

Soneri Bank Limited

Annual Report 1998

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CORPORATE DATA

Board of Directors:

Company Secretary:

Mr. Abdul Hayee

Chairman

Mr. Jaffer Ali M. Feerasta

Auditors:

Taseer Hadi Khalid & Co.
Chartered Accountants

Chief Executive

Mr. Safar Ali K. Lakhani

Legal Advisors:

Zafar Law Associates
Advocates
Tahir Ali Tayehi & Co.
Advocates
Shaikh Atta-ur-Rehman & Associates
Advocates

Directors

Mrs. Aziza A. Feerasta
Mrs. Shirin B. Feerasta
Mrs. Aymna N. Feerasta
Mr. Abdul Hayee
Mr. Asadullah Khawaja (NIT Nominee)

Registrar and Share

Transfer office:

THK Associates (Pvt) Ltd.,
Ground Floor,
Sheikh Sultan Trust
Building No. 2,
Beaumont Road,
Karachi.
Tel: (021) 5686658
(021) 5689021
Fax: (021) 5685681

Registered Office:

4th Floor, IEP Building
97-B/D-I, Gulberg III
Lahore.

CHAIRMAN'S REVIEW

I am pleased to present the seventh annual report and audited accounts of your bank for the year ended 31st December, 1998. Two additional branches were opened in 1998 at Multan & Korangi Industrial Area, Karachi bringing the total number to 23.

The second half of the year 1998 was the most difficult period for the country's economy as a whole and more so for the banking sector as it was directly hit by steps the Govt. of Pakistan was compelled to initiate in the larger interest of the country. The freezing of Foreign Currency Accounts and later on directives to liquidate advances against these deposits disturbed liabilities and assets volumes and, naturally, all estimates of income & expenditure projected by the bank for 1998. Crisis in the East Asian countries also affected our economy.

Inspite of setbacks I am pleased to inform you that Deposits of the bank increased by an amount of Rs. 1.2 Billion over 31.12.97. Regarding increase in deposits of the bank I give below 1997-98 comparative figures showing a remarkable turnaround in the composition as to the ratio of Rupee & Foreign Currency deposits: -

	1997 Rs. in Million	Ratio	1998 Rs. in Million	Ratio
Rupee Deposits	3,631	37%	7,275	66%
F.Cy Deposits	6,214	63%	3,800	34%
	-----		-----	
	9,845	100%	11,075	100%
	=====		=====	

The credit for this achievement goes to the great efforts put in by our branch managers & their staff in mobilising Rupee deposits after 28.05.98.

The bank handled Import/Export business of more than Rs. 24.0 Billion which is 16% more than 1997 business inspite of the fact that country's overall Import/Export has gone down by over 15 percent.

For the reasons beyond control, such as high cost of funds, lesser yield on investments in Govt. securities and lower exchange income, the profitability was adversely affected and declined as compared with 1997 profit.

Yet in line with the tradition of sharing profit with the shareholders, the bank decided to issue 10% bonus shares out of profits earned in 1998. This also helped in increasing bank's paid-up capital to over Rs. 500 million to comply with SBP regulations stipulating a minimum of Rs. 500 million capital requirement for all the banks by 31.12.98. The Board of Directors has further proposed a final cash dividend of 10% for the year 1998.

However, the beginning of 1999 shows better prospects with lifting of sanctions, rescheduling of debts, arrival of bumper crop in the market and flow of remittance by overseas Pakistanis due to decrease in kerb rate of US \$ from Rs. 65/= to Rs. 52/=.

We have started the new year as a challenging one with determination to bring about better results in 1999.

I take this opportunity to thank all our valued customers correspondents and banks in and outside the country for their patronage and support extended to Soneri Bank. I would also like to

acknowledge and appreciate the hard work and devotion of executives and staff and the sense of commitment to the institution shown by them in the difficult post nuclear blast period in 1998.

I also thank the Ministry of Finance and State Bank of Pakistan for their continued support & guidance.

JAFFERALI M. FEERASTA

Chairman

Lahore: 17 February 1999

DIRECTORS' REPORT TO SHAREHOLDERS

Your Directors feel pleasure in presenting the 7th Annual Report of the Bank together with Audited Accounts and Auditors' Report thereon for the year ended 31 December 1998. The Banks' financial results are as follows:

	Rs. in '000
Profit for the year before taxation	7,520
Provision for taxation	
- Current year	(188,000)
- Prior years'	(37,104)
- Deferred	35,388

	(189,716)

Profit after taxation	14,412
Unappropriated Profit brought forward	1,382

Profit available for appropriations	15,794
Transfer to reserve fund	(29,097)
Transfer to general reserve	(85,409)
Transfer from special reserve	65,413
Interim bonus shares issued	(45,540)
Proposed final cash dividend @ 10% (1997: NIL)	(50,094)

	(79,191)

Unappropriated profit carried forward	2,139
	=====
Earning per share (Before Tax)	Rs. 6.69
	=====

Year 2000 - 'The millennium Bug'

The bank hosts a wide variety of computers in its operations. These could be affected by Year 2000 problem resulting in inaccurate comparison of dates, calculation errors and other errors in maturity and settlement instructions. The bank formed a high level committee comprising of IT professionals and other senior officers. They have reviewed all in house developed software, arranged for the necessary modifications and testing of modified software has been completed at head office. The modified software is being implemented at various branches and implementation is expected to be complete by end of March 1999. For software supplied by external suppliers a modified software that is Year 2000 compliant has been obtained and implemented. Testing of this software is in progress and is expected to be complete by end of March 1999. For all new software and hardware to be obtained a policy has been formed to ensure that it has to be

Year 2000 complaint.

Auditors

The retiring auditors, M/s. Taseer Hadi Khalid & Co., Chartered Accountants being eligible, offer themselves for reappointment.

Pattern of Share Holding

A statement showing the pattern of share holding in the company as at 31 December 1998 appears on page 30.

Thanks

The Board would also like to record its appreciation for loyalty, devotion and hardwork of the officers and staff of the bank at all levels.

Jafferli M. Feerasta

Chairman

Lahore: 17 February 1999

Auditors' Report to the Members

We have audited the annexed balance sheet of Soneri Bank Limited as at 31 December 1998 and the related profit and loss account and cash flow statement together with the notes forming part thereof, for the year then ended, in which are incorporated the un-audited certified returns from the branches except for four 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 except for the change as indicated in note 3.3 with which we concur;

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 profit 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.

The accounts for the year ended 31 December 1997 were audited by A.F. Fergusons & Co., Chartered Accountants.

Taseer Hadi Khalid & Co.
Chartered Accountants

17 February, 1999

BALANCE SHEET AS AT 31 DECEMBER 1998

	Note	1998	1997
		(Rupees in '000)	
ASSETS			
CASH	4	36,619	1,227
BALANCES WITH OTHER BANKS	5	20,345	29,829
INVESTMENTS	6	47,241	3,443
ADVANCES - NET OF PROVISION	7	11,665	8,035
OPERATING FIXED ASSETS	8	11,723	50,842
CAPITAL WORK IN PROGRESS	9	23,363	24,766
OTHER ASSETS	10	9,982	45,455
DEFERRED TAXATION		35,388	NIL
		-----	-----
		65,254	32,525
LIABILITIES			
DEPOSITS & OTHER ACCOUNTS	11	65,226	14,650
BORROWINGS FROM OTHER BANKS, AGENTS ETC	12	12,474	45,736
BILLS PAYABLE		17,182	8,606
OTHER LIABILITIES	13	27,922	58,056
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	14	20,932	13,813
		-----	-----
		12,664	9,789
		-----	-----
NET ASSETS		52,590	22,736
		=====	=====
REPRESENTED BY:			
SHARE CAPITAL	15	42,188	51,820
RESERVE FOR PROPOSED ISSUE OF BONUS SHARES		NIL	10,364
RESERVE FUND & OTHER RESERVES	16	8,263	24,706
UNAPPROPRIATED PROFIT		2,139	1,382
		-----	-----
SHAREHOLDERS' EQUITY		52,590	22,736
		=====	=====

MEMORANDUM ITEMS:

<i>BILLS FOR COLLECTION</i>	17	4,890	1,523
ACCEPTANCES, ENDORSEMENTS AND OTHER OBLIGATIONS		55,637	42,800

CONTINGENT LIABILITIES AND COMMITMENTS 18
The annexed notes form an integral part of these accounts.

Safarali K. Lakhani President & Chief Executive	Jafferali M. Feerasta Director	Asadullah Khawaja Director	Abdul Hayee Director
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**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998**

	Note	1998	1997
		(Rupees in '000)	
Markup / Interest and discount and/or return earned		19,850	42,464
Less: Cost / Return on deposits, borrowings etc.		(1,145,859)	(784,656)
		-----	-----
		53,639	44,240
Fees, commissions & brokerage		21,055	10,617
Profit / (Loss) from investment securities		17,486	(105)
Dividend income		889	296
Other operating income	19	56,332	30,524
		-----	-----
		30,226	41,332
		-----	-----
		18,329	20,036
Operating Expenses:			
Administrative expenses	20	11	14,631
Provisions against non-performing advances	7.2	11,047	23,221
Provision for diminution in the value of investments		1,186	NIL
Bad debts written off directly		NIL	202
		-----	-----
		(274,388)	(234,662)
		-----	-----
Other income	21	6,085	47,518
		1,456	154
		-----	-----
Other charges	22	7,541	47,672
		(21)	(175)
		-----	-----
Profit before taxation		7,520	47,497
Taxation: - current	23	(188,000)	(224,000)
- prior years'		(37,104)	(45,000)
- deferred		35,388	NIL
		-----	-----
		(189,716)	(269,000)
		-----	-----

Profit after taxation	14,412	40,641
Unappropriated profit brought forward	1,382	1,255
	-----	-----
Profit available for appropriations	15,794	41,896

APPROPRIATIONS

Transfer to:

Capital reserve	NIL	(41,343)
Revenue reserve	(85,409)	(20,000)
Statutory reserve	(29,097)	(34,343)
Reserve for proposed issued of bonus shares	NIL	(75,900)
Interim bonus shares issued	(45,540)	NIL
Transfer from capital reserve	65,413	NIL
Proposed final cash dividend @ 10% '(1997: NIL)	(50,094)	NIL
	-----	-----
	(79,191)	(171,586)
	-----	-----
Unappropriated profit carried forward	2,139	1,382
	=====	=====

The annexed notes form an integral part of these accounts

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1998

	1998	1997
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	7,520	47,497
Add/Less: (Profit) / Loss on sale of investment securities	(17,278)	121
Dividend income	(889)	(296)
	-----	-----
	54,889	47,322
Adjustment for non-cash charges		
Depreciation	28,794	25,181
Provision for diminution in the value of investments	1,186	NIL
Provision against non-performing advances	11,047	23,221
(Profit) on sale of fixed assets	(1,456)	(154)
Finance charges on leased assets	2,789	3,663
	-----	-----
	42,360	51,911
	-----	-----
	31,713	33,697
(Increase)/decrease in operating asset		
Investment securities	(1,266,447)	(2,715,127)
Advances	(538,140)	(1,945,358)
Others assets (excluding advance tax	38,230	(53,966)
	-----	-----
	(1,766,357)	(4,714,451)
	-----	-----
Increase/(decrease) in operating liabilities		

Deposits & other accounts	50,576	44,603
Bills Payable	(122,496)	4,557
Other liabilities (excluding provision for tax)	4,569	8,610
	-----	-----
	63,721	57,770
	-----	-----
Cash flow before tax	(294,667)	(1,018,504)
Income tax paid	(443,732)	(323,428)
	-----	-----
Net cash flow from operating activities	(738,399)	(1,341,932)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale proceeds of investment securities	55,517	11,007
Purchase of investment securities - shares	NIL	(1,698)
Dividend income	889	296
Fixed capital expenditure	(33,824)	(73,868)
Sale proceeds of fixed assets	2,030	407
	-----	-----
Net cash flow from investing activities	24,612	(63,856)
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings from other banks, agents etc.	32,274	64,012
Payment of lease obligations	(13,475)	(18,463)
Dividend paid	NIL	(66,413)
	-----	-----
Net cash flow from financing activities	18,799	44,672
Increase/(decrease) in cash and cash equivalents for the year	25,908	(640,220)
Cash and cash equivalents at the beginning of the year	31,056	15,916
	-----	-----
Cash and cash equivalents at the end of the year	56,964	31,056
	=====	=====
Cash and cash equivalents		
Cash	36,619	1,227
Balances with other banks	20,345	29,829
	-----	-----
	56,964	31,056
	=====	=====

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998**

1. STATUS AND NATURE OF BUSINESS

Soneri Bank Limited was incorporated in Pakistan on 28 September, 1991 as a public limited company under the Companies Ordinance, 1984. Its shares are quoted on the stock exchanges in Pakistan. The bank is principally engaged in the business of banking as defined by the Banking Companies Ordinance, 1962.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government, regarding the shifting of the banking

system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. One permissible form of trade related mode of financing comprises of purchase of goods by the banks from their customers and 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 utilised 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 in conformity with the accepted accounting policies of banking institutions in Pakistan.

3.2 Staff retirement benefits

The bank operates an approved provident fund scheme covering all its permanent employees. Equal monthly contributions are made, both by the bank and the employees to the fund at the rate of 8.33% of basic pay.

With effect from 30 June 1997 the bank also operates an approved gratuity scheme covering all its permanent employees. Contributions are made annually to the fund on the basis of actuarial recommendation. Based on the latest actuarial valuation as at 30 April 1997, the future contribution rates are 8.33% of the annual basic salary. Attained Age Normal Cost Method, using following significant assumptions, is used for valuation:

- Expected rate of increase in salaries 12% compounded in the long range.
- Expected rate of interest on investments 12% per annum.

3.3 Taxation

The charge for taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates.

From the current year, in line with the change in International Accounting Standard (IAS) 12 "Income Taxes", the bank has accounted for deferred taxation using the liability method. Had the change not been made the profit after tax for the year would have been lower by Rs. 35.388 million.

3.4 Advances

Advances are stated net of provisions for doubtful advances; Provision is made for doubtful advances as considered necessary at the year end and to comply with the Prudential Regulations of State Bank of Pakistan. Provision is charged to income currently.

3.5 Investments

These are stated at book value less provisions for diminution in value, if any. Profits and losses on sale of investments are taken to income in the year in which they arise. Premium/discounts on purchase of investments are amortised over the term of such investments.

3.6 Operating fixed assets and depreciation

- i) Operating fixed assets are stated at cost less accumulated depreciation.
- ii) Capital work in progress is stated at cost.
- iii) Fixtures costing Rs. 10,000 or less and all other items of fixed assets costing Rs. 2,000 or less are not capitalised and are charged off in the year of purchase.
- iv) Assets subject to finance lease are accounted for by recording the asset and the related liability. The amounts are determined on the basis of discounted values of minimum lease payments. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability.
- v) Depreciation on operating fixed assets is computed by using the rate as specified in note 8 and charged to income applying the diminishing balance method. However, depreciation on vehicles is charged on the straight line basis. Depreciation on additions is charged from the month in which it is put to use and on deletions upto the month of deletion. Profit or loss on disposal of fixed assets is included in income currently.
- vi) Normal repairs and maintenance are charged to income as and when incurred. Major repairs and renewals are capitalised.

3.7 Foreign currencies

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing at the balance sheet date except those covered by forward exchange contracts which are converted at the contracted rates. Other forward exchange contracts are valued at spot market rates prevailing at the year end. Exchange gains and losses are included in income currently.

3.8 Revenue recognition

Mark-up on advances and return on investments are recognised on accrual basis, except for income which is required to be carried forward in compliance with the Prudential Regulations of the State Bank of Pakistan.

Commission on letters of credit and guarantee is recognised on receipt basis.

	1998	1997
	(Rupees in '000)	
4. CASH		
In hand:		
Local currency	26,421	33,032
Foreign currencies	20,028	57,432
With State Bank of Pakistan in current account	36,039	38,979
With National Bank of Pakistan in current account	19,667	2,856
	-----	-----
	36,619	1,227

5. BALANCES WITH OTHER BANKS

In Pakista on current account	144	27,219
on deposit account	35,179	39,877
Outside Pakistan on current account	50,558	28,269
	-----	-----
	20,345	29,829
	=====	=====

6. INVESTMENTS (at cost less provisions)**(Investment Securities)**

Federal and Provincial Government Securities:

Federal Investment Bonds	23,944	42,689
Short Term Federal Bonds	NIL	52,304
Treasury Bills	20,772	NIL

Fully paid up ordinary shares

Listed companies	7,411	7,411
------------------	-------	-------

Debentures, Bonds, Participation Term Certificates
and Term Finance Certificates

	NIL	41,815
--	-----	--------

Certificates of Investment

	NIL	59,464
--	-----	--------

National Prize Bonds

	450	518
--	-----	-----

Less: Provision for diminution in the value of investments

	52,577	7,593
	(5,336)	(4,150)
	-----	-----
	47,241	3,443
	=====	=====

Market value of quoted investments Rs 2.075 million (1997: Rs.45.660 million) and book value of unquoted investments Rs. 6,140.014 million (1997: Rs.4,873.567 million).

Investments include securities having a book value of Rs. 117.850 million (1997: Rs. 117.850 million) pledged with State Bank of Pakistan/National Bank of Pakistan to cover exposure in authorised foreign currency dealer's limit and T.T. discounting facilities to branches of the bank.

Investments also include securities of the face value of Rs. 2,750 million (1997: Rs Nil) obtained under open market operations of State Bank of Pakistan.

1998 1997
(Rupees in '000)

7. ADVANCES

Loans, cash credits, overdraft etc. in Pakistan	6,074,467	43,963
---	-----------	--------

Bills discounted and purchased
(excluding Government Treasury Bills)

Payable in Pakistan	12,702	26,447
---------------------	--------	--------

Payable outside Pakistan	48,666	22,261
	-----	-----
	651,192	48,708
	-----	-----
	6,725,659	27,135
General and specific provision for non-performing advances (note 7.2)	(94,858)	(84,636)
	-----	-----
	6,630,801	8,035
	=====	=====

Advances include Rs.163.018 million (1997: 92.950 million) which have been placed on non-performing status.

7.1 Particulars of advances

In local currency	28,535	51,310
In foreign currencies	48,666	22,261
	-----	-----
	50,201	8,035
	=====	=====
Debts considered good in respect of which the bank is fully secured	11,665	8,035
Debts considered good for which the bank holds no other security than the debtors' personal security	NIL	NIL
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
	-----	-----
	11,665	8,035
	=====	=====

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

Debts due by executives or officers of the bank or any of them either severally or jointly with any other persons	41,624	42,086
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	Nil	Nil

Debts due by subsidiary companies,

controlled firms, managed modarabas and other associated undertakings

Nil

Nil

7.2 Particulars of provision against non-performing advances

	Specific	General	TOTAL	
			1998	1997
(Rupees in '000)				
Opening balance	9,100	10,000	19,100	61,415
Charge for the year	22,984	NIL	22,984	34,487
Amounts written off	(825)	NIL	(825)	NIL
Reversals	(11,937)	NIL	(11,937)	(11,266)
Other movements	NIL	NIL	NIL	NIL
	-----	-----	-----	-----
	10,222	NIL	10,222	23,221
Closing balance	19,322	10,000	29,322	19,100
	=====	=====	=====	=====
Provision against:				
	NIL	NIL	NIL	NIL
	19,322	10,000	29,322	19,100
	-----	-----	-----	-----
	19,322	10,000	29,322	19,100
	=====	=====	=====	=====

In terms of sub-section (3) of section 33-A 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 31 December 1998 is given at Annexure - 1.

8. OPERATING FIXED ASSETS

	Cost		Depreciation				Book Value	Rate of Depreciation %
	At 31 Dec. 1998	Addition/ *Transfers/ (deletions)	At 31 Dec. 1998	At 01 Jan. 1998	Charge for the year/ (on deletions)/ *Transfers	At 31 Dec. 1998		
(Rupees in '000)								
Land & Buildings on leasehold land	11,021	17,921	28,942	12,523	6,896	19,419	140,595	5
Furniture, fixture and equipment	11,942	19,176 (863) * 12,381	42,636	48,810	15,491 (574) * 5,167	3,358	39,278	10 - 20 0
Vehicles	15,353	65	16,680	13,642	1,221	14,591	2,089	20

(3,153) (2,847)
 * 4,415 * 2,575

Assets held under
 finance lease:

Furniture, fixture and equipment	23,478	13,040	24,137	7,462	3,164	5,459	18,678	10 - 20
	* (12,381)				* (5,167)			
Vehicles	8,975	5,604	10,164	3,026	2,022	2,473	7,691	20
	* (4,415)				* (2,575)			

1998	5,233	7,066	57,023	85,463	36,536	45,300	11,723	
		(20,812)			(11,163)			
=====								
1997	46,448	42,987	5,233	60,842	32,841	19,927	50,842	
		(18,666)			(8,220)			
=====								

8.1 Disposals / deletions of fixed assets

Description	Cost	Book value	Sale price	Mode of disposal	Particulars of Purchaser
		------(Rupees in '000)'-----			
Furniture, fixtures & equipment	382	118	42	Negotiation	Mr. Ashfaq, Shershah, Karachi
	54	19	NIL	Written off	
Written down value below Rs.100,000/- each	427	152	95	Negotiation	Various
Vehicles	612	255	255	Negotiation	Mian Abdul Wajid (Ex-employee)
	2	2	NIL	Written off	
Written down value below Rs.100,000/- each	2,539	49	1,638	Negotiation	Various

1998 1997
 (Rupees in '000)

9. CAPITAL WORK-IN-PROGRESS - AT COST

Civil works	18,396	13,129
Equipment	2,853	NIL
Advances to suppliers & contractors	855	1,898
Consultant fees & other charges	1,259	1,439
Advances against purchase of premises	NIL	8,300
	-----	-----
	23,363	24,766
	=====	=====

10. OTHER ASSETS

Stationery and stamps on hand	7,559	5,668
-------------------------------	-------	-------

Income / mark up accrued on advances and investments	23,535	45,031
Other income receivable	39,064	20,944
Prepaid exchange risk fee	54,565	62,923
Other advances, deposits, advance rent and other prepayments	33,924	23,031
Taxation (Payments less Provisions)	2,757	NIL
Branch adjustment account	28,751	9,800
Suspense account	16,435	8,977
Others	NIL	153

 9,982 45,455
 =====

11. DEPOSITS AND OTHER ACCOUNTS

Fixed deposits	35,936	25,406
Savings deposits	1,735	50,418
Current accounts	44,505	38,068
Call deposits	44,134	58,030
Sundry deposits	4,452	39,336

 65,226 14,650
 =====

11.1 Particulars of deposits and other accounts

In local currency	525	27,052
In foreign currencies	64,701	53,134

 65,226 14,650
 =====

12. BORROWINGS FROM OTHER BANKS, AGENTS ETC.

In Pakistan	62,293	37,807
Outside Pakistan	15,717	7,929

 12,474 45,736
 =====

12.1 Particulars of borrowings from other banks, agents etc.

In local currency	62,293	37,807
In foreign currencies	15,717	7,929

 12,474 45,736
 =====

12.2 Secured

Loans from banks and other financial institutions	Nil	Nil
---	-----	-----

Loans from subsidiary companies, managed modarabas and associated undertakings	Nil	Nil
--	-----	-----

Loans from directors (including chief executive) of the bank	Nil	Nil
Loans from State Bank of Pakistan against export refinance	62,293	37,807

Unsecured

From other banks	15,717	7,929
	-----	-----
	12,474	45,736
	=====	=====

13. OTHER LIABILITIES

Markup on borrowings	NIL	238
Profit payable on PLS deposits and other accounts	27,053	33,646
Interest payable on foreign currency deposits	41,197	33,094
Taxation (Provisions less payments)	NIL	19,261
Accrued expenses	9,410	14,679
Mark-up in suspense account	31,240	16,421
Proposed dividend	50,094	NIL
Others	NIL	6,253
	-----	-----
	27,922	58,056
	=====	=====

14. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Minimum lease payments outstanding	25,384	15,749
Less: Finance charges not yet due	(4,452)	(1,936)
	-----	-----
	20,932	13,813
	=====	=====

This represents finance leases entered into with leasing companies and modarabas for furniture and fixtures, equipment, computers and vehicles. The balance of the liability is payable over a period from January 1999 to December 2001.

The periodical lease payments include built in rates of mark-up ranging between 16.81% to 18.91% per annum which are used as discounting factors.

The amount of minimum lease payments outstanding and the period in which they will become due are:

	1998	1997
	(Rupees in '000)	
Year ending		
31 December 1998	NIL	10,563
31 December 1999	12,586	4,800
31 December 2000	8,020	386
31 December 2001	4,778	NIL
	-----	-----
	25,384	15,749
	=====	=====

15. SHARE CAPITAL

Authorised 60,000,000 ordinary shares of Rs. 10 each		
Issued, subscribed and paid up:	10,176	10,176
	=====	=====
Ordinary shares of Rs. 10 each		
33,000,000 Issued for cash		
17,094,000 Issued as bonus shares	2,320	2,320
24,496	39,868	49,500

42,188	51,820
=====	=====

16. RESERVE FUND & OTHER RESERVES

	Capital	Statutory	Revenue	TOTAL	
				1998	1997
	(Rupees in '000)				
Balance at the beginning of the year	1,281	61,160	27,801	24,706	60,092
Transfer from profit and loss account / revenue reserve	NIL	29,097	19,873	48,970	30,150
Transfer to profit and loss account	*(130,949)	NIL	NIL	(130,949)	NIL
Balance at the end of the year	1,404	24,721	47,674	8,263	24,706

* This represented reserve created under Section 23(1)(ix) of the Income Tax Ordinance, 1979. As the reserve is not being allowed as a deductible item for tax purposes, this has been reversed to profit and loss account.

1998	1997
(Rupees in '000)	

17. BILLS FOR COLLECTION

Payable in Pakistan	19,256	14,646
Payable outside Pakistan	1,820,642	52,413
	-----	-----
	1,839,898	1,523
	=====	=====

**18. CONTINGENT LIABILITIES AND COMMITMENTS
CONTINGENCIES**

a) Money for which the bank is contingently liable:

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
ii) Banking companies and other financial institutions
iii) Others

10,121	16,663
60,568	22,827
32,863	59,197

c) Liability on bills of exchange rediscounted

NIL	NIL
-----	-----

-----	-----
38,016	33,151

Arrears of cumulative preference dividends
Claims against the bank not acknowledged as debts

NIL	NIL
NIL	NIL

COMMITMENTS

Commitments in respect of forward exchange contracts		
Sale	53,095	42,932
Purchase (including forward exchange contracts with SBP in respect of foreign currency deposits.)	46,955	49,623
Commitments in respect of operating leases	NIL	NIL
Capital expenditure contracted but not provided for	NIL	NIL
Commitments in respect of 'Repo' transactions	NIL	34,464
Commitments in respect of 'Reverse Repo' transactions	NIL	34,464

19. OTHER OPERATING INCOME

Fund Management income	NIL	1,066
Income from dealing in foreign currencies	31,251	10,793
Recovery of expenses from customers	16,962	14,747
Rent of lockers	1,485	1,291
Miscellaneous income	6,634	2,627
	-----	-----
	56,332	30,524
	=====	=====

20. ADMINISTRATIVE EXPENSES

Salaries, allowances etc.	14,581	2,562
Staff retirement benefits	5,323	3,998
Brokerage and commission	3,043	2,844
Rent, taxes, insurance, electricity etc.	29,651	22,661
Legal and professional charges	3,447	2,873
Communications	23,166	20,633
Repairs and maintenance	5,412	4,586
Finance charges on leased assets	2,789	3,663
Stationery and printing	7,859	6,082
Advertisement and publicity	3,062	3,147
Donations - Note 20.1	10,000	10,000
Auditors' remuneration - Note 20.2	496	594
Depreciation - Note 8	28,794	25,181
Other expenditure	58,996	36,879
	-----	-----
	11	14,631
	=====	=====

20.1 No director or his spouse had any interest in the recipient of the donation.

20.2 Auditors' remuneration

Audit fee	300	300
Special certifications, audit of provident & gratuity funds and tax services	149	204
Out of pocket expenses	47	46
Central & Provincial Excise Duty	NIL	44
	-----	-----
	496	594
	=====	=====

21. OTHER INCOME

Net profit on sale of fixed assets	1,456	154
	-----	-----
	1,456	154
	=====	=====

22. OTHER CHARGES

Fixed assets written off	21	175
	-----	-----
	21	175
	=====	=====

23. TAXATION

Provision for current tax represents tax @ 55% on taxable profits for the year. Deferred tax represent tax effect of timing differences relating to provision for doubtful advances, depreciation of owned and leased assets.

The income tax assessments of the bank have been finalised upto and including the assessment year 1997-98. Appeals in respect of certain disallowances for assessment years 1993-94 to 1997-98 are pending with the Commissioner of Income Tax (Appeals) / Income Tax Appellate Tribunal. However, full tax liability has been provided in these accounts.

24. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	1998	1997	1998	1997	1998	1997

	Rupees in '000					

Fees	NIL	NIL	2	1	NIL	NIL
Managerial remuneration	2,160	1,782	NIL	NIL	1,558	765
Retirement benefits	266	242	NIL	NIL	194	90
Rent and house maintenance	769	703	NIL	NIL	517	239
Utilities	184	69	NIL	NIL	132	61
Medical	87	149	NIL	NIL	66	NIL

	3,466	2,945	2	1	2,467	1,155

Number of persons	1	1	1	1	2	1

In addition, Chief Executive and certain executives are provided with free use of banks' maintained cars.

25. MATURITIES OF ASSETS AND LIABILITIES

25.1 As at 31 December 1998

Total	Upto one month	Over one month to one year	Over one year to five years	Over five years

ASSETS	Rupees in '000			

Cash	888,587	888,587	NIL	NIL	NIL
Balances with other banks	282,489	282,489	NIL	NIL	NIL
Investments	6,142,089	450	22,847	23,944	NIL
Advances	6,630,801	NIL	32,466	17,326	27,409
Operating fixed assets	273,867	NIL	NIL	2,200	9,523
Capital work in progress	23,363	NIL	23,363	NIL	NIL
Other assets	599,806	400,441	2,757	NIL	NIL
Deferred taxation	35,388	NIL	NIL	35,388	NIL
	14,876,390	1,571,967	15,897	13,322	36,932

LIABILITIES

Deposits & other accounts	65,226	34,100	2,723	28,403	NIL
Borrowings from other banks, agents etc.	12,474	12,474	NIL	NIL	NIL
Bills payable	17,182	17,182	NIL	NIL	NIL
Other liabilities	27,922	43,364	50,094	NIL	NIL
Liabilities against assets subject to finance lease	20,932	NIL	9,817	11,115	NIL
	12,664	41,584	62,634	39,518	NIL

Net balance 52,590 (10,724,849) 18,799 (26,196) 36,932

Shareholders' equity

52,590

52,590

25.2 As at 31 December 1997

ASSETS	Total	Upto one month	Over one month to one year	Over one year to five years	Over five years
	Rupees in '000				
Cash	1,227	1,227	NIL	NIL	NIL
Balances with other banks	29,829	29,829	NIL	NIL	NIL
Investments	3,443	19,446	55,365	50,061	9,643
Advances	8,035	NIL	5,321	1,662	1,052
Operating fixed assets	50,842	NIL	NIL	52,344	64,034
Capital work in progress	24,766	NIL	24,766	NIL	NIL
Other assets	45,455	45,455	NIL	NIL	NIL
Deferred taxation	NIL	NIL	NIL	NIL	NIL
	32,525	30,421	19,916	38,531	9,193

LIABILITIES

Deposits & other accounts	14,650	10,935	39,267	29,984	NIL
Borrowings from other banks, agents etc.	45,736	45,736	NIL	NIL	NIL
Bills payable	8,606	8,606	NIL	NIL	NIL
Other liabilities	58,056	38,795	19,261	NIL	NIL
Liabilities against assets subject to finance lease	13,813	NIL	9,285	4,528	NIL
	9,789	38,536	2,277	34,512	NIL
	22,736 (8,331,187)		17,639	4,019	9,193
Shareholders' equity	22,736				
	22,736				

26. SEGMENT ANALYSIS

26.1 Geographic segment

26.1.1 As at 31 December 1998

Profit before Total assets Net assets Bills for Endorsement
taxation employed employed collection & other
obligations

Rupees in' 000

Pakistan	7,520	65,254	52,590	4,890	55,637
----------	-------	--------	--------	-------	--------

Total assets employed include intra group items of Rs. Nil. (1997: Rs. Nil)

26.1.2 As at 31 December 1997

Pakistan	47,497	32,525	22,736	1,523	42,800
----------	--------	--------	--------	-------	--------

Total assets employed include intra group items of Rs. Nil. (1996: Rs. Nil)

26.2 Segment by class of business

26.2.1 As at 31 December 1998

	Deposits		Advances	
	Amount	Percentage	Amount	Percentage
	Rupees in '000		Rupees in '000	
Chemical and pharmaceuticals	7,996	0.07	45,366	1.65
Agribusiness	35,002	2.68	40,471	1.58
Textile	532,297	4.81	8,854	38.13

Cement	39,717	0.36	8,727	2.08
Sugar	95,850	0.86	45,505	2.63
Shoes and leather garments	4,798	0.04	52,806	1.76
Automobile and transportation equipment	30,693	0.28	65,393	0.97
Financial	464,053	4.19	56,021	0.83
Insurance	6,898	0.06	NIL	NIL
Transportation	13,226	0.12	12,338	0.18
Electronics and electric appliances	12,600	1.30	60,994	0.91
Production and transmission of energy	2,355	0.02	NIL	NIL
Fish & allied	29,989	0.86	NIL	NIL
Others (include individuals)	34,936	84.35	37,728	49.28
	65,226	100.00	40,987	100.00

26.2.2 As at 31 December 1997

	Deposits		Advances	
	Amount	Percentage	Amount	Percentage
	Rupees in '000		Rupees in '000	
Chemical and pharmaceuticals	18,975	0.19	7,449	2.24
Agribusiness	51,036	0.52	17,779	3.46
Textile	4,788	2.71	11,414	33.02
Cement	842	0.01	59,367	2.02
Sugar	51,159	0.52	23,323	1.44
Shoes and leather garments	43,601	0.44	30,852	6.85
Automobile and transportation equipment	21,221	0.22	5,125	0.08
Financial	40,982	1.08	39,524	1.70
Insurance	22,809	0.23	NIL	NIL
Transportation	232	0.00	NIL	NIL
Electronics and electric appliances	35,144	0.36	470	3.18
Production and transmission of energy	2,041	0.02	NIL	NIL
Fish & allied	NIL	NIL	NIL	NIL
Others (include individuals)	49,500	93.70	28,440	46.01
	14,650	100.00	27,135	100.00

26.3 Segment by sector

26.3.1 As at 31 December 1998

Public / Government	34,403	6.23	NIL	NIL
Private	30,823	93.77	6,725,659	100.00
	65,226	100.00	6,725,659	100.00

26.3.2 As at 31 December 1997

Public / Government	3,816	0.70	NIL	NIL
Private	10,834	99.30	6,187,519	100.00
	14,650	100.00	6,187,519	100.00

27. CURRENCY BREAKDOWN OF ASSETS AND LIABILITIES

27.1 As at 31 December 1998

Pak rupees	50,289	95.05	22,120	72.26
US dollars	3,983	3.99	43,584	25.29
Pound sterling	16,718	0.11	64,542	1.41
Deutsche mark	14,067	0.10	64,803	0.94
Japanese yen	2,106	0.01	70	0.00
Other European currencies	4,513	0.03	1,061	0.01
Other currencies	39,114	0.71	13,092	0.09

	65,254	100.00	12,664	100.00
	=====			

27.2 As at 31 December 1997

Pak rupees	52,059	92.44	46,705	47.32
US dollars	24,462	6.88	29,207	49.38
Pound sterling	18,199	0.14	35,744	1.96
Deutsche mark	40,083	0.31	20,926	1.28
Japanese yen	425	0.00	8,015	0.06
Other European currencies	18,045	0.14	NIL	NIL
Other currencies	10,324	0.09	264	0.00

	32,525	100.00	9,789	100.00
	=====			

1998 1997
(Rupees in '000)

28. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

i) Advances given during the year	10,464	NIL
ii) Advances repaid during the year	34,047	NIL
iii) Deposits (at year end)	41,283	32,175
iv) Mark up / Interest expensed	4,098	2,055
v) Mark up / Interest earned	7,781	NIL
vi) Provision for non-performing advances charged against income during the year	NIL	NIL
vii) Provision for non-performing advances at year end	NIL	NIL
viii) Commitments and contingent liabilities for irrevocable commitments and contingencies	NIL	NIL
ix) Others	NIL	NIL

29. GENERAL

29.1 Previous year's figures have been re-arranged, wherever necessary, to facilitate comparison.

29.2 Figures have been rounded off to the nearest thousand rupees.

29.3 The format as prescribed in BPRD Circular No. 31 dated 13 August 1997 has been modified suitably wherever there were no figures to report.

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER

**FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR
ABOVE, PROVIDED DURING THE YEAR ENDED 31 DECEMBER, 1998**

(Rs. in '000)							
Sr. No.	Name & 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 (6+7)
1	2	3	4	5	6	7	8
1	M/s. Rashid Sons 129-General Bus Stand, Badami Bagh, Lahore.	a) Mr. Junaid Rashid b) Mr. Jawad Rashid c) Mr. Javaid Rashid d) Mst. Sardar Begum NIC No. a) 272-70-117702 b) 272-58-292815 c) 272-47-057004	Late Mr. Abdul Rashid - do - - do - Wife of (Late) Abdul Rashid	6,001	Nil	Adjustment in the rate of mark-up by 751	751

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Seventh Annual General Meeting of the Bank will be held at Pearl Continental Hotel, Lahore on 27 March 1999 at 9.30 a.m to transact the following business:

Ordinary Business

1. To confirm the minutes of the 1st Extra Ordinary General Meeting held on 17 October 1998.
2. To receive, consider and adopt audited accounts together with the Directors' and Auditors' Report thereon for the year ended 31 December 1998.
3. To elect seven (7) Directors of the Bank in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three (3) years commencing 28 March 1999.
4. To approve the payment of final dividend @ 10% i.e. Re. 1.00 per share held for the year ended 31 December 1998 as recommended by the Directors.
5. To appoint Auditors of the Bank and to fix their remuneration.
6. To transact such other ordinary business as may be placed before the meeting with the permission of the Chair.

Special Business

7. To approve the remuneration payable to the Chief Executive of the Bank.

A statement under Section. 160 of the Companies Ordinance, 1984 pertaining to the Special Business is being sent to the shareholders with the Notice.

BY ORDER OF THE BOARD

Abdul Hayee
Director / Company Secretary
Lahore: 17 February 1999

NOTES:

1. In accordance with Section 178 (1) of the Companies Ordinance 1984, the number of Directors to be elected has been fixed as seven (7). The retiring Directors, namely Messrs. Jaffer Ali M. Feerasta, Safar Ali K. Lakhani, Asadullah Khawaja and Mrs. Aziza A. Feerasta, Mrs. Shirin B. Feerasta, Mrs. Aamna N. Feerasta and Mr. Abdul Hayee are eligible for re-election as Directors of the Bank.

2. Share Transfer Books of the Bank will remain closed from 18 March 1999 to 27 March 1999 (both days inclusive) for determining entitlement of the final dividend. The members whose names appear in the register of members as at the close of business on 17 March 1999 will be entitled for dividend.

3. (i) In terms of Section 178(3) of the Companies Ordinance, 1984 any person who seeks to contest election to the office of directors, whether he/she is a retiring director or otherwise, shall file with the Bank, not later than fourteen (14) days before the date of this meeting, a notice of his/her intention to offer himself/herself for election as a Director.

(ii) In terms of the provision of State Bank of Pakistan (SBP) BPRD Circular No. 37 dated 6 November 1997, it is expressly required that any person who seeks to contest the election to the office of a director; whether he/she is a retiring director or otherwise, should file with the Bank not later than fourteen (14) days before the date of this meeting' the affidavit specified for this purpose by the State Bank of Pakistan. Furthermore, in terms of the criteria prescribed by SBP, association of the following persons as director is undesirable and against public interest:

a) a person who is/has been associated with any illegal activity, especially related to Banking business;

b) a person who, in his/her individual capacity or a proprietary concern, or any partnership firm or any private limited company or any unlisted public company or any listed public company (of which he has been a proprietor, partner, director or shareholder), has been in default of payment of dues owed to any financial institution and/or in default of payment of any taxes.

It should also be noted that under the SBP regulations a person is not permitted to be a director of more than one Bank.

(The text of the affidavit referred in para 3(ii) above can be obtained from the registered office of the Bank by any person contesting election of directors).

4. A member entitled to attend and vote at this meeting may appoint another member as his or her proxy to attend and vote. Proxies in order to be effective must be received at the Registered Office

of the Bank not less than 48 hours before the time of holding the meeting. Proxy form is enclosed herewith.

5. Shareholders are requested to notify the Bank of any change in their addresses immediately.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE 1984

This statement sets out the material facts concerning the special business to be transacted at the seventh Annual General Meeting of Soneri Bank Limited to be held on 27 March 1999.

Subject to re-election as Director and subsequent reappointment of the Chief Executive, approval of the Shareholders will be sought for the remuneration payable to him in accordance with terms and conditions of his service. For this purpose it is intended to propose that the following resolution be passed as an Ordinary Resolution, namely:

"RESOLVED THAT the shareholders hereby approve and authorize the holding of office of profit by Mr. Safar. Ali K. Lakhani, Chief Executive and payment to him as remuneration consisting of basic salary not exceeding Rs. 2.0 million and allowances Rs. 1.2 million per annum exclusive of perquisites and retirement benefits to which he-is entitled under his terms of employment. He would be entitled to annual increments also.

FURTHER RESOLVED that in the event of office of profit falling vacant, the approval hereby given shall be equally applicable to any other person appointed to fill such vacancy."

PATTERN OF SHAREHOLDING

No. of Shareholders	Having Shares		Shares Held	Percentage
	From	To		
				0.24
1841	1	100	56050	0.38
858	101	500	58324	6.17
3903	501	1000	12393	2.27
539	1001	5000	24735	1.05
77	5001	10000	3310	0.48
19	10001	15000	46141	0.57
16	15001	20000	24525	0.24
5	20001	25000	52530	0.27
5	25001	30000	6317	0.07
1	30001	35000	33000	0.15
2	35001	40000	11057	0.08
1	40001	45000	42259	0.10
1	50001	55000	50542	0.23
2	55001	60000	49065	0.39
2	29465	34464	63286	0.24
1	49465	54464	52604	0.53
2	64465	3928	1011	0.27
1	3929	8928	5548	0.30
1	18929	23928	20728	0.64
1	52857	57856	56431	0.99
1	36249	41248	36351	1.09
1	20713	25712	22852	1.20
1	10177	15176	13627	1.54

1	49105	54104	49310	2.06
1	46961	51960	49068	2.21
1	56425	61424	61005	2.78
1	18745	23744	18861	45.00
9	9633	14632	63647	7.14
1	36057	41056	37649	21.30
1	48169	53168	50846	100.00

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7296	24496

Particulars	Shareholders	Shareholding	Percentage
Individuals	5684	65165	61.75
Investment Companies	2	18128	0.04
Insurance Companies	6	18506	2.13
Joint Stock Companies	11	44678	0.22
Financial Institutions	13	1204	24.34
Modaraba Companies	5	35876	0.07
Foreign Companies	7	58024	2.08
Leasing Companies	2	21106	0.04
Central Depository Co. of Pak	1	37649	7.14
Others	1	9675	0.02
Non-Resident (U.S. \$)	26	28563	0.06
Non-Resident (PAK Rs.)	1538	13602	2.12
-----	-----	-----	-----
Company Total	7296	24496	100.00