 December 1998 stood at Rs. 10,768 million whereby the mix between local and foreign currency tilted impressively towards local currency deposits. The foreign currency deposits as at the end of year 1997 and 1998 stood at Rs. 7,024 million & Rs. 3,923 million respectively, reflecting 44% decrease. By the Grace of God, our profit before tax and provisions amounted to Rs. 350.38 million. A provision of over Rs. 100 million for diminution in the value of investments together-with another provision of over Rs. 60 million against non-performing advances was made during the year and the pre-tax profit stood at Rs. 189 million. The capital adequacy as at 31 December 1998 stood at 10.58%.

LOANS & ADVANCES

The loaning policy is stringently conservative and is based on the foundations of prudent diversification of assets among quality clients and economic sectors. The loans and advances grew by 14.3% to Rs. 8,344 million out of which loans extended under export refinance scheme amounted to Rs. 3,258 million as against Rs. 2,443 million of December 31, 1997 reflecting an increase of 33.4%.

Our conservative approach towards credit together-with the uncertain economic conditions prevailing in the country requires us to make sizeable reserves out of our profits for contingencies. We have therefore, built a comfortable level of such reserve for doubtful debts which as on December 31, 1998 stood at Rs. 304 million.

CORRESPONDENT RELATIONS AND FOREIGN TRADE

Being largely a trade finance bank, the development and maintenance of correspondent relationship has always received significant attention from the senior management. The bank has developed very close and cordial business relationship with its correspondents and in conjunction with these, it is able to finance trade, globally.

The bank's business was not significantly impacted upon by the cautious attitude taken towards Pakistan, following the nuclear detonation, thanks to the vitality of its correspondent relations.

We have consistently played a significant role in the financing of foreign trade, through structured deals. During the year under review, the bank handled a foreign trade volume of Rs. 22.59 billion.

TREASURY, FOREIGN EXCHANGE & MONEY MARKET

The bank remained an active player in the inter-bank market both in the foreign exchange segment and also in the local currency. The bank keeping in line with its cautious approach continued to maintain a very high

degree of liquidity.

The banks ALCO (Asset Liability Management Committee) reviews regularly the assumption of various market risks, including interest rate, foreign exchange and counter party risks, coupled with a review of pricing policy, economic environment and its impact on business and profitability.

AUTOMATION

Automation and computerization of all facilities continues to receive significant attention at your bank.

During 1998, our automation of Foreign Trade business was completed. The new system provides for comprehensive risk management, automatic trade capture and effective monitoring of client exposures. The automation of this major service function facilitates the generation of statistical information, assisting the senior management, thereby, in the management of the banks' foreign currency, interest rate, liquidity and asset/liability exposure strategy.

Y2K/MILLENNIUM PROBLEM

On 31st of December 1999 all such computer systems which are not year 2000 compliant will be affected by the new millennium and it may have serious legal and accounting consequences for them. This is a matter of great comfort and satisfaction that the management of your bank had foreseen the importance and sensitivity of Y2K (Year 2000) problem, well before time, and restructured all of its software packages accordingly. Therefore, our systems are perfectly Y2K compliant and fully geared-up to move into the 21st century.

HUMAN RESOURCES

The bank places much importance on the continuous development and training of its Human Resources. In step with this approach, several staff members were sent to various training programs, both within, at our own training center and outside to our correspondents.

ACKNOWLEDGMENT

I warmly welcome our two new directors, Qazi Mazharul Haque and Syed Salman Ali Shah, hoping that the bank would benefit a lot from their experience and expertise. I also appreciate the valuable services of our outgoing directors Mrs Sehyr Saigol and Mrs Amber Saigol.

We are experienced and well poised to build on the consolidation and gains achieved so far. I would like to take this opportunity to record, on behalf of the Board, our thanks and appreciation for the cooperation and guidance received from the State Bank of Pakistan and other regulatory bodies.

Finally, I wish to commend the staff for their commitment, dedication and professionalism they usher at their workstations.

M Naseem Saigol

Notice of Annual General Meeting

Notice is hereby given that the Seventh Annual General Meeting of the shareholders of Union Bank Limited will be held on Wednesday, 31 March 1999, at 11:00 A.M., at the Registered Office of the Bank, Kohinoor Nagar, Jaranwala Road, Faisalabad to transact the following business:-

1. To confirm the minutes of the Extraordinary General Meeting of the Bank held on 18 February 1999.
2. To receive and adopt the Annual Audited Accounts for the year ended 31 December 1998 alongwith Directors' and Auditors' Reports thereon.
3. To appoint Auditors, to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.
4. Any other business with the permission of the Chair.

By Order of the Board

Faisalabad
March 06, 1999

(Khalil A Malik)
Director/Secretary

Notes:

1. The Share Transfer Books of the Bank will remain closed from 31 March 1999 to 06 April 1999 (both days inclusive).
2. A member entitled to attend and vote at the above meeting may appoint another member as proxy.
3. Proxies, in order to be effective, must be received at the Registered Office of the Bank not later than forty eight hours before the time of the meeting and must be duly stamped, signed and witnessed.
4. Shareholders are requested to promptly notify the Bank of any change in their addresses.

Directors' Report

Your Directors are pleased to place before you the annual report for the year ended 31 December 1998. The Bank's financial results are as follows:

Rupees in "000"	
Profit before Taxation and Provisions	350,376
Provision against Non-Performing Advances	(60,580)
Provision for diminution in value of Investments	(100,538)

	(161,118)
Profit before Taxation	189,258
Provision for Taxation	(163,590)
Net Profit after Taxation	25,668
Unappropriated Profit brought forward	14,466
Profit available for Appropriation	40,134
Appropriations:	
- Statutory Reserve	5,350
- Revenue Reserve	31,553

	36,903

Unappropriated Profit carried forward	3,231
	=====
Earning per Share	0.45

AUDITORS

The present Auditors Messrs Hameed Chaudhri & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

CHAIRMAN'S REVIEW

The Directors of the Bank endorse the contents of the Chairman's Review dealing with the activities of the Bank.

PATTERN OF SHAREHOLDING

A statement showing the pattern of holding of shares as at 31 December 1998 is attached.

For and on behalf of the Board

Lahore
March 06, 1999

M Naseem Saigol
Chairman

Auditors' Report

To the Members of Union Bank Limited

We have audited the annexed Balance Sheet of Union Bank Limited (the Bank) as at 31 December, 1998 and the related Profit and Loss Account and the Cash Flow Statement, together with the notes forming part thereof, for the year then ended, in which are incorporated certified returns from the branches which have been audited by us 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, found them satisfactory and, we report that:

(a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

(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 Banking Companies Ordinance, 1962 and 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 Bank's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

(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 Cash Flow Statement together with the notes forming part thereof give the information required by the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December, 1998 and its true balance of the profit and the cash flows 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 Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Lahore:
March 06, 1999

Hameed Chaudhri & Co.,
Chartered Accountants

Balance Sheet
As at 31 December, 1998

	Note	1998 Rupees in "000"	1997
ASSETS			
CASH	4	993,992	1,042,386
BALANCES WITH OTHER BANKS	5	208,223	54,462
MONEY AT CALL AND SHORT NOTICE		-	820,000
INVESTMENTS	6	4,617,060	5,278,414
ADVANCES - NET OF PROVISION	7	8,039,646	7,173,122
OPERATING FIXED ASSETS	8	192,958	163,545
OTHER ASSETS	9	716,605	638,248
		-----	-----
		14,768,484	15,170,177
LIABILITIES			
DEPOSITS & OTHER ACCOUNTS	10	10,768,477	11,694,648
BORROWINGS FROM OTHER BANKS, AGENTS ETC.	11	2,824,492	1,968,081
BILLS PAYABLE		93,672	123,555
OTHER LIABILITIES	12	165,529	341,342
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	13	37,552	57,651
		-----	-----
		13,889,722	14,185,277
		-----	-----
NET ASSETS		878,762	984,900
		=====	=====

REPRESENTED BY:

SHARE CAPITAL	14	569,531	569,531
RESERVE FUND & OTHER RESERVES	15	306,000	400,903
UNAPPROPRIATED PROFIT		3,231	14,466
		-----	-----
SHAREHOLDERS' EQUITY		878,762	984,900
		=====	=====
MEMORANDUM ITEMS:			
BILLS FOR COLLECTION	16	2,899,064	2,234,028
ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS		911,808	2,501,588
CONTINGENT LIABILITIES AND COMMITMENTS	17		

The annexed notes form an integral part of these accounts.

M Naseem Saigol
Chairman

M Azam Saigol
Director

Khalil A Malik
Director

M Saleem Jan
President & Chief Executive

Lahore: March 06, 1999

**Profit and Loss Account
For the Year Ended 31 December, 1998**

	Note	1998	1997
		Rupees in "000"	
Mark-up/Interest and discount and/or return earned		1,683,403	1,487,521
Less: Cost/Return on deposits, borrowings etc.		1,279,355	1,123,267
		-----	-----
		404,048	364,254
		-----	-----
Fees, commissions & brokerage		243,369	227,298
Profit from investment securities		-	7,632
Dividend income		427	2,055
Other operating income	18	130,375	100,956
		-----	-----
		374,171	337,941
		-----	-----
		778,219	702,195
		=====	=====
Operating Expenses			
Administrative expenses	19	396,715	393,909
Provision against non-performing advances-Net	7.3	60,580	39,574
Provision for diminution in value of investments	6	100,538	-
		-----	-----
		557,833	433,483
Other income	20	12,833	10,722
		-----	-----
		233,219	279,434
Other charges	21	43,961	36,866
		-----	-----
Profit before taxation		189,258	242,568
		-----	-----
Taxation	22	163,590	147,083
		-----	-----
Profit after taxation		25,668	95,485
Unappropriated profit brought forward		14,466	8,484
		-----	-----
Profit available for appropriation		40,134	103,969
		-----	-----

APPROPRIATIONS

Transfer to: Statutory reserve	5,350	19,097
Revenue reserve	31,553	-
Contingency reserve	-	70,406
	-----	-----
	36,903	89,503
	-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD	3,231	14,466
	=====	=====

The annexed notes form an integral part of these accounts.

M Naseem Saigol
Chairman

M Azam Saigol
Director

Khalil A Malik
Director

M Saleem Jan
President & Chief Executive

Lahore: March 06, 1999

Cash Flow Statement

For the Year Ended 31 December, 1998

	1998	1997
	Rupees in "000"	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	189,258	242,568
Less: Profit from investment securities	-	7,632
Profit from disposal of fixed assets	2,141	782
Dividend income	427	2,055
	-----	-----
	186,690	232,099
	-----	-----
Adjustment for non-cash charges		
Depreciation	34,056	34,999
Provision against non-performing advances - Net	60,580	39,574
Provision for diminution in value of investments	100,538	-
	-----	-----
	195,174	74,573
	-----	-----
	381,864	306,672
	-----	-----
 (Increase)/decrease in operating assets		
Government securities	545,816	(2,698,046)
Advances	(1,058,910)	(1,354,393)
Other assets	17,339	272,617
	-----	-----
	(495,755)	(3,779,822)
	-----	-----
 Increase/(decrease) in operating liabilities		
Deposits & other accounts	(926,171)	2,750,905
Bills payable	(29,883)	64,958
Other liabilities (Excluding provision for taxation)	(168,511)	(12,270)
	-----	-----
	(1,124,565)	2,803,593
	-----	-----
Cash out flow before tax	(1,238,456)	(669,557)
Income tax paid	(266,588)	(196,667)
	-----	-----
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,505,044)	(866,224)
	=====	=====

Cash Flow Statement**For the Year Ended 31 December, 1998**

	1998	1997
	Rupees in "000"	
CASH FLOW FROM INVESTING ACTIVITIES		
Net sale proceeds of investment securities	15,000	28,598
Purchase of investment securities	-	(95,000)
Dividend income	427	2,055
Fixed capital expenditure	(62,400)	(13,970)
Sale proceeds of fixed assets	8,037	4,990
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(38,936)	(73,327)
	-----	-----
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings from other banks, agents etc.	856,411	1,768,081
Payment of lease obligations	(27,064)	(25,539)
	-----	-----
NET CASH FLOW FROM FINANCING ACTIVITIES	829,347	1,742,542
	-----	-----
(Decrease)/increase in cash and cash equivalents for the year	(714,633)	802,991
Cash and cash equivalents at the beginning of the year	1,916,848	1,113,857
	-----	-----
Cash and cash equivalents at the end of the year	1,202,215	1,916,848
	=====	=====
Cash and cash equivalents		
Cash	993,992	1,042,386
Balances with other banks	208,223	54,462
Money at call and short notice	-	820,000
	-----	-----
	1,202,215	1,916,848
	=====	=====

M Naseem Saigol
Chairman

M Azam Saigol
Director

Khalil A Malik
Director

M Saleem Jan
President & Chief Executive

Lahore: March 06, 1999.

Notes to the Accounts**For the Year Ended 31 December, 1998****1. STATUS AND NATURE OF BUSINESS**

UNION BANK LIMITED (the Bank) was incorporated at Lahore on 09 October 1991, as a Public Limited Company under the Companies Ordinance, 1984. It's shares are listed on the Stock Exchanges of Pakistan. The Bank is a fully accredited scheduled bank engaged in commercial banking activities, operating under the supervision of the State Bank of Pakistan.

2. BASIS OF PRESENTATION

In accordance with the Islamic Banking System, trade related modes of financing include purchase of goods by the Bank from it's customers and simultaneous resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these accounts as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**3.1 Accounting Convention**

These accounts have been prepared under the historical cost convention and are in conformity with the generally accepted accounting principles of Banking Institutions in Pakistan.

3.2 Investments

Investments are stated at cost less provision, if any, for permanent diminution in their value. Profit and loss on sale of investments is dealt with through the profit and loss account in the year in which these arise.

3.3 Bad and Doubtful Debts

Specific provision is made against advances in accordance with the guidelines provided in the Prudential Regulations issued by the State Bank of Pakistan. The net provision made/reversed during the year is charged to the profit & loss account and accumulated provision is netted-off against advances. Accordingly the mark-up on such advances is also suspended/suspended and excluded from interest income in the profit and loss account. Accumulated suspended mark-up is netted-off against the total mark-up receivable outstanding as at the close of the year.

3.4 Tangible Fixed Assets

3.4.1 Bank Owned Fixed Assets

Operating fixed assets are stated at cost less accumulated depreciation except freehold land and capital work in progress which are stated at cost. Depreciation is computed by taking into consideration the estimated useful life of the related assets at varying rates (refer note 8) according to the nature of the assets. Depreciation on additions/deletions during the year is charged for the proportionate period the asset remained in use. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gains and losses, if any, on disposal of fixed assets are included in current income.

3.4.2 Assets Subject to Finance Lease

Assets held under finance lease are stated at cost less accumulated depreciation at the rates and basis applicable to Bank Owned Assets. The outstanding obligation under the lease, less finance charges allocated to the future period, is shown as a liability. The financial charges are calculated at the interest rates implicit in the lease and are charged to profit and loss account.

3.5 Taxation

Provision for taxation is based on taxable income at the current rates of taxation after taking into account applicable exemptions and rebates, if any, as permissible under the Income Tax Ordinance, 1979.

Deferred taxation is accounted for using the Liability Method on all major timing differences.

3.6 Staff Retirement Benefits

The Bank operates a recognized contributory provident fund for its regular employees. The Fund is administered by the Board of Trustees and the Bank's contributions to the fund are charged to profit and loss account.

The Bank also operates an approved funded gratuity scheme which is administered by the Board of Trustees. As per the last actuarial evaluation carried out by M/s Sidat Hyder Morshed Associates (Pvt) Limited during December 1995, the bank's liability in respect of gratuity payable upto 31 December 1998 has been fully provided for in these accounts.

3.7 Foreign Currencies

Assets and Liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange approximating those ruling at the balance sheet date, except those covered by forward exchange contracts, which are stated at contracted rates. Exchange gains and losses are included in the current income whereas unrealized gains and losses on outstanding forward contracts are reported in other liabilities and other assets respectively.

3.8 Revenue Recognition

Profit on advances and investments is recognized on accrual basis, except income, if any, which warrants carry forward in compliance with the Prudential Regulations and Classification Criteria of the State Bank of Pakistan. Commission earned on Letters of Credit and Guarantees is recognized on receipt basis.

	1998	1997
	Rupees in "000"	
4. Cash		
In hand: Local Currency	247,370	199,555
Foreign Currencies	95,038	183,047
	-----	-----
	342,408	382,602
	-----	-----

In current accounts with:		
State Bank of Pakistan	626,964	619,153
National Bank of Pakistan	24,620	40,631
	-----	-----
	651,584	659,784
	-----	-----
	993,992	1,042,386
	=====	=====

1998 1997
Rupees in "000"

5. BALANCES WITH OTHER BANKS

In Pakistan:		
- in current accounts	19,101	11,178
- in deposit accounts	1,000	-
	-----	-----
	20,101	11,178
Outside Pakistan:		
- in current accounts	41,533	43,284
- in deposit accounts	146,589	-
	-----	-----
	188,122	43,284
	-----	-----
	208,223	54,462
	=====	=====

6. INVESTMENTS

Federal and Provincial Government Securities - Unquoted		
- Federal Investment Bonds	2,459,805	2,334,759
- Short Term Federal Bonds	1,914,138	2,585,000
	-----	-----
	4,373,943	4,919,759
Investment in Subsidiary Company - quoted	104,488	104,488
Fully paid up Ordinary Shares - quoted	159,167	159,167
Term Finance Certificates - quoted	50,000	65,000
Certificates of Investment - unquoted	30,000	30,000
	-----	-----
	4,717,598	5,278,414
Less: Provision for diminution in the value of investments	(100,538)	-
	-----	-----
	4,617,060	5,278,414
	=====	=====

6.1 Market value of quoted investments and book value of unquoted investments as at 31 December 1998 was Rs. 132 million (1997: Rs. 191 million) and Rs. 4,547 million (1997: Rs. 5,104 million) respectively.

6.2 All the investments except Rs. 2,068 million (1997: Rs. 1,735 million) acquired under purchase and resale agreement have been categorized as investment securities since these are held for yield/capital growth to maturity.

7. ADVANCES - In local currency

Loans, cash credits, overdrafts etc.		
- In Pakistan	6,294,002	5,761,766
Bills discounted and purchased		
- Payable in Pakistan	535,766	205,916
- Payable outside Pakistan	1,513,774	1,332,012
	-----	-----
	2,049,540	1,537,928
	-----	-----
	8,343,542	7,299,694

Specific provision for non-performing advances (Note 7.3)	(303,896)	(126,572)
	-----	-----
	8,039,646	7,173,122
	=====	=====

7.1 Advances include Rs. 582.263 million (1997: Rs. 295.97 million) which have been placed on non-performing status.

	1998	1997
	Rupees in "000"	
7.2 Particulars of Advances		
Debts considered good in respect of which the bank is fully secured	8,039,060	7,166,649
Debts considered good for which the bank holds no other security than the debtor's personal security	586	6,473
Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	nil	nil
Debts considered doubtful or bad not provided for	nil	nil
	-----	-----
	8,039,646	7,173,122
	=====	=====

	Balance outstanding as at December 31, 1998	Maximum total amount of advances including temporary advances granted during the year
--	---	---

Debts due by directors or executives of the bank or any of them either severally or jointly with any other persons	63,035	64,560
Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members	372,625	420,242
Debts due by subsidiary companies, controlled firms, managed modarabas and other associated undertakings	(as reported above)	

	1998	1997
	Rupees in "000"	

7.3 Particulars of Specific provision against non-performing advances

Opening Balance	126,572	86,998
Additions for the year	60,580	52,767
Transfer from Contingency Reserve (Note 7.3.2)	131,806	-
Reversals during the year	-	(13,193)
Advances written off	(15,062)	-
	-----	-----
	177,324	39,574
	-----	-----
Closing Balance	303,896	126,572
	=====	=====

7.3.1 This represents specific provision against advances to customers other than banks.

7.3.2 The Bank has augmented its specific provision for non-performing advances by direct transfer of

Contingency Reserve amounting Rs. 131.806 million (Note. 15)

7.4 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 1998 is given at Annexure-I.

8. OPERATING FIXED ASSETS

PARTICULARS	Rupees in "000"											
	COST					DEPRECIATION						Book Value as at 31 December, 1998
	At 31 December, 1997	Additions during the year	Leased Assets Transfers	Disposals during the year	At 31 December, 1998	Rate	31 December, 1997	For the year	Leased Assets Transfers	On Disposals	31 December, 1998	
OWNED												
Land-freehold	11,448	19,920	-	-	31,368	-	-	-	-	-	-	31,368
Buildings on freehold land	24,586	37,311	-	-	61,897	5%	3,570	1,230	-	-	4,800	57,097
Furniture & fixtures	39,060	1,260	-	62	40,258	10%	12,405	4,122	-	39	16,488	23,770
Vehicles	27,108	2,150	3,239	3,297	29,200	20%	19,758	4,419	2,031	2,215	23,993	5,207
Computers	30,594	1,175	-	100	31,669	20%	23,610	4,054	-	85	27,579	4,090
Office equipments	32,810	584	-	11	33,383	20%	19,498	4,815	-	11	24,302	9,081
	165,606	62,400	3,239	3,470	227,775		78,841	18,640	2,031	2,350	97,162	130,613
LEASED												
Buildings	35,018	-	-	-	35,018	5%	5,253	1,751	-	-	7,004	28,014
Vehicles	38,414	4,422	(3,239)	8,028	31,569	20%	12,780	7,125	(2,031)	3,252	14,622	16,947
Computers	17,198	1,322	-	-	18,520	20%	5,948	3,551	-	-	9,499	9,021
Office equipments	14,519	1,221	-	-	15,740	20%	4,388	2,989	-	-	7,377	8,363
	105,149	6,965	(3,239)	8,028	100,847		28,369	15,416	(2,031)	3,252	38,502	62,345
1998	270,755	69,365	-	11,498	328,622		107,210	34,056	-	5,602	135,664	192,958
1997	247,287	30,505	-	7,037	270,755		75,040	34,999	-	2,829	107,210	163,545

8.1 Disposal of Fixed Assets

Particulars	Original Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit/(Loss) on Disposal	Mode of Disposal	Particulars of Purchaser
Owned							
Furniture & Fixtures							
Sofa Set and tables	28	15	13	30	17	By Negotiation	Mr. Nishat Kazmi-Mirpur
Steel sheet	15	8	7	9	2	By Negotiation	Mr. Nishat Kazmi-Mirpur
Carpets	19	16	3	-	(3)	Charged off	
Motor Cycle	33	33	-	36	36	By Negotiation	Mr. Muhammad Saleem - Mirpur
Motor Cycle	48	32	16	40	24	Insurance Claim	M/s EFU General Insurance Co. Karachi
Motor Vehicle	208	208	-	150	150	By Negotiation	Mr. Muhammad Ramzan - Murree
Motor Vehicle	200	134	66	66	-	Under agreement	Mr. Azhar-ul-Islam, Islamabad
Motor Vehicle	135	48	87	130	43	Under agreement	Mr. Muhammad Arif. Faisalabad
Motor Vehicle	138	52	86	146	60	Under agreement	Mr. Z.A. Pasha. Faisalabad
Motor Vehicle	107	33	74	103	29	Under agreement	Mr. Muhammad Ismail. Quetta
Motor Vehicle	82	34	48	77	29	Under agreement	Mr. Muhammad Ashfaq. Karachi
Motor Vehicle	214	214	-	70	70	Under agreement	Mr. Khalil Chaudhri. Lahore
Motor Vehicle	73	73	-	150	150	Under agreement	Mr. Muhammad Ishfaq. Sialkot
Motor Vehicle	209	142	67	68	1	Under agreement	Mr. Jawaid Raza, Gujranwala
Motor Vehicle	170	127	43	56	13	Under agreement	Mr. Ahmed Qureshi. Gujranwala
Motor Vehicle	200	163	37	81	44	Under agreement	Mr. Tahseen Siddiqui. Gujranwala
Motor Vehicle	61	61	-	70	70	Under agreement	Mr. Tafseer-ud-din. Lahore
Motor Vehicle	275	275	-	90	90	Under agreement	Mr. Mohsin Raza. Lahore

Motor Vehicle	205	205	-	102	102	By Negotiation	Mr. Arshad Khursheed. Lahore
Motor Vehicle	98	21	77	116	39	Under agreement	Mr. Muhammad Ali. Lahore
Motor Vehicle	52	52	-	120	120	By Negotiation	Mr. Fiaz Masih. Lahore
Motor Vehicle	169	54	115	201	86	Under agreement	Mr. Qurban Ali. Lahore
Motor Vehicle	169	77	92	184	92	Under agreement	Mr. Gulistan Malik. Lahore
Motor Vehicle	107	107	-	40	40	By Negotiation	M/s Sarwar Enterprises International. Lahore
Motor Vehicle	251	-	251	251	-	Under agreement	Mr. Akhlaq Ahmed. Multan
Motor Vehicle	93	70	23	240	217	By Negotiation	M/s Sadaf Automobile. Jhelum
Computers accessory	100	85	15	25	10	Charged off	
Office equipments	11	11	-	20	20	By Negotiation	M/s Silver Reed International. Lahore.

Leased

Motor Vehicle	2,360	904	1,456	1,700	244	Under agreement	M/s Zafar Law Associates. Lahore.
Motor Vehicle	548	256	292	327	35	Under agreement	Mrs. Tahira Masood Haq. Lahore
Motor Vehicle	450	315	135	204	69	Under agreement	Mr. Shamsul Akbar. Peshawar
Motor Vehicle	304	106	198	199	1	Under agreement	Mr. Shahid Bukhari. Peshawar
Motor Vehicle	400	13	387	387	-	Under agreement	Mr. Mohsin Raza. Lahore
Motor Vehicle	420	18	402	402	-	Under agreement	Mr. Mohsin Raza. Lahore
Motor Vehicle	290	80	210	215	5	Under agreement	Mr. Muhammad Afzal, Lahore
Motor Vehicle	406	172	234	254	20	Under agreement	Mr. Bari Khan. Lahore
Motor Vehicle	574	254	320	343	23	Under agreement	Mr. Naseem Ahmed. Karachi
Motor Vehicle	350	108	242	252	10	Under agreement	Mr. Tasaddaq Gillani. Mirpur
Motor Vehicle	450	274	176	228	52	Under agreement	Mr. Iftikhar Mian. Faisalabad
Motor Vehicle	200	122	78	101	23	Under agreement	Mr. Abbas Sadiq. Karachi
Motor Vehicle	450	319	131	205	74	Under agreement	Mr. Riaz Ahmed. Lahore
Motor Vehicle	525	236	289	319	30	Under agreement	Mr. Anwar Jalal. Lahore.
Motor Vehicle	301	75	226	230	4	Under agreement	Mr. Abdul Jabbar. Multan

1998	11,498	5,602	5,896	8,037	2,141
1997	7,037	2,829	4,208	4,990	782

**1998 1997
Rupees in "000"**

9. OTHER ASSETS

Stationery and stamps on hand	6,676	6,680
Income/mark-up accrued on advances and investments	399,615	454,745
Prepaid exchange risk fee	60,267	52,043
Other advances, deposits, advance rent and other prepayments	39,188	71,646
Branch adjustment account	53,900	-
Unutilized exchange differences on outstanding forward contracts	22,975	-
Suspense account	3,508	13,429
Deferred Tax (Note 22)	95,696	-
Others - Branch Renovation/Development Expenses	34,780	39,705
	716,605	638,248

10. DEPOSITS AND OTHER ACCOUNTS

Fixed deposits	2,290,760	2,232,403
Savings deposits	6,143,190	5,336,916
Current accounts	1,893,910	3,235,032
Margin/Security Deposits	440,617	890,297
	10,768,477	11,694,648

10.1 Particulars of deposits and other accounts

In local currency	6,845,523	4,670,178
In foreign currencies	3,922,954	7,024,470

-----	-----
10,768,477	11,694,648
=====	=====

11. BORROWINGS FROM OTHER BANKS, AGENTS ETC.

In Pakistan - Local Currency

Secured

State Bank of Pakistan - Export refinance	2,824,492	1,968,081
	=====	=====

11.1 As per the Export Refinance Scheme the State Bank of Pakistan charges mark-up @ 6% p.a. (1997: @ 9% p.a.) on the loans granted there-against. These are secured against demand promissory notes.

12. OTHER LIABILITIES

Mark-up/interest on loans/borrowings	42,681	37,839
Profit payable on PLS deposits and other accounts	54,017	147,211
Interest on foreign currency deposits	14,611	24,410
Taxation-Provision less payments (Note 22)	14,720	22,022
Branch Adjustment account	-	17,991
Unearned commission	568	1,495
Accrued expenses	3,580	3,437
Advance payments	5,283	4,927
Unutilized exchange differences on outstanding forward contracts	-	50,630
Sundry payables	30,069	31,380
	-----	-----
	165,529	341,342
	=====	=====

1998 1997
Rupees in "000"

13. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The amount of future minimum lease payments and the periods in which they become due are:

Year Ended

31 December, 1998	-	33,562
31 December, 1999	32,451	33,526
31 December, 2000	17,182	15,809
31 December, 2001	4,985	1,726
31 December, 2002	126	139
	-----	-----
	54,744	84,762
	-----	-----
Less: Financial Charges allocated to future periods	7,268	16,576
Security deposits adjustable on expiry of lease term	9,924	10,535
	-----	-----
	17,192	27,111
	-----	-----
	37,552	57,651
	=====	=====

The Bank has entered into Sale and Lease Back Agreements with various Leasing Companies and Modarabas for Building, Motor Vehicles and Office Equipments. The Lease Rentals are payable in monthly installments by December 2002. Finance charges, included in the lease rentals, are determined on the basis of discount factor applied at the rates ranging from 19% to 24% per annum.

14. SHARE CAPITAL

Authorised Capital		
60,000,000 Ordinary Shares of Rs. 10 each	600,000	600,000
	=====	=====

Issued, Subscribed and Paid up Capital					
45,000,000 Ordinary Shares of Rs. 10 each issued for cash			450,000		450,000
11,953,125 Ordinary Shares of Rs. 10 each issued as fully paid bonus shares			119,531		119,531
			-----		-----
			569,531		569,531
			=====		=====

15. RESERVE FUND AND OTHER RESERVES

	Statutory	Contingency	Revenue		
Opening balance	240,650	131,806	28,447	400,903	311,400
Transfer to Specific Provision against non-performing advances (Note 7.3)	-	(131,806)	-	(131,806)	-
Transfer from profit and loss account	5,350	-	31,553	36,903	89,503
	-----	-----	-----	-----	-----
Closing balance	246,000	-	60,000	306,000	400,903
	=====	=====	=====	=====	=====

16. BILLS FOR COLLECTION

Payable in Pakistan		88,064		89,468
Payable outside Pakistan		2,811,000		2,144,560
		-----		-----
		2,899,064		2,234,028
		=====		=====

1998 1997
Rupees in "000"

17. CONTINGENT LIABILITIES & COMMITMENTS

CONTINGENCIES

Money for which the bank is contingently liable:

a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings	nil	nil
b) Contingent liability in respect of guarantees given favouring:		
i) Government	1,144,333	1,248,047
ii) Banking companies and other financial institutions	551,230	355,593
iii) Others	370,974	381,349
c) Liability on bills of exchange rediscounted	nil	nil
Arrears of cumulative preference dividends	nil	nil
Claims against the bank not acknowledged as debts	nil	nil
	-----	-----
	2,066,537	1,984,989
	=====	=====

COMMITMENTS

Commitments in respect of forward exchange contracts		
Sale	707,225	3,044,573
Purchase	3,915,680	3,067,784
Commitments at cost in respect of Repo transactions of Government Securities	626,228	800,000
	=====	=====

18. OTHER OPERATING INCOME

Income from dealing in foreign currencies	101,383	81,924
Service/Incidental Charges etc.	28,992	19,032
	-----	-----
	130,375	100,956
	=====	=====

19. ADMINISTRATIVE EXPENSES

Salaries, allowances etc.	178,605	150,365
Staff retirement benefits	13,591	11,223
Brokerage and commission	11,664	13,763
Rent, taxes, insurance, electricity etc.	57,186	54,741
Legal and professional charges	10,658	5,876
Communications	7,001	7,815
Repairs and maintenance	18,266	22,221
Finance charge on leased assets	10,466	14,156
Stationery and printing	12,361	11,466
Advertisement and publicity	6,298	8,890
Auditors' remuneration (Note 19.1)	210	193
Donations	-	10,000
Depreciation (Note 8)	34,056	34,999
Travelling, conveyance and vehicle running expenses	22,216	27,541
Others	14,137	20,660
	-----	-----
	396,715	393,909
	=====	=====

1998 1997
Rupees in "000"

19.1 Auditors' remuneration

Audit fee	150	150
Special certifications/examinations	50	33
Out of pocket expenses	10	10
	-----	-----
	210	193
	=====	=====

20. OTHER INCOME

Rent	2,602	2,329
Net profit on disposal of fixed assets	2,141	782
Other receipts	8,090	7,611
	-----	-----
	12,833	10,722
	=====	=====

21. OTHER CHARGES

Amortization of renovation/development costs	23,443	20,364
Reuter charges	3,228	2,329
Security service charges	5,828	4,714
Others	11,462	9,459
	-----	-----
	43,961	36,866
	=====	=====

22. TAXATION

Current		
- for the year	237,289	128,803
- for prior years	21,997	18,280
	-----	-----
	259,286	147,083
	=====	=====
Deferred		
- for the year	(49,924)	-
- for prior years	(45,772)	-
	-----	-----
	(95,696)	-
	-----	-----
	163,590	147,083

=====

22.1 Income Tax Assessments of the Bank have been completed upto the period ended 31 December, 1996 (Assessment Year 1997-98). The Assessing Officer while finalizing the assessments made certain adjustments in the returned income. Bank has not accepted these adjustments and has filed appeals with the relevant Appellate Authorities against the same which are pending adjudication. However, assessed tax liabilities have been fully paid and provided for in these accounts.

22.2 Deferred Tax

Credit balance arising on finance lease arrangements	20,144	-
Debit balance arising on accelerated tax depreciation allowances	(8,160)	-
Debit balance arising on provisions against non-performing advances and interest suspended thereon	(107,680)	-
	-----	-----
	(95,696)	-
	=====	=====

23. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits, to the Chief Executive, Director and Executives of the Bank was as follows:

	Chief Executive		Director		Executives	
	1998	1997	1998	1997	1998	1997
Managerial remuneration	1,789	1,576	1,403	1,216	12,567	6,027
Retirement benefits	264	226	207	174	1,854	830
Rent and house maintenance	805	708	631	546	5,645	2,702
Utilities	179	157	140	121	1,254	601
Bonus	394	525	303	303	2,607	2,002
	-----	-----	-----	-----	-----	-----
Rupees in "000"	3,431	3,192	2,684	2,360	23,927	12,162
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	1	1	18	9

24. MATURITIES OF ASSETS AND LIABILITIES

	TOTAL	Rupees in "000"			
		Upto one month	Over one month to	Over one year to	Over five year
ASSETS					
Cash	993,992	993,992	-	-	-
Balances with other banks	208,223	208,223	-	-	-
Investments	4,617,060	(237,430)	2,931,573	1,478,967	443,950
Advances - Net of provision	8,039,646	874,811	6,457,197	588,332	119,306
Operating fixed assets	192,958	2,765	24,288	50,736	115,169
Other assets	716,605	471,225	163,404	30,704	51,272
	-----	-----	-----	-----	-----
	14,768,484	2,313,586	9,576,462	2,148,739	729,697
	=====	=====	=====	=====	=====
LIABILITIES					
Deposits and other accounts	10,768,477	6,735,853	3,016,894	1,014,523	1,207
Borrowings from other banks, agents etc.	2,824,492	470,749	2,353,743	-	-
Bills payable	93,672	15,612	78,060	-	-
Other liabilities	165,529	20,715	79,295	50,799	14,720
Liabilities against assets subject to finance lease	37,552	2,000	22,146	13,406	-
	-----	-----	-----	-----	-----
	13,889,722	7,244,929	5,550,138	1,078,728	15,927
	-----	-----	-----	-----	-----
NET BALANCE	878,762	(4,931,343)	4,026,324	1,070,011	713,770
	=====	=====	=====	=====	=====
Shareholders' equity	878,762				
	=====				

The above maturity analysis is based on the contractual/expected maturities of assets and liabilities which may not necessarily correspond with the effective maturities. Some of the assets and liabilities are not subject to contractual maturity and practically it is not possible to assign them definite maturities. These have therefore, been grouped on the basis of fairly expected realization period.

The maturity profile is monitored by management on a daily basis to ensure that adequate liquidity is maintained.

1998
Rupees in "000"

25. SEGMENT ANALYSIS

25.1 Geographic segment - Pakistan

Profit before taxation	189,258
Total assets employed	14,768,484
Net assets employed	878,762
Bills for collection	2,899,064
Acceptances, endorsements and other obligations	911,808

Total assets employed include intra group items Rs. 373 million (1997: Rs. 247 million).

25.2 Segment by class of business

	DEPOSITS		ADVANCES	
	Rupees in "000"	Percentage %	Rupees in "000"	Percentage %
Chemical and Pharmaceuticals	348,899	3.24	135,870	1.69
Agribusiness	242,291	2.25	318,370	3.96
Textile	1,789,721	16.62	2,917,588	36.29
Cement	197,063	1.83	229,130	2.85
Sugar	41,997	0.39	20,903	0.26
Shoes and leather garments	324,131	3.01	508,106	6.32
Automobile and transportation equipment	206,755	1.92	82,004	1.02
Financial	321,977	2.99	158,381	1.97
Insurance	21,537	0.20	-	-
Transportation	240,137	2.23	4,824	0.06
Electronics and electric appliances	344,591	3.20	136,674	1.70
Production and transmission of energy	1,612,041	14.97	399,570	4.97
Others	5,077,337	47.15	3,128,226	38.91
	----- 10,768,477	----- 100.00	----- 8,039,646	----- 100.00
	=====	=====	=====	=====

25.3 Segment by sector

Public/Government	605,000	5.62	-	-
Private	10,163,477	94.38	8,039,646	100.00
	----- 10,768,477	----- 100.00	----- 8,039,646	----- 100.00
	=====	=====	=====	=====

26. CURRENCY BREAKDOWN OF ASSETS AND LIABILITIES

	ASSETS		LIABILITIES	
Pak Rupees	13,681,596	92.64	9,959,343	71.70
US Dollars	964,759	6.53	3,555,651	25.60
Pound Sterling	53,799	0.37	328,703	2.37
Deutsche Mark	16,146	0.11	45,419	0.33
Japanese Yen	4,680	0.03	606	-
Other European Currencies	47,504	0.32	-	-
	----- -----	----- -----	----- -----	----- -----

14,768,484 100.00 13,889,722 100.00
 ===== ===== ===== =====

1998 1997
 Rupees in "000"

27. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

i) Advances given during the year	749,116	257,604
ii) Advances repaid during the year	623,738	115,880
iii) Deposits (at year end)	12,553	80,607
iv) Mark-up/Interest earned	67,442	33,028
v) Commitments and contingent liabilities for irrevocable commitments and contingencies	-	189,452

28. GENERAL

- Figures have been rounded off to the nearest thousand.
 - Previous years figures have been rearranged, wherever necessary, to facilitate comparison.

M Naseem Saigol Chairman	M Azam Saigol Director	Khalil A Malik Director	M Saleem Jan President & Chief Executive
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Lahore: March 06, 1999

ANNEXURE - I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 1998

Rupees in "000"

S. No.	Name and address of the Person	Name of Individuals/ Partners/Directors (with NIC No.)	Father's Name	Outstanding Liabilities on the opening day of the year	Amount Written Off	Other Financial Reliefs Provided	Total
1.	Firdous Spinning & Weaving Mills Ltd. 4th Floor, Imperial Court Dr. Zia-ud-din Ahmed Road. Karachi.	1. Mian Aftab Ahmed (517-86-005153) 2. Mr. Qamar Ahmed (517-90-415954) 3. Mr. Maqbool Asghar Siddiqui (518-86-391219) 4. Mr. Abdul Qadeer 5. Mr. M. Rashid Jalil 6. Mrs. Nilofour Ahmed	Mr. Fazal Ahmed Mr. Aftab Ahmed Mr. Sharafat Hussain Siddiqui	14,730	14,730	-	14,730

Statement Under Section 237 of the Companies Ordinance, 1984

**SUBSIDIARY
 UNION LEASING LIMITED
 1998**

Statement Under Sub-section (1) (e)

(a) Extent of the interest of Union Bank Limited (the holding company) in the equity of its subsidiary at the end of the last financial year of the subsidiary before that of the holding company

50.33 %

**Rupees in
 "000"**

(b) The net aggregate amount of profits after deducting losses, if any, of the subsidiary company so far as these concern members of the holding company and have not been dealt with in the accounts of the holding company:

i) for the year ended 30 June, 1998

17,616

ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary 45,314

(c) The net aggregate amount of profits after deducting losses, if any, of the subsidiary company so far as these have been dealt with or provision made for losses in the accounts of the holding company:

i) for the year ended 30 June, 1998 nil

ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary nil

Statement Under Sub-section (1) (f)

(a) The holding company's interest in subsidiary between the end of the subsidiary's financial year and the end of the holding company's financial year has remained unchanged

(b) No material changes have occurred between the end of the financial year of the subsidiary and the end of the holding company's financial year in respect of the fixed assets, investments, moneys lent by it and the moneys borrowed by it for the purposes other than that of meeting current liabilities.

Statement Under Sub-section (1) (g) N/A

M Naseem Saigol
Chairman

M Azam Saigol
Director

Khalil A Malik
Director

M Saleem Jan
President & Chief Executive

Lahore: March 06, 1999

Branch Network

Principal Office

6-Egerton Road, Lahore.

Tel: (042) 6362144/6362314/6362621/6362892/6361581

Fax: (042) 6306137/6311173; Tlx: 44671 SBL PK

Academy

2nd Floor, Union Bank House,

39-Empress Road, Lahore.

Tel: (042) 6302513

Fax: (042) 6302512

Central Treasury

Imperial Court, 1st Floor,

Dr. Z.A. Road, Karachi.

Tel: (021) 515408/515416/5686977

Fax: (021) 5684971/5680983

Flx: 20021 UNB PK

Lahore Branches

39-Empress Road, Lahore,

Tel: (042) 6368310-14/6315694-95

(042) 6301202

Fax: (042) 6368078/6301225

Tlx: 47671 SBL PK

UAN: (042) 111-100-101

17-Brandreth Road, Lahore.

Tel: (042) 7633353-4/7659269

(042) 7667553

Fax: (042) 7659221

Tlx: 47550 UNION PK

UAN: (042) 111-100-103

19-B, Main Boulevard, Gulberg, Lahore,

Tel: (042) 5754881-4/5755561

Fax: (042) 5755562

Tlx: 44242 UNION PK

UAN: (042) 111-100-100

Society Mini Plaza, 136/2-H, Phase 1,

Commercial Area, L.C.C.H.S., Lahore.

Tel: (042) 5725321-22

Fax: (042) 5727054

Tlx: 44251 UNB DF PK.

UAN: (042) 111-100-102

150-Ferozpur Road, Ichhra, Lahore.

Tel: (042) 7561791-3

Fax: (042) 7561795

UAN: (042) 111-100-104

Karachi Branches

Sheraton Hotel, Shopping Arcade,

Dr. Z.A. Road, Karachi.

Tel: (021) 5682783/5685426/5682785

(021) 5682709/5682751

Fax: (021) 5684916

Tlx: 20021 UNB PK 20402/20420

UAN: (021) 111-100-100

Khayaban-e-Jami, G-19/3, Block No. 9,

Kehkashan, Clifton, Karachi.

Tel: (021) 5872091-93

Fax: (021) 5872094

UAN: (021) 111-100-101

Al Rahim Tower, I.I. Chundrigar Road, Karachi.

Tel: (021) 2427610-14/2427601

Fax: (021) 2427602

UAN: (021) 111-100-102

Faisalabad Branches

Taj Plaza, Kotwali Road, Faisalabad.

Tel: (041) 616041-43/629881-82

Fax: (041) 624801

Tlx: 43349 UNION PK

UAN: (041) 111-100-100

P-24/1, Montgomery Bazar, Yarn Market, Faisalabad.

Tel: (041) 628918/624768

Fax: (041) 628937

UAN (041) 111-100-101

720-Batala Colony, Satiana Road, Faisalabad.

Tel: (041) 7222573-4-8

Fax: (041) 722576

UAN: (041) 111-100-102

Peshawar Branches

6-Saddar Road, Peshawar.

Tel: (091) 275594-98

Fax: (091) 275816

Tlx: 52377 UNION PK
UAN: (091) 111-100-100

G.B. Plaza, Regi Lalma, Hayatabad, Peshawar
Tel: (091) 813161/813281/813287
(091) 813437/813448
Fax: (091) 817016
UAN: (091) 111-100-101

Raiwind Branch

Raiwind Kalan, Raiwind Road, Distt. Lahore.
Tel: (04951) 391822-23
Fax: (04951) 391824

Gujrat Branch

Shafiq Plaza, G.T. Road, Gujrat.
Tel: (04331) 513971-72
Fax: (04331) 513970
UAN: (04331) 111-100-100

Sialkot Branch

Abbott Road, Sialkot.
Tel: (0432) 264453/260717/
(0432) 262448/589044
Fax: (0432) 583253
Tlx: 46234 UNION PK
UAN: (0432) 111-100-100

Gujranwala Branch

Trust Plaza, G.T. Road, Gujranwala,
Tel: (0431) 250506-07/258380/254796
Fax: (0431) 258379
Tlx: 45292 UNBGR PK
UAN: (0431) 111-100-100

Quetta Branch

M.A. Jinnah Road, Quetta.
Tel: (081) 822755/822893
Fax: (081) 824138
Tlx: 20021 UNB PK
UAN: (081) 111-100-100

Multan Branch

Abdali Road, Multan
Tel: (061) 588711-13
Fax: (061) 588714
Tlx: 42364 UNBML PK
UAN (061) 111-100-100

Sargodha Branch

Trust Plaza, Fatima Jinnah Road, Sargodha.
Tel: (0451) 721450-51
Fax: (0451) 721033
UAN: (0451) 111-100-100

Islamabad Branch

Saudi Pak Tower, Blue Area, Islamabad
Tel: (051) 824062-65
Fax: (051) 278329
Tlx: 54688 UNB PK
UAN: (051) 111-100-100

Rawalpindi Branch

2-The Mall, Rawalpindi, Cantt.

Tel: (051) 518636-40

Fax: (051) 518495

UAN: (051) 111-100-101

Jhelum Branch

Sohail Manzil, Civil Lines, Jhelum.

Tel: (0541) 624186-87

Fax: (0541) 624197

Mirpur Branch

Kutchery Chowk, Allama Iqbal Road, Mirpur (A.K.)

Tel: (0582) 5313-15

Fax: (0582) 2882

Mardan Branch

Mall Road, Mardan

Tel: (0931) 65596/65591

Fax: (0931) 65597

UAN: (0931) 111-100-100

**List of Correspondent
(COUNTRY-WISE)**

	COUNTRY	CORRESPONDENTS
1.	ALGERIA	BANQUE EXTERIEURE D'ALGERIE SPA
2.	AUSTRALIA	CHASE MANHATTAN BANK HABIB FINANCE (AUSTRALIA) LTD. NATIONAL AUSTRALIA BANK LTD.
3.	AUSTRIA	BANK AUSTRIA AG CREDITANSTALT AG INTERNATIONALE BANK FUR AUSSENHANDEL AG
4.	BAHRAIN	AL-AHLI COMMERCIAL BANK BSC ALBARAKA ISLAMIC INVESTMENT BANK BSC (EC) CHASE MANHATTAN BANK HABIB BANK LTD.
5.	BANGLADESH	HABIB BANK LTD. STANDARD CHARTERED BANK
6.	BELARUS	BELARUSSIAN JOINT-STOCK COMMERCIAL BANK FOR INDUSTRY & CONSTRUCTION OF BELARUS (BELPROMSTROIBANK)
7.	BELGIUM	ASLKCGER BANK NV/SA BANK BRUSSELS LAMBERT GENERALE BANK HABIB BANK LTD. KBC BANK N.V.
8.	BRAZIL	BANCO SAFRA SA
9.	BULGARIA	COMMERCIAL BANK BULGARIA INVEST LTD. INT'L BANK FOR INVESTMENTS & DEVELOPMENT
10.	CANADA	BANK OF NOVA SCOTIA (THE) HONG KONG BANK OF CANADA NATIONAL BANK OF CANADA ROYAL BANK OF CANADA

		TORONTO DOMINION BANK (THE)
11.	CHILE	BANCO SANTIAGO
12.	CHANNEL ISLANDS	CHASE MANHATTAN BANK
13.	CHINA	ABN-AMRO BANK N.V. BANK OF CHINA CHINA CONSTRUCTION BANK CHINA MERCHANTS BANK EVERBRIGHT BANK OF CHINA GUANGDONG DEVELOPMENT BANK SHENZHEN DEVELOPMENT BANK CO. LTD. STANDAKD CHARTERED BANK
14.	COLOMBIA	BANCO DE BOGOTA
15.	CYPRUS	CYPRUS POPULAR BANK LTD. (THE) HELLENIC BANK LTD.
16.	CZECH REPUBLIC	INVESTICNI A POSTOVNI BANKA A.S KOMERCNI BANKA A.S
17.	DENMARK	AMAGERBANKEN A/S BIKUBEN GIROBANK A/S DEN DANSKE BANK A/S JYSKE BANK A/S SPAR NORD BANK SYDBANK A/S UNIBANK A/S
18.	EGYPT	BANK OF ALEXANDRIA NATIONAL BANK OF PAKISTAN
19.	FINLAND	MERITA BANK LTD. POSTIPANKKI LTD.
20.	FRANCE	ABC INTERNATIONAL BANK PLC BANQUE FRANCO ROUMAINE SA BANQUE NATIONALE DE PARIS CHASE MANHATTAN BANK CREDIT LYONNAIS SA HABIB BANK LTD. NATEXIS BANQUE NATIONAL BANK OF PAKISTAN SOCIETE GENERALE UNION DE BANQUES ARABES ET FRANCAISES
21.	GERMANY	AMERICAN EXPRESS BANK LTD. BANK KREISS AG BANKHAUS GEBR. MARTIN BAYERISCHE VEREINSBANK AG CHASE MANHATTAN BANK COMMERZBANK AG DEUTSCHE BANK AG DG BANK DRESDNER BANK AG NATIONAL BANK OF PAKISTAN VEREINS-UND WESTBANK AG WESTDEUTSCHE LANDESBANK GIROZENTRALE
22.	GREECE	ALPHA CREDIT BANK AE
23.	HONG KONG	BANKERS TRUST COMPANY

		BANK OF NOVA SCOTIA (THE) CREDIT SUISSE FIRST BOSTON CORESTATES BANK NA HABIB FINANCE INT'L LTD. HBZ FINANCE LTD. HONG KONG & SHANGHAI BANKING CORP. (THE) HUA CHIAO COMMERCIAL BANK LTD. MASHREQ. ASIA LTD. NATIONAL BANK OF PAKISTAN STANDARD CHARTERED BANK UBAF (HONG KONG) LTD.
24.	HUNGARY	ABN AMRO (MAGYAR) BANK RT. BNP-DRESDNER BANK (HUNGRIA) RT. BUDAPEST BANK LTD. KERESKEDELMI ES HITELBANK RT MAGYAR KULKERESKEDELMI BANK RT ORSZAGOS TAKAREKPENZTAR ES KERESKEDELMI BANK (NATIONAL SAVINGS & COMMERCIAL BANK LTD)
25.	INDIA	MASHREQBANK PSC STANDARD CHARTERED BANK
26.	INDONESIA	ABN-AMRO BANK NV PT BANK INTERNASIONAL INDONESIA TBK BANK OF TOKYO-MITSUBISHI LTD. (THE) DEUTSCHE BANK AG PT LIPPO BANK TBK
27.	IRAN	BANK SADERAT IRAN
28.	IRAQ	RAFIDAIN BANK
29.	IRELAND	CHASE MANHATTAN BANK ULSTER BANK LTD
30.	ITALY	ABN-AMRO BANK NV BANCA DI ROMA SPA BANCA MONTE DEI PASCHI DI SIENA SpA BANCA NAZIONALE DEL LAVORO SpA BANCA POPOLARE DI VERONA-BANCO S. GEMINIAO E.S. PROSPERO ScaRL BANCO AMBROSIANO VENETO SpA BANK OF TOKYO-MITSUBISHI LTD. (THE) CASSA DI RISPARMIO DI TRIESTE BANCA SPA CHASE MANHATTAN BANK CREDITO ITALIANO S.P.A
31.	JAPAN	AMERICAN EXPRESS BANK BANK OF TOKYO-MITSUBISHI LTD. (THE) BANKERS TRUST COMPANY CHASE MANHATTAN BANK CHASE TRUST & BANKING CO. LTD. LLOYDS BANK PLC NATIONAL BANK OF PAKISTAN STANDARD CHARTERED BANK UNION DE BANQUES ARABES ET FRANCAISES
32.	JORDAN	BANK OF JORDAN PLC HOUSING BANK (THE)
33.	KAZAKHSTAN	OPEN JOINT-STOCK SOCIETY BANK "CENTERCREDIT"

34.	KENYA	HABIB BANK A G ZURICH HABIB BANK LTD. KENYA COMMERCIAL BANK LTD.
35.	KOREA (NORTH)	CHANGGWANG CREDIT BANK
36.	KOREA (SOUTH)	ABN-AMRO BANK NV AMERICAN EXPRESS BANK LTD. BANK OF TOKYO-MITSUBISHI LTD. (THE) CHASE MANHATTAN BANK CHO HUNG BANK COMMERCIAL BANK OF KOREA LTD. (THE) CREDIT LYONNAIS SA DEUTSCHE BANK AG NATIONAL BANK OF PAKISTAN SHINHAN BANK STANDARD CHARTERED BANK UNION DE BANQUES ARABES ET FRANCAISES
37.	KUWAIT	BANK OF KUWAIT & THE MIDDLE EAST KSC (THE)
38.	LUXEMBOURG	CHASE MANHATTAN BANK
39.	MALAWI	COMMERCIAL BANK OF MALAWI LTD.
40.	MALAYSIA	ABN-AMRO BANK NV BANK OF COMMERCE (M) BERHAD BANK OF TOKYO-MITSUBISHI LTD. (THE) BSN COMMERCIAL BANK (M) BERHAD RHB BANK BERHAD SIME BANK BERHAD STANDARD CHARTERED BANK
41.	MALDIVES	HABIB BANK LTD.
42.	MAURITIUS	HABIB BANK LTD. MAURITIUS COMMERCIAL BANK LTD. (THE)
43.	MOROCCO	CREDIT DU MAROC SA
44.	NETHERLANDS (THE)	ABN-AMRO BANK NV F.VAN LANSCHOT BANKIERS NV HABIB BANK LTD. ING BANK N.V.
45.	NEW ZEALAND	BANK OF NEW ZEALAND
46.	NIGERIA	HABIB NIGERIA BANK LTD.
47.	NORWAY	DEN NORSKE BANK AS UNION BANK OF NORWAY
48.	OMAN (SULTANATE OF)	HABIB BANK LTD. OMAN INTERNATIONAL BANK SAOG
49.	PARAGUAY	BANCO UNION SAECA
50.	PERU	BANCO DE LIMA-SUDAMERIS
51.	PHILIPPINES	BANK OF THE PHILIPPINE ISLANDS BANK OF TOKYO-MITSUBISHI LTD. (THE) CHASE MANHATTAN BANK
52.	POLAND	BANK GOSPODARKI ZYWNOSCIOWEJ BANK POLSKA KASA OPIEKI GRUPA PEKAO SA

		KREDYT BANK SA
53.	PORTUGAL	BANCO ESPIRITO SANTO E COMERCIAL DE LISBOA S.A. BANCO NACIONAL ULTRAMARINO S.A. BANCO PINTO & SOTTO MAYOR
54.	QATAR	COMMERCIAL BANK OF QATAR LTD. (THE) DOHA BANK LIMITED
55.	ROMANIA	BANCA AGRICOLA SA BANCA ROMANA DE COMERT EXTERIOR SA CHASE MANHATTAN BANK
56.	RUSSIA	CHASE MANHATTAN BANK INKOMBANK INT'L COMPANY FOR FINANCE & INVESTMENTS INTERNATIONAL MOSCOW BANK
57.	SAUDI ARABIA	AL BANK AL SAUDI AL FRANSI AL RAJHI BANKING & INVESTMENT CORPORATION RIYAD BANK SAUDI HOLLANDI BANK
58.	SEYCHELLES (REP. OF)	HABIB BANK LTD.
59.	SINGAPORE	AMERICAN EXPRESS BANK BANCO DO BRASIL SA BANK OF TOKYO-MITSUBISHI LTD. (THE) CITIBANK NA CREDIT SUISSE FIRST BOSTON DEVELOPMENT BANK OF SINGAPORE LTD. (DBS BANK) DRESDNER (SOUTH EAST ASIA) LTD. HABIB BANK LTD. KAPPEL TATLEE BANK LTD. STANDARD CHARTERED BANK UNION DE BANQUES ARABES ET FRANCAISES
60.	SLOVAKIA	INVESTICNA A ROZVOJOVA BANKA, A.S.
61.	SLOVENIA	SKB BANKA DD
62.	SOUTH AFRICA	ABSA BANK LTD. FIRST NATIONAL BANK OF SOUTHERN AFRICA LTD.
63.	SPAIN	BANCO ATLANTICO SA BANCO BILBAO VIZCAYA BANCO ESPANOL DE CREDITO BANCO EXTERIOR DE ESPANA S.A. BANCO SANTANDER BANKINTER SA
64.	SKI LANKA	HABIB BANK AG ZURICH HABIB BANK LTD. MUSLIM COMMERCIAL BANK LTD. PEOPLE'S BANK
65.	SWEDEN	NORDBANKEN SVENSKA HANDELSBANKEN
66.	SWITZERLAND	BANCA DEL GOTTARDO BANQUE DE COMMERCE ET DE PLACEMENTS SA CREDIT SUISSE FIRST BOSTON HABIB BANK AG ZURICH HABIBSONS BANK LTD.

		SWISS BANK CORPORATION UNION BANK OF SWITZERLAND
67.	SYRIA	COMMERCIAL BANK OF SYRIA
68.	TAIWAN	BANKERS TRUST COMPANY CHASE MANHATTAN BANK CREDIT LYONNAIS SA DEUTSCHE BANK AG SHANGHAI COMMERCIAL & SAVINGS BANK (THE) STANDARD CHARTERED BANK
69.	TANZANIA	NATIONAL BANK OF COMMERCE
70.	THAILAND	BANK OF TOKYO-MITSUBISHI LTD. (THE) BANGKOK BANK PUBLIC CO. LTD. DEUTSCHE BANK AG
71.	TUNISIA	TUNIS INTERNATIONAL BANK
72.	TURKEY	ALTERNATIFBANK AS ANADULOBANK AS BANK EKSPRES AS BANK KAPITAL TAS CHASE MANHATTAN BANK DEMIRBANK TAS EGE GIYIM SANAYICILLERI BANKASI AS ESBANK, ESKISEHIR BANKASI TAS FINANSBANK A/S HABIB BANK LTD. IKTISAT BANKASI TURK AS KENTBANK A.S. KOCBANK A.S. PAMUKBANK T.A.S. SUMERBANK AS TOPRAKBANK A.S
73.	U.A.E.	ABU DHABI COMMERCIAL BANK HABIB BANK AG ZURICH HABIB BANK LTD. MASHREQBANK PSC
74.	UKRAINE	UKREXIMBANK (THE STATE EXPORT-IMPORT BANK OF UKRAINE)
75.	UNITED KINGDOM	AUSTRALIA & NEW ZEALAND BANKING GROUP LTD. CHASE MANHATTAN BANK CLYDESDALE BANK PLC HABIB BANK AG ZURICH HABIB BANK LTD. HABIBSONS BANK LTD. LLOYDS BANK PLC MASHREQBANK PSC NATIONAL BANK OF PAKISTAN NATIONAL WESTMINSTER BANK PLC
76.	U.S.A.	AMERICAN EXPRESS BANK LTD. BANK OF NEW YORK (THE) BANK OF TOKYO-MITSUBISHI LTD. (THE) CITIBANK NA CORESTATES BANK NA DEUTSCHE BANK AG FLEET NATIONAL BANK HABIB AMERICAN BANK HABIB BANK LTD.

MARINE MIDLAND BANK NA
 MASHREQ.BANK PSC
 NATIONAL BANK OF PAKISTAN
 NATIONS BANK NA
 NORTH FORK BANK
 NORWEST BANK MINNESOTA NA
 OLD KENT BANK
 REPUBLIC NATIONAL BANK OF NEW YORK
 WACHOVIA BANK NA
 WEST ONE BANK, WASHINGTON

77. VIETNAM BANK FOR FOREIGN TRADE OF THE S.R OF VIETNAM
 STANDARD CHARTERED BANK

78. ZAMBIA ZAMBIA NATIONAL COMMERCIAL BANK LTD.

79. ZIMBABWE ZIMBABWE BANKING CORPORATION LTD.

**Pattern of Shareholding
 As at December 31, 1998**

No. of Shareholders	Slabs of Shareholding		Total Shares Held
	From	To	
1449	1	-	73,011
2163	101	-	594,545
3896	501	-	3,028,117
1118	1001	-	2,216,642
143	5001	-	976,552
68	10001	-	863,035
19	15001	-	325,651
2	20001	-	44,694
8	25001	-	210,669
3	30001	-	94,146
4	35001	-	151,504
4	40001	-	171,763
2	45001	-	94,463
2	60001	-	124,334
1	65001	-	69,618
1	80001	-	82,971
2	90001	-	187,171
1	140001	-	142,937
1	205001	-	206,600
1	250001	-	251,450
1	505001	-	506,196
1	1445001	-	1,447,678
1	2810001	-	2,812,857
1	2830001	-	2,831,835
8	2845001	-	22,781,248
1	3220001	-	3,221,661
1	3440001	-	13,441,777
-----			-----
8902			56,953,125
=====			=====

Note: The slabs of shareholding not applicable, have been excluded from the above table.

Categories of Shareholders	Number of Shareholders	Number of Shares Held	Percentage %
Individuals	8825	25233394	44.31

Investment Companies	12	427754	0.75
Insurance Companies	7	1582372	2.78
Joint Stock Companies	23	25456469	44.70
Financial Institutions	5	3612048	6.34
Leasing & Modaraba Companies	15	177222	0.31
	-----	-----	-----
	8902	56953125	100.00
	=====	=====	=====

UNION LEASING LIMITED
(A SUBSIDIARY OF UNION BANK LIMITED)

Directors' Report

Union Leasing Limited

Your Directors take pleasure in presenting the Fifth Annual Report together with the Audited Accounts of the Company, for the year ended 30 June 1998.

Financial Results

The financial results of the Company for the period under review are given below:

	01 July, 1997 to 30 June, 1998 Rupees	01, July 1996 to 30 June, 1997 Rupees
Income	85,745,788	85,441,900
Expenditure	49,146,328	48,769,288
	-----	-----
Profit before taxation	36,509,460	36,672,612
	=====	=====
Provision for taxation		
- Current	1,442,508	825,027
- Prior years	155,349	-
	-----	-----
	1,597,857	825,027
	=====	=====
Profit after taxation	35,001,603	35,847,585
Profit brought forward	6,698	84,582
	-----	-----
Profit available for appropriation	35,008,301	35,932,167
	=====	=====
Appropriations:		
Transfer to Capital Reserve	7,000,321	7,169,517
Transfer (from)/to General Reserve	(3,300,000)	(2,100,000)
Transfer to Contingency Reserve	4,295,383	855,952
Transfer for Issue of Bonus Shares	27,000,000	30,000,000
	-----	-----
	34,995,704	35,925,469
	-----	-----
Un-appropriated profit carried forward	12,597	6,698
	=====	=====
Earning per share	Rs. 1.95	Rs 2.39

The year under review has been a difficult period due to unstable conditions prevailing in the country. As a result, investments in new projects were not forthcoming and the industrial activities remained subdued. In view of the volatile

economic conditions, your Company decided to follow cautious policy. During the year under review, the Company earned net profit after tax of Rs. 35.001 million as compared to previous year figure of Rs 35.847 million. Net investment in leases stood at Rs. 419.808 million as on 30 June, 1998 as compared to Rs 405.689 million as on 30 June, 1997. The Company pursued its policy of vigilance and managed to reduce the financial expenses from Rs 39.458 million during the year ended 30 June, 1997 to Rs 34.600 million during the year under review. Your Company is focusing more on small and medium ticket leases and timely recovery of lease rentals.

Future Outlook

The economic packages introduced by the Government aim at boosting industrial activities and in addition to that a recent change in taxation pertaining to leasing sector such as exemption of 3.5% with-holding tax on sale and lease back transactions and the acceptance by the tax authorities of the residual value as purchase value (at the expiry of the lease) in the hands of the lessee, will further strengthen the lease business.

We are hopeful that the coming months will see a significant improvement in economic key indicators. With accelerated economic growth and a positive business environment, Union Leasing is poised to attain new heights. We hope that we will even perform better during the current year

Dividend

Our long term view is to balance the interest of shareholders and clients. We are constantly endeavoring to improve shareholder's value. The Directors recommend a bonus issue at the rate of 15 shares of Rs 10/- each for every 100 shares held. This will increase the paid up capital of the Company to Rs 207 million, thus meeting the minimum capital requirement set by the Corporate Law Authority.

Auditors

The present auditors Messrs. Hameed Chaudhri & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.

Acknowledgement

The Board acknowledges the support of the regulatory authorities, bankers, lending institutions and clients. The Board wishes to place on record its appreciation of the hard work and dedication shown by the Company personnel.

Pattern of Shareholding

The pattern of shareholding of the Company is annexed.

For and on behalf of the Board

Lahore: September 18, 1998

Khalil A. Malik
Chief Executive

Auditors' Report

To the Members of Union Leasing Limited

We have audited the annexed Balance Sheet of UNION LEASING LIMITED as at 30 June, 1998 and the related Profit and Loss Account and the 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:

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and the 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, 1998 and of the profit and cash flows for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore: September 18, 1998

HAMEED CHAUDHRI & CO.,
Chartered Accountants

Balance Sheet As At 30 June, 1998

	Note	1998 Rupees	1997 Rupees
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised			
20,000,000 ordinary shares of Rs. 10 each		200,000,000	200,000,000
		=====	=====
Issued, subscribed and paid-up	3	180,000,000	150,000,000
Reserves			
Capital reserve	4.1	25,007,174	18,006,853
General reserve		34,600,000	37,900,000
Contingency reserve	4.2	8,416,097	4,120,714
Reserve for issue of bonus shares		27,000,000	30,000,000
Unappropriated profit		12,597	6,698
		-----	-----
		95,035,868	90,034,265
		-----	-----
Shareholders' equity		275,035,868	240,034,265
LONG TERM LOAN	5	-	8,034,633
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	6	-	9,266
LONG TERM DEPOSITS	7	43,472,111	42,701,646
LONG TERM CERTIFICATES OF INVESTMENT	8	4,600,000	3,500,000
CURRENT LIABILITIES			
Current portion of long term liabilities	9	23,349,496	13,385,598
Short term finances	10	74,500,000	161,000,000
Short term certificates of investment	11	92,755,000	52,430,616
Accrued and other liabilities	12	18,364,028	10,008,051
Provision for taxation	13	409,750	100,568
		-----	-----
		209,378,274	236,924,833
CONTINGENCIES AND COMMITMENT	14		
		-----	-----
		532,486,253	531,204,643
		=====	=====

The annexed notes form an integral part of these accounts.

	Note	1998 Rupees	1997 Rupees
TANGIBLE FIXED ASSETS	15	2,112,946	2,624,049
NET INVESTMENT IN LEASE FINANCE	16	253,253,190	268,362,259
LONG TERM INVESTMENTS	17	1,479,300	7,864,750

LONG TERM RECEIVABLES	18	-	820,217
LONG TERM DEPOSITS AND DEFERRED COSTS	19	768,736	1,123,673
CURRENT ASSETS			
Current portion of long term assets	20	166,121,667	137,996,869
Morabaha finances, short term finances and funds placements	21	40,042,105	32,551,668
Advances, deposits, prepayments and other receivables	22	7,356,997	12,513,916
Short term investments	23	3,100,000	8,100,000
Cash and bank balances	24	58,251,312	59,247,242
		-----	-----
		274,872,081	250,409,695
		-----	-----
		532,486,253	531,204,643
		=====	=====

DIRECTOR

**Profit and Loss Account
For the Year Ended 30 June, 1998**

	Note	1998 Rupees	1997 Rupees
INCOME			
Income from lease operations	25	72,710,485	74,748,710
Profit on deposits		9,573,129	10,089,173
Other income	26	3,462,174	604,017
		-----	-----
		85,745,788	85,441,900
		=====	=====
EXPENDITURE			
Financial and bank charges	27	34,600,344	39,458,994
Administrative and operating expenses	28	8,510,597	8,660,357
Provision for diminution in value of long term investments		5,385,450	-
Miscellaneous expenses	29	649,937	649,937
		-----	-----
		49,146,328	48,769,288
		-----	-----
PROFIT BEFORE TAXATION		36,599,460	36,672,612
		=====	=====
PROVISION FOR TAXATION			
- Current		1,442,508	825,027
- Prior years		155,349	-
		-----	-----
		1,597,857	825,027
		-----	-----
PROFIT AFTER TAXATION		35,001,603	35,847,585
		-----	-----
UNAPPROPRIATED PROFIT - Brought forward		6,698	84,582
TRANSFER FROM GENERAL RESERVE		3,300,000	2,100,000
		-----	-----
		3,306,698	2,184,582
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		38,308,301	38,032,167
		=====	=====
APPROPRIATIONS:			
Transfer to Capital Reserve		7,000,321	7,169,517
Transfer to Contingency Reserve		4,295,383	855,952

Transfer to Reserve for issue	-----	-----
of Bonus Shares @ 15% (1997: @ 20%)	27,000,000	30,000,000
	-----	-----
	38,295,704	38,025,469
UNAPPROPRIATED PROFIT		
- Carried to Balance Sheet	12,597	6,698
	=====	=====

The annexed notes form an integral part of these accounts

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement
For the Year Ended 30 June, 1998

	1998	1997
	Rupees	Rupees
NET CASH INFLOW FROM		
OPERATING ACTIVITIES (Note A)	34,313,492	112,205,084
	=====	=====
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets additions	(479,320)	(1,809,050)
Investments in lease finance - Net	(14,118,946)	(80,696,224)
Long term investments made	-	(483,250)
Long term deposits	(295,000)	-
Sale proceeds of fixed assets	695,000	450,000
Profit received on deposits	8,457,176	7,694,518
Dividend received	-	79,425
Long term receivable	871,203	-
NET CASH (OUTFLOW)	-----	-----
FROM INVESTING ACTIVITIES	(4,869,887)	(74,764,581)
	=====	=====
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan repaid	(6,578,728)	(5,386,639)
Financial charges paid	(34,229,999)	(40,233,241)
Long term deposits (Lease Key Money)	9,368,989	12,112,815
Finance lease obligations paid	(99,797)	(334,797)
Long term certificates of investment	1,100,000	3,500,000
	-----	-----
NET CASH (OUTFLOW) FROM		
FINANCING ACTIVITIES	(30,439,535)	(30,341,862)
	=====	=====
NET (DECREASE)/INCREASE IN CASH AND CASH		
EQUIVALENTS	(995,930)	7,098,641
CASH AND CASH EQUIVALENTS		
- At the beginning of the year	59,247,242	52,148,601
CASH AND CASH EQUIVALENTS		
- At the end of the year	58,251,312	59,247,242
	=====	=====

The annexed note 'A' forms an integral part of this Statement.

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement

NOTE A

	1998	1997
	Rupees	Rupees
Profit for the year - Before taxation	36,599,460	36,672,612
Add/(less) adjustments for:		
Depreciation	331,863	504,393
Gain on disposal of fixed assets	(36,440)	(89,898)
Provision for diminutions in value of long term investment	5,385,450	-
Amortisation of deferred costs	649,937	649,937
Profit on deposits	(9,573,129)	(10,089,173)
Financial charges	34,600,344	39,458,994
Provision for doubtful receivables	1,431,178	403,156
Dividend income	-	(79,425)
CASH FLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	69,388,663	67,430,596
(Increase)/Decrease in current assets		
Morabaha Finance, short term finances and funds placements	(7,869,384)	(27,030,616)
Short term investments	6,000,000	(8,000,000)
Advances, deposits, prepayments and other receivables	6,187,780	2,050,513
Increase/(Decrease) in current liabilities		
Short term certificates of investment	40,324,384	52,430,616
Short term finances	(86,500,000)	25,250,000
Accrued and other liabilities	7,985,632	3,199,652
	-----	-----
	(33,871,588)	47,900,165
	=====	=====
CASH INFLOW FROM OPERATING ACTIVITIES		
- Before taxation	35,517,075	115,330,761
- Taxes paid	(1,203,583)	(3,125,677)
NET CASH INFLOW FROM OPERATING ACTIVITIES		
- After taxation	34,313,492	112,205,084
	=====	=====
CHIEF EXECUTIVE		DIRECTOR

Notes to the Accounts**For the Year Ended 30 June, 1998****1. STATUS AND NATURE OF BUSINESS**

The Company was incorporated in Pakistan as a Public Company and its shares are quoted on Stock Exchanges in Pakistan. It is classified as a 'Non-Banking Financial Institution' (NBFI) by the State Bank of Pakistan under the Banking Companies Ordinance, 1962. It primarily carries on the business of leasing. The Company is a Subsidiary of Union Bank Limited.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

2.2 Taxation**Current:**

The charge for current taxation is based on taxable income for the year at the current rates of tax after taking

into account all available allowances and tax credits.

Deferred:

Deferred taxation is accounted for using the Liability Method on all major timing differences excluding tax effects on those timing differences which are not likely to reverse in the foreseeable future.

2.3 Tangible fixed assets and depreciation

Owned:

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying Reducing Balance Method at the rates stated in note 15.

Full year's depreciation is charged on all fixed assets capitalized during the year whereas no depreciation is charged on fixed assets disposed-off during the year.

Gains and losses on disposal, if any, are taken to Profit and Loss Account. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalised.

Leased:

Assets acquired under 'Finance Lease' are stated at cost less accumulated depreciation at the rates and basis applicable to the Company's owned assets. The outstanding obligation under 'Finance Lease' less finance charges allocated to future periods is shown as liability. The finance charges are calculated at the interest rates implicit in the lease and are taken to Profit and Loss Account.

2.4 Long term investments

These are stated at cost. Provision for diminution in value of investments is made if such diminution is considered permanent.

2.5 Deferred costs

Expenses, the benefit of which is expected to spread over several years, are deferred and amortised over a period of not more than five years

2.6 Provision for doubtful receivables

Provision for doubtful receivables is made after review of outstanding Lease Finance Portfolio at the year-end on the basis of State Bank of Pakistan's Prudential Regulations as applicable to the Leasing Companies.

2.7 Revenue recognition

Lease income

The Company follows 'Finance Method' in recognising income on lease contracts. Under this method, the an-earned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased assets is taken to income over the lease term so as to produce a constant periodic rate of return on net investment in the lease.

Processing, commitment fee, penal charges and commission

These are recognised on 'Receipt Basis'.

Dividend income

Dividend income is recognised at the time of closure of Share Transfer Books of the Company declaring dividend.

	1998 Rupees	1997 Rupees
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
15,000,000 ordinary shares of Rs. 10 each fully paid in cash	150,000,000	150,000,000
3,000,000 (1997: Nil) ordinary shares of Rs 10 each issued as fully paid bonus shares	30,000,000	-
	-----	-----
	180,000,000	150,000,000
	=====	=====

4. RESERVE**4.1 Capital reserve**

This represents statutory reserve created under the relevant provisions of the State Bank of Pakistan's Rules for Non-Banking Financial Institutions. ~: , :

4.2 Contingency reserve

This represents reserve created @ 2% (1997: @ 1%) of the outstanding Net Investment in Lease Finance and the market value (1997: Cost) of Long Term Investments in quoted shares as at 30 June, 1998 to meet any potential unforeseeable future losses.

	1998 Rupees	1997 Rupees
5. LONG TERM LOAN - Secured		
Balance as at 30 June,	8,034,633	14,613,361
Less: Current portion grouped under current liabilities	8,034,633	6,578,728
	-----	-----
	-	8,034,633
	=====	=====

This loan has been obtained from Pak-Libya Holding Company (Pvt) Limited. It carries mark-up @ 20.50% per annum and penal interest @ 1.4% per annum payable in case of default. It is repayable in twelve equal quarterly installments commencing 29 August, 1996. The loan is secured by hypothecation and floating charge on Company's entire undertaking and assets ranking pari passu with the charges created in favour of other Financial Institutions and Demand Promissory Note of Rs. 20.0 million.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Balance amount of future lease payments and the periods in which they will fall due:

Fiscal Year

1997 - 98	-	113,040
1998 - 99	37,915	37,915
	-----	-----
	37,915	150,955
	-----	-----
Less: Finance charges:		
- Allocated to future periods	77	12,471
- Accrued during the year	77	926
	-----	-----
	154	13,397
	-----	-----
	37,761	137,558
Less: Security deposits adjustable on expiry of lease term	28,495	28,495
	-----	-----
Principal liability	9,266	109,063
Less: Current portion grouped under current liabilities	9,266	99,797
	-----	-----
	-	9,266
	=====	=====

6.1 Interest rate used as discounting factor (i.e. implicit rate) is 20% per annum

6.2 The last lease installment is payable in July, 1998. The lease facility is secured against demand promissory note.

6.3 Residual value of the leased vehicle at the end of lease term is Rs. 28,495.

7. LONG TERM DEPOSITS

These represent interest free security deposits (Lease Key Money) received from lessees under the lease contracts and are adjustable on expiry of the respective lease terms.

	1998 Rupees	1997 Rupees
Balance as at 30 June,	58,777,708	49,408,719
Less: Current portion of deposits payable/ adjustable within following twelve months	15,305,597	6,707,073
	-----	-----
	43,472,111	42,701,646
	=====	=====

8. LONG TERM CERTIFICATES OF INVESTMENT

a) The Company has been granted permission by the Corporate Law Authority vide its letter No. 2(19)COI/LES/96 dated 11 November, 1996 to issue Registered Certificates of Investment in terms of S.R.O. Notification No. 345(1)/96 dated 04 June, 1996.

b) These Certificates have been issued for terms ranging from 3 years to 5 years and carry return ranging from 17.75% to 19.75% per annum.

9. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loan	8,034,633	6,578,728
Liabilities against assets subject to finance lease	9,266	99,797
Long term deposits	7 15,305,597	6,707,073
	-----	-----
	23,349,496	13,385,598
	=====	=====

10. SHORT TERM FINANCES

Facilities for funds placements under mark-up arrangements available from an Investment Bank, a Modaraba, a Leasing Company and other Investors aggregate Rs. 72.5 million. (1997: Facilities for morabaha finances, musharika finances and funds placements under mark-up arrangements available from various Commercial/Investment Banks, Development Finance Institutions, Modaraba Companies and other Investors aggregated Rs. 161.0 million). These facilities are unsecured and carry mark-up ranging from 15% to 21% per annum.

11. SHORT TERM CERTIFICATES OF INVESTMENT

a) Refer to contents of note 8 (a).

b) These Certificates have been issued for terms ranging from three months to one year. Returns are paid at predetermined rates. Rates of return on these Certificates range from 16.50% to 21.00% per annum.

12. ACCRUED AND OTHER LIABILITIES

	1998 Rupees	1997 Rupees
Due to:		
Ex-Associated Undertaking Holding Company	308,000	56,000
Ex-Directors	610,000	-
	-	2,760,000
Amount due to lessees	3,130,790	1,299,416
Mark-up on:		
Long term loan	148,916	270,848
Short term finances.	1,051,752	3,067,591
Mark-up reserve account	8,995,595	1,649,828

Return on:			
Long term certificates of investment		90,238	79,272
Short term certificates of investment		2,665,665	154,891
Excise duty		-	13,624
Deposits against Morabaha Finances	12.1	42,105	42,105
Accrued expenses		204,719	126,232
Provident Fund Payable		248,432	16,444
Others	12.2	867,816	471,800
		-----	-----
		18,364,028	10,008,051
		=====	=====

12.1 These deposits are adjustable at the time of settlement of Morabaha Finances (note 21.1).

12.2 These include Rs. 27,878 (1997: Rs.27,878) received as penalty on amounts not paid by the clients in time as required by the Provisions of Morabaha Agreements. This amount shall be utilised for charitable and religious purposes recognised by the Sharia.

	1998	1997
	Rupees	Rupees
13. PROVISION FOR TAXATION		
Opening balance	100,568	2,670,251
Add: Provisions made during the year		
- Current	1,442,508	825,027
- Prior years	155,349	-
	-----	-----
	1,597,857	825,027
	-----	-----
	1,698,425	3,495,278
Less: Payments/adjustments during the year	1,288,675	3,394,710
	-----	-----
	409,750	100,568
	=====	=====

Current

13.1 Income tax assessment of the Company has been completed for the Assessment Year 1995-96 (Income Year ended 30 June, 1995). In finalising the Company's assessment for the said Assessment Year, the Deputy Commissioner of Income Tax (DCIT) has fixed the Company's income from non-leasing operations at Rs. 11.784 million against Rs. 7.649 million declared by the Company. The DCIT has taxed interest income on bank deposits at the rate of 36% whereas as per Company's contention this income falls taxable under section 80-B of the Income Tax Ordinance, 1979 at the reduced rate of 10%. Further, the DCIT has not agreed with the Company's basis of allocation of expenses to Other Income and has allowed these expenses against Leasing Income. The DCIT has also disallowed some of the expenses.

The DCIT has raised a total tax demand of Rs. 4.245 million against which the tax liability admitted by the Company amounts to Rs. 2.756 million. Provision for the balance demand raised by the DCIT has not been made in these accounts as the Company has filed an appeal with the Commissioner of Income Tax (Appeals) against the assessment framed by the DCIT. The appeal is pending for decision.

13.2 In the opinion of the Company's Tax Advisors, Manzoor Hussain Mir & Company, Chartered Accountants, stated vide their letters No. MHM/IT/98/2530 dated 27 August, 1998, adequate provision for taxation is being made in the accounts.

13.3 Tax loss on account of lease rentals available for carry forward (subject to assessment) worked-out Rs. 0.295 million as at 30 June, 1998 (1997: Rs. 38.372 million).

Deferred

13.4 No provision for deferred tax, arising due to timing differences, has been made in these accounts as these timing differences are not expected to reverse in the foreseeable future.

14. CONTINGENCIES AND COMMITMENTS

14.1 Refer contents of note 13.1

	1998	1997
	(Rupees in million)	
14.2 Commitments for:		
Resale of Federal Investment Bonds	-	8.097
Repurchase of WAPDA Bearer Bonds	2.065	-
Lease disbursements	32.032	23.769
	-----	-----
	34.097	31.866
	=====	=====

15. TANGIBLE FIXED ASSETS

	COST					DEPRECIATION				
	As at 30 June, 1997	Additions during the year	Disposals during the year	As at 30 June, 1998	Rate %	As at 30 June, 1997	For the year	On Disposals	To 30 June, 1998	Net Book value as at 30 June, 1998
OWNED										
Office equipment and appliances	1,268,263	346,760	-	1,615,023	10	247,920	136,710	-	384,630	1,230,393
Furniture and fixtures	90,700	132,560	-	223,260	10	19,378	20,388	-	39,766	18,349
Vehicles	1,801,040	-	823,200	977,840	20	454,899	137,516	164,640	427,775	550,065
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	3,160,003	479,320	823,200	2,816,123		722,197	294,614	164,640	852,171	1,963,952
LEASED										
Vehicles	291,005	-	-	291,005	20	104,762	37,249	-	142,011	148,994
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Rupees	3,451,008	479,320	823,200	3,107,128		826,959	331,863	164,640	994,182	2,112,946
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
1997 Rupees	2,608,364	1,809,050	966,406	3,451,008		720,026	504,393	397,460	826,959	2,624,049
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

15.1 Disposal of vehicle

PARTICULARS

Honda Civic	823,200	164,640	658,560	695,000	36,440	Negotiation Mrs. Uzra Qizilbash 21-Empress Road, Lahore
	-----	-----	-----	-----	-----	
Rupees	823,200	164,640	658,560	695,000	36,440	
	=====	=====	=====	=====	=====	

	1998 Rupees	1997 Rupees
16. NET INVESTMENT IN LEASE FINANCE		
Minimum lease payments receivable	471,573,891	469,900,061
Add: Residual value of leased assets	62,488,374	53,119,386
	-----	-----
Gross investment in leases	534,062,265	523,019,447
Less: Unearned finance income	114,253,457	117,329,585
	-----	-----
Net investment in lease finance	419,808,808	405,689,862
Less: Current portion including overdue rentals of net investment in lease finance	166,555,618	137,327,603
	-----	-----
	253,253,190	268,362,259
	=====	=====

16.1 The Company, during the year, advanced lease finance facility aggregating Rs. 2,055,274 to its Holding Company (1997: Lease facility advanced to an Associated Undertaking amounted Rs. 23,301,745).

	Note	1998 Rupees	1997 Rupees
17. LONG TERM INVESTMENTS			
Quoted Companies			
Al-Faysal Investment Bank Ltd. 63,437 (1997:50,750) ordinary shares of Rs. 10 each including 17,937 (1997:5,250) bonus shares			
		3,313,250	3,313,250
Crescent Investment Bank Ltd. 37,180 ordinary shares of Rs. 10 each including 3,380 bonus shares			
		2,487,500	2,487,500
Khadim Ali Shah Bukhari & Co. Ltd. 6,600 ordinary shares of Rs. 10 each including 1,600 bonus shares.			
		580,750	580,750
		-----	-----
		6,381,500	6,381,500
Less: Provision for diminution in value		5,385,450	-
		-----	-----
	17.1	996,050	6,381,500
Federal Investment Bonds	17.3	483,250	1,483,250
		-----	-----
		1,479,300	7,864,750
		=====	=====

17.1 Aggregate market value of investments in quoted companies as at 30 June, 1998 worked-out Rs. 996,050 (1997: Rs. 1,550,858).

17.2 The Company's holdings do not exceed 10% of the equity of any Investee Company.

17.3 This investment has been made to comply with NBFIs Regulations of the State Bank of Pakistan. Mark-up is receivable @ 15% per annum (1997: @ 13% per annum).

18. LONG TERM RECEIVABLE - Secured

Balance as at 30 June,		820,217	1,691,420
Less: Current portion grouped under current assets		820,217	871,203
		-----	-----
		-	820,217
		=====	=====

This has been created in accordance with the terms of the settlement agreement executed between the Company and the Guarantors of Rachna Oils (Pvt) Ltd. (ROL) on 20 March, 1997 due to default by ROL in repayment of its outstanding lease finance obligation. It is secured against an equitable mortgage of property owned by a Guarantor's Family member. It carries mark-up @ 27% per annum. The outstanding balance is receivable in three unequal quarterly installments.

	Note	1998 Rupees	1997 Rupees
19. LONG TERM DEPOSITS AND DEFERRED COSTS			
Security deposits			
		301,800	6,800
Deferred costs	19.1	466,936	1,116,873
		-----	-----
		768,736	1,123,673
		=====	=====

19.1 Deferred cost

Preliminary expenses		119,659	199,433
Shares floatation expenses		997,214	1,567,377
		-----	-----
		1,116,873	1,766,810
Less: Amortised during the year		649,937	649,937
		-----	-----
		466,936	1,116,873
		=====	=====

20. CURRENT PORTION OF LONG TERM ASSETS

Current portion of net investment in lease finance	16	166,555,618	137,327,603
Less: Provision for doubtful receivables		1,254,168	201,937
		-----	-----
		165,301,450	137,125,666
Current portion of long term receivable	18	820,217	871,203
		-----	-----
		166,121,667	137,996,869
		=====	=====

21. MORABAHA FINANCES, SHORT TERM FINANCES AND FUNDS PLACEMENTS

Morabaha finances	21.1	742,105	642,105
Less: Provision for doubtful Morabaha finances		700,000	321,053
		-----	-----
- Considered good		42,105	321,052
Short term cash finances - Secured	21.2	-	32,230,616
Funds placements - Unsecured	21.3	40,000,000	-
		-----	-----
		40,042,105	32,551,668
		=====	=====

21.1 This represents sum receivable against Morabaha transaction i.e. sale of goods on deferred payment basis at specified profit margin. This is secured by pledge of goods and personal guarantees of Partners of the Firm. The applicable rate of profit is 24% per annum.

21.2 These represented cash finances to Customers for a period of six months and carry mark-up @ 17.5% per annum. These finances were secured by hypothecation of receivables/stocks and lien on certificates of investment.

21.3 These represent funds placed with an Investment Bank for a period of one month at mark-up rate of 20% per annum.

Note	1998 Rupees	1997 Rupees
------	----------------	----------------

22. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to Executives-Considered good	22.1	259,692	23,057
Advance against assets to be leased-out		22,553	6,963,957
Tax deducted at source		-	85,092
Prepayments		119,034	28,851
Profit accrued on deposits and Morabaha finances		6,163,335	5,047,382
Due from an ex-associated undertaking		176,781	182,718
Other receivables-Considered good		615,602	182,859
		-----	-----
		7,356,997	12,513,916
		=====	=====

22.1 Maximum aggregate amount due from Executives at any month-end during the year was Rs. 267,294 (1997: Rs. 25,000)

23. SHORT TERM INVESTMENTS

Federal Investment Bonds	1,100,000	8,100,000
WAPDA Bearer Bonds	2,000,000	-
	-----	-----
	3,100,000	8,100,000
	=====	=====

These investments have been made to comply with relevant provisions of NBFIs Regulations of the State Bank of Pakistan. WAPDA Bearer Bonds (1997: Federal Investment Bonds valuing Rs. 8.0 million) have been purchased under resale obligation from First Credit and Discount Corporation (Pvt) Limited (1997: National Development Leasing Corporation).

24. CASH AND BANK BALANCES

Cash in hand		8,559	11,349
Cash with banks on:			
Current accounts	24.1	2,175,983	1,175,901
Deposit accounts		56,066,770	58,059,992
		-----	-----
		58,242,753	59,235,893
		-----	-----
		58,251,312	59,247,242
		=====	=====

24.1 These include a deposit amounting Rs. 595,000 (1997: Rs. 595,000) with State Bank of Pakistan in order to comply with relevant provisions of SBP's Rules for NBFIs to maintain liquidity against certain liabilities.

25. INCOME FROM LEASING OPERATIONS

Finance income		66,021,579	70,816,710
Processing fee		957,242	1,070,863
Documentation fee		184,400	121,060
Lease commitment fee		988,787	34,000
Miscellaneous income	25.1	4,558,477	2,706,077
		-----	-----
		72,710,485	74,748,710
		=====	=====

25.1 This includes penal charges aggregating Rs. 4,094,947 (1997: Rs. 969,095) recovered from various Clients due to delays in repayment of lease rentals.

	1998	1997
	Rupee	Rupees
26. OTHER INCOME		
Interest on Federal Investment Bonds	218,346	149,252
Profit on Morabaha finances, short term		
finances and funds placements	2,850,982	140,199
Mark-up on long term receivable	340,899	117,972
Dividend	-	79,425
Gain on disposal of fixed assets	36,440	89,898
Miscellaneous income	15,507	27,271
	-----	-----
	3,462,174	604,017
	=====	=====

27. FINANCIAL AND BANK CHARGES

Mark-up on:		
Long term loan	2,389,116	3,598,620
Short term finances	20,045,466	34,644,274
Excise duty on short term finances	-	116,251

Finance charges on secured lease finances	12,394	48,504
Bank charges and others	185,514	495,812
Return on:		
Long term certificates of investment	702,215	79,272
Short term certificates of investment	11,265,639	476,261
	-----	-----
	34,600,344	39,458,994
	=====	=====

28. ADMINISTRATIVE AND OPERATING EXPENSES

Staff salaries and benefits	3,111,881	3,441,362
Printing and stationary	294,073	402,594
Communication	528,859	469,205
Office rent	1,080,000	1,440,000
Travelling and conveyance	42,970	91,071
Vehicles' running and maintenance	139,248	330,940
Insurance	70,975	146,562
Repair and maintenance	185,536	41,180
Fees and subscription	232,857	177,356
Advertisement	63,500	20,700
Entertainment	94,149	174,967
Newspapers and periodicals	16,469	13,374
Depreciation	331,863	504,393
Legal and professional charges (other than Auditors)	548,910	731,800
Other office expenses	221,921	168,772
Provisions for doubtful receivables	1,431,178	403,156
Auditors' remuneration:		
- Audit fee	25,000	25,000
- NBFBI special audit fee	-	33,000
- Certification fee	15,000	-
	-----	-----
	40,000	58,000
Miscellaneous	76,208	44,925
	-----	-----
	8,510,597	8,660,357
	=====	=====

	Note	1998 Rupees	1997 Rupees
29. MISCELLANEOUS EXPENSES			
Deferred costs amortised	19.1	649,937	649,937
		=====	=====
30. REMUNERATION OF EXECUTIVES			
Managerial remuneration		1,071,270	1,404,408
Housing and utilities		842,583	1,075,727
Medical and other reimbursements		333,000	423,290
		-----	-----
		2,246,853	2,903,425
		=====	=====
No. of Executives		5	7

30.1 Three (1997: Six) of the Executives were also provided with free use of the Company's cars.

30.2 The Chief Executive and Directors were not paid any remuneration during the year (1997: Nil).

31. TRANSACTIONS WITH HOLDING COMPANY AND ASSOCIATED UNDERTAKINGS

31.1 Maximum aggregate debit balance, other than lease facilities disbursed, of Holding Company/Associated Undertakings at any month-end during the year was Nil (1997: Rs. 173,949).

31.2 Aggregate transactions, other than lease facilities disbursed, with Holding Company/Associated undertakings during the year were as follows

Utilities charges	288,000	-
Office expenses paid	-	156,481
Profit on bank deposits	1,638,881	2,089,174
Expenses shared	-	17,077
Services received	-	168,000
Office rent	912,000	-

32. GENERAL

- a) Figures in the accounts are rounded-off to the nearest rupee.
 b) Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

CHIEF EXECUTIVE

DIRECTOR

Pattern of Shareholding As At 30 June, 1998

No. of Shareholders	From	Shareholding	to	Total Shares Held
54	1	-	100	Shares 3,554
591	101	-	500	Shares 163,040
2332	501	-	1000	Shares 1,740,520
720	1001	-	5000	Shares 1,542,260
135	5001	-	10000	Shares 905,820
31	10001	-	15000	Shares 378,780
35	15001	-	20000	Shares 614,080
12	20001	-	25000	Shares 285,000
6	25001	-	30000	Shares 165,600
4	30001	-	35000	Shares 131,520
3	35001	-	40000	Shares 111,000
2	50001	-	55000	Shares 103,060
1	60001	-	65000	Shares 61,800
1	65001	-	70000	Shares 67,680
1	90001	-	95000	Shares 93,600
1	95001	-	100000	Shares 95,460
1	115001	-	120000	Shares 117,000
3	140001	-	145000	Shares 426,712
1	145001	-	150000	Shares 149,220
1	175001	-	180000	Shares 178,820
1	420001	-	425000	Shares 423,050
1	445001	-	450000	Shares 450,000
1	715001	-	720000	Shares 720,000
1	9070001	-	9075000	Shares 9,072,424
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3939				18,000,000
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Note: The slabs not applicable, have not been shown.

Categories of Shareholders	Number	Shares Held	Percentage %
Individuals	3908	6,064,374	33.69
Investment Companies	7	872,632	4.85
Insurance Companies	1	149,220	0.83
Joint Stock Companies	11	817,030	4.54
Financial Institutions	3	9,797,944	54.43
Modaraba/Leasing Companies	9	298,800	1.66

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3939	18,000,000	100.00
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