

A.F. FERGUSON & CO
CHARTERED ACCOUNTANTS

*State Life Building No.1-C,
I.I. Chundrigar Road,
P.O.Box 4716,
Karachi-74000.*

FORD RHODES SIDAT HYDER & CO
CHARTERED ACCOUNTANTS

*Progressive Plaza,
Beaumont Road,
P.O.Box 15541,
Karachi-75530.*

Auditors' Report to the Members

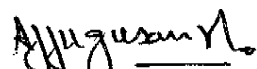
We have audited the annexed balance sheet of United Bank Limited as at December 31, 2003 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the financial statements) for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 61 branches which have been audited by us and 15 branches audited by auditors abroad 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.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 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 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 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 stated in note 5.5 to the financial statements, 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2003 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of the bank for the year ended December 31, 2002 were audited by Ford Rhodes Sidat Hyder & Co, Chartered Accountants and Ebrahim & Co, Chartered Accountants who had expressed an unqualified opinion thereon.



A.F. FERGUSON & CO
Chartered Accountants


FORD RHODES SIDAT HYDER & CO
Chartered Accountants

Karachi: February 15, 2004

BALANCE SHEET AS AT DECEMBER 31, 2003

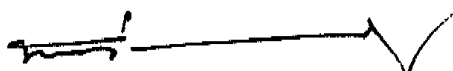
	2003	2002
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	17,274,461	15,649,561
Balances with other banks	11,386,434	9,985,788
Lendings to financial institutions	19,050,791	3,627,557
Investments	56,516,760	69,244,328
Advances		
Performing	96,677,950	67,355,236
Non-performing	3,492,465	5,452,870
Other assets	3,001,793	3,636,065
Operating fixed assets	3,754,236	2,710,892
Taxation recoverable	283,171	314,712
Deferred tax asset – net	5,486,357	5,026,457
	216,924,418	183,003,466
LIABILITIES		
Bills payable	2,975,910	1,832,981
Borrowings from financial institutions	7,710,375	5,347,349
Deposits and other accounts	185,071,502	158,263,495
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	39,995	81,548
Other liabilities	5,707,204	5,544,441
Deferred liabilities	1,535,059	861,935
	203,040,045	171,931,749
NET ASSETS	13,884,373	11,071,717
REPRESENTED BY:		
Share capital	5,180,000	5,180,000
Reserves	4,678,317	4,243,352
Unappropriated profit / (accumulated loss)	218,990	(797,100)
	10,077,307	8,626,252
Surplus on revaluation of assets	3,807,066	2,445,465
	13,884,373	11,071,717
CONTINGENCIES AND COMMITMENTS		



Amar Zafar Khan
President and
Chief Executive Officer



Ahmad Waqar
Director



Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman



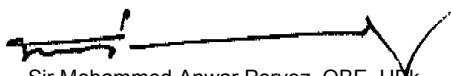
Nahayan Mabarak Al Nahayan
Chairman

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2003

	2003	2002
	(Rupees in '000)	
Mark-up / return / interest earned	8,944,260	11,020,035
Mark-up / return / interest expensed	1,888,349	5,379,435
Net mark-up / interest income	7,055,911	5,640,600
Provision against non-performing loans and advances - net	444,871	851,958
Provision / (reversal) for diminution in the value of investments - net	104,285	(160,289)
Bad debts written off directly	12,897	47,904
	<u>562,053</u>	<u>739,573</u>
Net mark-up / return / interest income after provisions	6,493,858	4,901,027
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income	1,442,642	1,351,147
Dividend income / gain on sale of investments	2,057,314	414,881
Income from dealing in foreign currencies	436,656	1,051,778
Other income	607,500	454,313
Total non mark-up / return / interest income	4,544,112	3,272,119
	<u>11,037,970</u>	<u>8,173,146</u>
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	6,153,913	5,390,233
Other provisions / write offs	551,840	27,353
Other charges	5,501	24,252
Total non mark-up / interest expenses	6,711,254	5,441,838
Extraordinary items	-	-
PROFIT BEFORE TAXATION	4,326,716	2,731,308
Taxation - Current - for the year	193,050	195,871
- for prior years	223,070	18,701
- Deferred	1,274,978	1,102,420
	<u>1,691,098</u>	<u>1,316,992</u>
PROFIT AFTER TAXATION	2,635,618	1,414,316
Accumulated loss brought forward	(797,100)	(27,320,851)
Accumulated loss adjusted against share capital	-	25,201,680
	<u>1,838,518</u>	<u>(704,855)</u>
Transfer from surplus on revaluation of fixed assets		
Prior years	-	183,313
Current year - net of tax	73,096	54,960
	<u>73,096</u>	<u>238,273</u>
Profit / (accumulated loss) before appropriations	1,911,614	(466,582)
APPROPRIATIONS		
Transfer to:		
Statutory reserve	(527,124)	(330,518)
Capital reserve	-	-
Revenue reserve	-	-
Proposed cash dividend Rs. 2.25 per share (2002 Rs. Nil per share)	(1,165,500)	-
	<u>(1,692,624)</u>	<u>(330,518)</u>
Unappropriated profit / (accumulated loss) carried forward	<u>218,990</u>	<u>(797,100)</u>
		(Rupees)
Basic earnings per share	<u>5.09</u>	<u>0.60</u>
Diluted earnings per share	<u>5.09</u>	<u>0.60</u>


Amar Zafar Khan
President and
Chief Executive Officer



Ahmad Waqar
Director


Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman

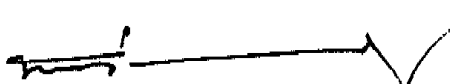

Nahayan Mabarak Al Nahayan
Chairman


CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2003

	2003	2002
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	4,326,716	2,731,308
Less: Dividend income	(80,315)	(64,955)
	<u>4,246,401</u>	<u>2,666,353</u>
Adjustments for non-cash charges		
Depreciation	354,082	230,873
Amortisation	261,769	117,508
Provision for retirement benefits	754,360	339,858
Provision against non-performing advances	444,871	851,958
Provision / (reversals) for diminution in the value of investments	104,285	(160,289)
Provision / (reversals) against off balance sheet items	492,000	(34,955)
Gain on sale of fixed assets	(12,882)	(3,360)
Finance charges on leased assets	10,320	16,592
Advances written-off	107,530	47,904
(Reversals) / provision against other assets	(11,363)	16,071
	<u>2,504,972</u>	<u>1,422,160</u>
	6,751,373	4,088,513
(Increase) / decrease in operating assets		
Lendings to financial institutions	(15,423,234)	742,449
Net investments in held for trading securities	(8,499,788)	-
Advances – net	(27,820,078)	3,475,386
Others assets (excluding advance taxation)	386,427	535,048
	<u>(51,356,673)</u>	<u>4,752,883</u>
Increase / (decrease) in operating liabilities		
Bills payable	1,142,929	292,389
Borrowings from financial institutions	2,363,026	(7,557,002)
Deposits	26,808,007	19,953,565
Other liabilities	(1,577,737)	1,321,097
	<u>28,736,225</u>	<u>14,010,049</u>
	(15,869,075)	22,851,445
Payment of staff retirement benefits	(55,250)	(228,131)
Income tax paid	(384,579)	(561,296)
Net cash flow from operating activities	<u>(16,308,904)</u>	<u>22,062,018</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	22,388,879	(19,314,610)
Net investments in held to maturity securities	(2,274,888)	(10,911,782)
Investments in subsidiary companies and associated undertakings	(282,272)	(426,357)
Dividend received	77,756	82,181
Investments in operating fixed assets	(450,056)	(177,352)
Sale proceeds of property and equipment disposed-off	19,063	6,926
Net cash flow from investing activities	<u>19,478,482</u>	<u>(30,740,994)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of sub-ordinated loan	-	(1,539,800)
Issue of share capital	-	7,900,000
Payment of lease obligations	(51,873)	(55,494)
Net cash flow from financing activities	<u>(51,873)</u>	<u>6,304,706</u>
Exchange differences on translation of net investment in foreign branches, subsidiaries and associates	(92,159)	(39,115)
Effects of exchange rate changes on cash and cash equivalents	97,339	42,401
Increase / (decrease) in cash and cash equivalents during the year	<u>3,122,885</u>	<u>(2,370,984)</u>
Cash and cash equivalents at beginning of the year	25,538,010	28,006,333
Cash and cash equivalents at end of the year	<u>28,660,895</u>	<u>25,635,349</u>


Amar Zafar Khan
President and
Chief Executive Officer



Ahmad Waqar
Director


Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman


Nahayan Mabarak Al Nahayan
Chairman

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2003

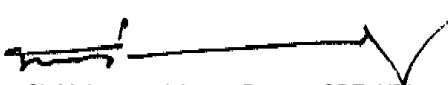
	Share Capital	Statutory Reserve	Exchange Reserve	(Accumulated Loss) / Unappropriated Profit	Total
	(Rupees in '000)				
Balance as at December 31, 2001	22,481,680	2,347,830	1,604,119	(27,320,851)	(887,222)
Profit after taxation for the year ended December 31, 2002	-	-	-	1,414,316	1,414,316
Issue of right shares	7,900,000	-	-	-	7,900,000
Transfer from surplus on revaluation of fixed assets to accumulated loss	-	-	-	238,273	238,273
Reduction in share capital	(25,201,680)	-	-	25,201,680	-
Exchange differences on translation of net investment in foreign branches, subsidiaries and associates	-	-	(39,115)	-	(39,115)
Transfer to statutory reserve	-	330,518	-	(330,518)	-
Balance as at December 31, 2002	5,180,000	2,678,348	1,565,004	(797,100)	8,626,252
Profit after taxation for the year ended December 31, 2003	-	-	-	2,635,618	2,635,618
Transfer from surplus on revaluation of fixed assets to unappropriated profit – net of tax	-	-	-	73,096	73,096
Exchange differences on translation of net investment in foreign branches, subsidiaries and associates	-	-	(92,159)	-	(92,159)
Transfer to statutory reserve	-	527,124	-	(527,124)	-
Proposed cash dividend	-	-	-	(1,165,500)	(1,165,500)
Balance as at December 31, 2003	5,180,000	3,205,472	1,472,845	218,990	10,077,307




Amar Zafar Khan
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Chief Executive Officer



Ahmad Waqar
Director



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Deputy Chairman



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