

# Pakistan Industrial Leasing Corporation Ltd

(Annual Report 1996)

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## COMPANY INFORMATION

### Board of Directors

(in alphabetical order)

Mr. Anjum M. Saleem

Mr. Asad Ali Shaikh (Nominee of PICIC)

Mr. Khalid Bashir

Mr. Maqbul Ahmad

Mr. Masud Zaman (Nominee of NIT)

Mr. Mazhar Karim (Chairman)

Mr. Muhammad Rafi

Mr. Nasir Shall

Mr. Rashid Ahmed (Chief Executive & Managing Director)

### Auditors

Riaz Ahmad & Company

Chartered Accountants

### Corporate Secretaries

Mr. Zaheer A. Shaikh

Mr. Rashid Sadiq

### Legal Advisors

Hassan & Hassan Advocates

### Registered Office

83-Babar Block,

New Garden Town, Lahore.

Tel: 5881974-75

Fax: 5881976

**Head Office**

4th & 5th Floor, PAAF Building,  
7- D Kashmir/Egerton Road, Lahore.  
Tel: 6366067-8, 6310230-1, 6311178-80, 6304c)70  
Fax: 92 - 42 - 6369272  
Telex: 47154 PILC PK.  
Email: Pakind @ Paknet 1. ptc. pk

**Branches****Karachi**

5th Floor, Sidco Avenue Centre,  
264 R. A. Lines, Stratchen Road, Karachi.  
Tel: 5687770, 5687780, 5687783-4  
Fax: 92 - 21 - 5687866  
Telex: 28880 CGS PK.

**Faisalabad**

G - 735 & 736, Bazar Court,  
Faisalabad Serena Hotel,  
Club Road, Faisalabad.  
Tel: 626787, 626789  
Fax: 92 - 411 - 621230  
Telex: 43496 PILC PK.

**Sialkot**

Suit No. 1 & 2,  
Uberoi Co-operative Sports Building,  
Paris Road, Sialkot.  
Tel: 587702  
Fax: 587703

**Islamabad**

State Life Building No. 5,  
Blue Area, Islamabad.  
Tel: 826286, 826387, 826392  
Fax: 92 - 51 - 826220

**Multan**

G - 8, Holiday Inn,  
Abdali Road, Multan.  
Tel: 586683 - 586583

(Rupees in thousand)

Balance Sheet	Dec-91	Dec-92	Dec-93	Dec-94	June-96
Paid-up-Capital	100,000	110,047	110,047	121,052	181,578
Reserves & Retained Earnings	22,343	43,101	82,474	110,287	302,002
Net Worth	122,343	153,148	192,521	231,339	483,580
Long Term Loans - Foreign	406,072	688,502	967,785	1,051,075	1,287,688
Long Term Loans - Local	12,901	3,984	50,000	42,728	372,342
Long Term Deposits - Against Lease	56,242	111,416	170,201	253,633	327,460
Certificates of Investment	0	25,119	186,869	371,734	570,650
Current Liabilities	49,844	68,494	127,820	446,212	462,879
Total Liabilities	525,059	897,515	1,502,675	2,165,382	3,021,019
	-----	-----	-----	-----	-----
	647,402	1,050,663	1,695,196	2,396,721	3,504,599
	-----	-----	-----	-----	-----
Operating Fixed Assets	3,985	9,027	11,760	13,603	17,430
Long Term Investment	3,500	17,190	35,837	52,634	61,591
Net Lease Receivables	431,690	870,792	1,345,730	1,970,016	2,431,987
Long Term Loans and Deferred Cost	6,343	11,211	10,487	14,627	391,991
Non Lease Current Assets	201,884	142,443	291,382	345,841	601,600

Total Assets	647,402	1,050,663	1,695,196	2,396,721	3,504,599
<b>Income Statement</b>					
Gross Financial Revenue	64,387	129,838	221,479	360,825	686,919
Fees and Commission	6,878	8,595	8,713	13,246	23,908
Total Income	71,265	138,433	230,192	374,071	710,827
Financial Expenses	39,239	84,935	150,687	250,875	483,952
Operating and other Expenses	10,507	14,398	21,561	31,457	95,739
Profit before Tax	21,519	39,100	57,944	91,739	131,136
Provision for Tax	1,052	1,325	2,063	2,987	6,000
Net Income	20,467	37,775	55,881	88,752	125,136

### Notice of Annual General Meeting

Notice is hereby given that the Ninth Annual General Meeting of the shareholders of PAKISTAN INDUSTRIAL LEASING CORPORATION LIMITED will be held on Saturday the October 26, 1996 at 11.00 a.m. at Pearl Continental Hotel Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:

#### Ordinary Business

1. To confirm the Minutes of Extra-Ordinary General Meeting held on December 18, 1995.
2. To receive, consider and adopt, the audited accounts together with Directors and Auditors Reports thereon for the eighteen months period ended June 30, 1996.
3. To approve the payment of cash dividend @ 30% for the period ended June 30, 1996. The Directors have recommended the payment of final dividend @ Rs. 2/- per share (20%) in addition to already paid interim dividend @ Rs. 1/- per share (10%).
4. To appoint Auditors for the year 1996-97 and fix their remuneration. The present Auditors M/S Riaz Ahmad & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

#### Special Business

5. To consider and pass the following resolution as special resolution under section 208 of the Companies Ordinance, 1984.

Resolved that the company be and is hereby authorised to invest for purchasing/acquiring fully paid up ordinary shares at par of the following associated undertakings subject to permissions, if any as may be required from the Governments of Pakistan and Bangladesh:

Crescent Industrial Chemicals Limited	Upto Rs. 10.0 Million (1.0 million ordinary shares of Rs. 10/- each).
Bangladesh Leasing Corporation Limited	Rupee Equivalent of Taka 45.0 Million (0.45 million shares of Taka 100 each).

Resolved further that Chief Executive of the company be and is hereby authorized to take or cause to be taken any all actions necessary as he thinks fit on behalf of the Company to acquire the abovesaid equity interests.

**STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984.**

**Investment in Crescent Industrial Chemicals Limited (CICL)**

CICL is a joint venture company owned by CRESCENT GROUP, MONSANTO COMPANY of USA, one of the largest acrylic fiber producers in the world and ITOCHU CORPORATION of Japan, a large Japanese trading house dealing in acrylic fiber. CICL is a public limited company incorporated under the Companies Ordinance, 1984. The present authorized capital of CICL is Rs. 2 billion divided into Rs. 200 million ordinary shares of Rs. 10 each. The main object of the company is to produce basics acrylic fiber. Presently there is no manufacture of acrylic fiber in Pakistan and, therefore, this will be the first project of its kind. The project will have production capacity of 30000 tons per year. The project will be located at Winder, Baluchistan, within the Special Industrial Zone which will entitle the project to numerous incentives.

The total cost of the project is expected to be Rs. 3,723 Million with foreign and local components of Rs. 1,968 Million and Rs. 1,755 Million respectively. The equity of the company amounting to Rs. 1,862 Million will be subscribed as under:-

	No. of shares of Rs. 10/- each	Rupees in '000'	Ownership %age
Crescent Group	59,500,000	595,000	31.96
MONSANTO	7,000,000	70,000	3.76
ITOCHU	22,750,000	227,500	12.22
IFC	17,500,000	175,000	9.40
DEG	8,750,000	87,500	4.70
Private Placement	24,130,000	241,300	12.96
Public Subscription	46,543,000	465,430	25.00
	-----	-----	-----
Total	186,173,000	1,861,730	100.00
	=====	=====	=====

MONSANTO will supply technology while engineering will be performed by Zimmer AG of Germany, ITOCHU will assist the company in the sale and distribution of its product in the domestic and international markets. The project is expected to commence commercial production by the end of 1998.

Pakistan Industrial Leasing Corporation Limited will acquire 1,000,000 (one million) shares at par out of Crescent Group equity portion. This will be a direct investment and payment for the shares will be made to CICL. The company is fully authorized by its Memorandum of Association to make such investments. The investment would be made at such time(s) as the Chief Executive may think appropriate on behalf of the company.

The following are the material facts regarding the proposed investment:

1. Name of investee company or associated undertaking  
Crescent Industrial Chemicals Limited
2. Nature, amount and extent of investment  
Nature: Investment in Shares  
Amount & Extent: Upto Rs. 10,000,000/- (Ten Million).
3. Price at which shares would be purchased  
At par value i.e. Rs. 10/- per share.
4. Source of funds from where shares would be purchased  
Internal generation.
5. Period for which investment would be made  
Investment would be made on long term basis.
6. Purpose of investment  
To earn dividends and capital gains.

7. Benefits likely to accrue to the company and the shareholders from the proposed investment.

The company will earn dividends/capital gains which will increase profitability of the Company and in turn return to shareholders will increase.

**Investment in Bangladesh Leasing Corporation Limited (BLCL).**

BLCL is being established in Bangladesh as a public company limited by shares for the primary purpose of carrying the leasing business. The authorized capital of the BLCL would be Taka 300 million divided into 3,000,000 ordinary shares of Taka 100/- each. The initial paid up capital of BLCL would be Taka 150 million, which will be contributed by sponsoring shareholders as under:

	Taka in "000"	Ownership %age
M. M. Ispahani Limited	37,500	25%
Green Delta Insurance Company Limited	22,500	15%
Delta Life Insurance Company Limited	15,000	10%
Pakistan Industrial Leasing Corporation L	45,000	30%
Foreign Institutional Investor(s)	30,000	20%
	-----	-----
	150,000	100%
	=====	=====

PILCORP will provide all necessary technical support/assistance including training and development of staff of BLCL. The management considers the investment beneficial as BLCL will have bright future and is expected to generate substantial profits. The company is fully authorised by its memorandum of association to make such investment. This will be a direct investment i.e. the company will purchase shares directly from BLCL. The investment would be made at such time(s) as the Chief Executive may think appropriate on behalf of the company.

The following are the material facts regarding the proposed investment:

- Name of investee company or associated undertaking: Bangladesh Leasing Corporation Limited
- Nature, amount and extent of investment: Nature: Investment in Shares  
Amount & Extent: Rupee equivalent of Taka 45.00 Million.  
(This investment converted into Rupees at present conversion rate amounts to Rs. 39.20 million)
- Price at which shares would be purchased: At par value i.e. Rs. 100/- per share.
- Source of funds from where shares would be purchased: Internal generation.
- Period for which investment would be made: Investment would be made on long term basis.
- Purpose of investment: To earn dividends and capital gains.
- Benefits likely to accrue to the company and the shareholders from the proposed investment: The company will earn dividends/capital gains which will increase profitability of the Company and in turn return to shareholders will increase.

The management has examined the above proposals and it has been considered beneficial as both the projects are viable with

profitable future. It is, therefore, recommended that the shareholders may pass the proposed resolution as special resolution under section 208 of the Companies Ordinance, 1984 subject to permissions, if any as may be required from the Governments of Pakistan and Bangladesh.

Mr. Anjum M. Saleem is a common Director in CICL and PILCORP. Mr. Khalid Bashir, Mr. Rashid Ahmed and Mr. Mazhar Karim will be common Directors in BLCL and PILCORP. The Directors of the company have no vested interest in the proposed investments.

A copy of Memorandum and Articles of Association of Crescent Industrial Chemicals Limited and a copy of Joint Venture Agreement between PILCORP and Bangladeshi Partners are kept at the Registered office which can be inspected from 10:00 a.m. to 11:00 a.m. on all working days upto October 24, 1996.

**Book closure:**

The Share Transfer Books of the Company will remain closed from October 22, 1996 to October 28, 1996 (both days inclusive). The shareholders whose names appear on the register of members as on October 21, 1996 will be entitled for final Cash Dividend.

BY ORDER OF THE BOARD  
ZAHEER A. SHAIKH  
CORPORATE SECRETARY

**REGISTERED OFFICE:**

83-Babar Block, New Garden Town,  
Lahore.  
Tel: 5881974-75  
Fax: 5881976

Dated: September 29, 1996.

**Note:**

1. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the Meeting.
2. Shareholders are requested to immediately notify the change in address, if any.

**DIRECTORS' REPORT**

The Board of Directors is pleased to present the annual report together with the audited accounts of your Company for the period of eighteen months (January 1995 to June 1996) ended June 30, 1996.

**Financial Results:**

The financial results of the Company for the period ended June 30, 1996 are summarised as under:

(Rupees in thousands)

Revenue	710,827
Expenditure	579,691
Profit before taxation	131,136
Provision for taxation	6,000
Profit after taxation	125,136
Unappropriated profit brought forward	236

Profit available for appropriation	125,372
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**Appropriations:**

- Proposed final dividend	36,316
- Interim dividend	18,158
- General Reserve	45,000
- Reserve for contingencies	25,500
- Unappropriated profit carried forward	399

**Dividend:**

The Board of Directors has recommended a cash dividend @ 20% for the period ended June 30, 1996, in addition to already paid interim dividend @ 10% for the same period.

**Review of Operations**

Entering the 8th year of operations your Company has maintained its growth trends, despite depressing economic conditions prevailing in the country.

PILCORP continues to maintain its policy of writing leases to selective clients with good management and market reputation, coupled with sound financials. In endeavouring to maintain past trends, your company has not over-looked the-need to diversify in the changing economic scenario, and concrete steps were taken towards developing the leasing business in the small and micro enterprise area.

Net investment in leases over a period of 18 months ending June 30, 1996 increased by 23% from Rs. 1,970.02 million to Rs. 2,431.99 million. Net income for this period amounted to Rs. 125.37 million as compared to Rs. 88.75 million in 1994. In view of adequate profit for the period ending June 30, 1996, your company has considered it prudent to create a provision of Rs. 40.54 million for doubtful debts. This provision should in no manner construe that the company's risk assets are affected.

The recovery performance during the period was excellent due to continuous and vigorous monitoring, at all levels of management and prudent credit policies. It has been particularly commendable in the Textile sector where our exposure stands reduced to 24% from 32% in 1994 when it was decided that no further exposure on textiles would be undertaken. Also in view of the depressed economic conditions prevalent in the country, your company has considered it prudent to tone down its market aggression somewhat, and gear up efforts to consolidate the existing client portfolio.

The main item of expenditure, financial expenses, increased to Rs. 475.16 million for 18 months from Rs. 246.74 million for the year 1994. This is a consequence of higher level of borrowings required to finance the Company's business and the increasing cost of funds from domestic and international sources. Inflationary pressures were evident in expenditure incurred on general and administrative activities, particularly in setting up two new branches. Service cost increased to Rs. 55.20 million for 18 months, compared with Rs. 26.40 million for the year 1994. This cost was considered necessary, in view of our focus on the small and micro business enterprise, and to enhance access to credit for this sector. The initial impact of the additional branches has been most favourable, and our Sialkot Branch has become a profit centre in its first year of operations.

PILCORP is required to create a reserve @2% of the Company's risk assets to meet unforeseeable future losses, as per contractual agreement with Asian Development Bank. To meet this loan covenant and to meet the State Bank of Pakistan's mandatory requirement under the prudential regulations, Rs. 25.50 million have been transferred to reserve for contingencies, bringing the total to Rs. 83.10 million.

Such large reserves at the disposal of the company will be a source of comfort to all our shareholders, creditors and other multilateral lending agencies.

On an on-going basis, all levels of staff are nominated to attend various courses to hone their technical and intellectual capabilities in the context of the changing strategies in financial disciplines.

**Funds mobilization:**

PILCORP requested the Pakistan Credit Rating Agency (PACRA) in March 1995 for credit rating soon after it (PACRA) was established in January 1995. (This rating was subsequently made mandatory for all leasing companies by the State Bank of Pakistan in April 1996). We are pleased to advise that PACRA has given your Company a rating of "AI" for the short term and "A" for the long term debts. Even prior to this rating PILCORP enjoyed a premier position amongst the leasing companies and other Non Bank Financial Institutions (NBFIs) in terms of funds mobilization both locally and internationally. This rating by PACRA will further bolster lenders confidence reposed in your company.

Funds generated through our Certificates of Investment and Time and Demand liabilities amounted to Rs. 570.65 million and Rs. 218.85 million respectively as at June 30th, 1996, as opposed to Rs. 371.73 million and Rs. 210.00 million as on December 31, 1994 respectively, reflecting an increase of 54% and 4%. This is a sharp measure of public confidence in the strength of your Company.

The status of credit lines contracted during the period under review is as follows:

Credit Agency	Amount approved	Amount drawn
German Investment & Development Company (DEG)	DM 10.00 M	DM 7.5 M
Netherlands Development Finance Company (FMO)	DM 8.88 M	DM 4.44 M
International Finance Corporation (IFC)	US\$ 2.20 M	US\$ 2.20 M
Asian Development Bank (ADB)	US\$ 15.00 M	expected to be drawn in October 1996.

In addition to the above, the World Bank has approved a credit line to PILCORP for financing small and micro enterprises. This credit line of US\$ 20.0 million is to be shared amongst three leasing companies on a first come first served basis. We have already started utilizing funds from this credit line.

The World Bank has also advised us of our qualification as one of the recipients of funds under the Financial Sector Deepening and Intermediation Project (FSDIP). The World Bank is providing this credit line of US\$ 216.0 million to the Government of Pakistan for on-lending to eligible financial institutions.

The Islamic Development Bank, Jeddah, Saudi Arabia, has qualified PILCORP as one of the first private sector NBFIs to avail credit lines directly from them, and have indicated that the mandatory requirement for a Bank Guarantee in our case will be done away with.

Locally, the following lines have been contracted:

Credit Agency	Amount
American Express Bank Limited	Rs. 75.0 M
Standard Chartered Bank	Rs. 50.0 M
Saudi Pak Industrial & Agricultural Investment Company (Pvt) Limited	Rs. 30.0 M
Al-Faisal Investment Bank Limited	Rs. 10.0 M

**Future outlook:**

In view of the increasing competition and our continued efforts towards diversification, PILCORP has successfully opened additional branches at Sialkot and Multan for the purpose of financing small and micro enterprises. The business generated in these locations is according to our expectations, motivating us to open our 7th branch in Peshawar. The necessary permission from the State Bank of Pakistan has already been obtained and we expect this branch to be operational in the last quarter of 1996.

In view of our decision to avoid exposure in the textile sector, our focus has shifted to other sectors such as Oil and Gas, Chemical, Pharmaceuticals, Engineering, Leather Garments and Sports Goods, etc.

We have applied to PACRA to carry out our Instrument Rating for the purpose of a TFC issue of Rs. 350.00 million. This TFC issue is projected for the Year 1997.



The Leasing Industry is passing through a difficult phase, where the Government through the Finance Act 1996, has amended the tax structure and imposed Central Excise Duty on the Lease Finance outstanding. The implementation of Excise duty has been taken up with the concerned quarters, as this imposition with retrospective effect, besides being unjustified, is also an additional burden on both the Lessors and the Lessees.

The foregoing, coupled with the previous decision of the State Bank of Pakistan to withdraw Forward Cover on Foreign Currency loans and more recently the curbs on mobilisation of funds through Foreign Currency Certificates of Investment, will only put leasing at a disadvantageous position as compared to other modes of financing.

We are pleased to inform you that a Joint Venture Agreement was signed at Dhaka on July 17, 1996 for setting up of Joint Venture Leasing Company in Bangladesh namely "Bangladesh Leasing Corporation Limited" among the following partners:

Equity Participation	
PILCORP	30%
M.M. Ispahani Limited	25%
Green Delta Insurance Company Limited	15%
Delta Life Insurance Company Limited	10%

The balance 20% has been earmarked for foreign institutional investors.

**Acknowledgment:**

We wish to place on record our thanks to our valuable clients, multi-lateral credit agencies, foreign and local banks, financial institutions, and shareholders for their continued support and confidence in your company. We would also like to thank the Corporate Law Authority and State Bank of Pakistan for their guidance and support.

The management and staff of the Company also deserve appreciation for their devotion, dedication and hard work without which the excellent results during the period ended June 30, 1996 would not have been achieved.

**Auditors:**

The auditors Messrs. Riaz Ahmad & Company, Chartered Accountants, retire and offer themselves for reappointment.

On behalf of the Board

RASHID AHMED  
Chief Executive &  
Managing Director

Lahore:  
September 26, 1996

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of PAKISTAN INDUSTRIAL LEASING CORPORATION LIMITED as at 30th June 1996 and the related profit and loss account and statement of sources and application of funds, together with the notes forming part thereof, for the period 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 period was for the purpose of the company's business; and

iii) the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of sources and application of funds, 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 30th June 1996 and of the profit and the changes in sources and application of funds for the period then ended; and

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

Lahore:  
29 September, 1996

RIAZ AHMAD AND COMPANY  
Chartered Accountants

#### BALANCE SHEET

	Note	30 June 1996 Rupees	31 December 1994 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 50,000,000 (1994: 20,000,000) ordinary shares of Rs. 10 each		500,000,000 =====	200,000,000 =====
Issued, subscribed and paid up capital	3	181,577,550	121,051,700
Reserves			
Capital reserves	4	206,303,052	59,751,352
Revenue reserves	5	95,698,802 -----	50,535,913 -----
		302,001,854 -----	110,287,265 -----
		483,579,404	231,338,965
REDEEMABLE CAPITAL	6	361,031,422	34,846,760
LONG TERM LOANS	7	1,064,828,842	904,635,162
DEPOSITS OF FIXED MATURITY	8	222,019,805	56,830,417
LONG TERM DEPOSITS	9	279,061,139	222,466,221
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities	10	282,567,909	185,488,679
Short term borrowings	11	218,850,000	210,000,000
Deposits of fixed maturity	8	348,630,698	314,903,897
Creditors, accrued and other liabilities	12	203,829,480	178,635,663
Provision for taxation		3,406,827	7,427,118
Dividend payable	13	36,793,516 -----	50,148,637 -----
		1,094,078,430	946,603,994

<b>CONTINGENCIES AND COMMITMENTS</b>	14	--	--
		-----	-----
		3,504,599,042	2,396,721,519
		=====	=====
 <b>As at 30 June, 1996</b>			
<b>TANGIBLE OPERATING FIXED ASSETS</b>	15	17,430,218	13,602,842
<b>INVESTMENT IN LEASES</b>	16	1,684,186,562	1,610,002,411
<b>EQUITY INVESTMENTS</b>	17	61,591,150	52,635,215
<b>LONG TERM LOANS</b>	18	4,416,659	4,938,037
<b>LONG TERM DEPOSITS AND DEFERRED COST</b>	19	387,573,175	9,688,846
 <b>CURRENT ASSETS</b>			
Current portion of investment in finance leases	16	747,800,887	360,013,218
Equity and other investments	20	16,817,875	43,145,859
Advances, prepayments and other receivables	21	338,809,990	179,577,870
Cash and bank balances	22	245,973,026	123,117,221
		-----	-----
		1,349,401,278	705,854,168
		-----	-----
		3,504,599,042	2,396,721,519
		=====	=====

The annexed notes form an integral part of these accounts.

RASHID AHMED  
CHIEF EXECUTIVE

MAZHAR KARIM  
CHAIRMAN

**PROFIT AND LOSS ACCOUNT**

for the period ended 30 June, 1996

	Note	30 June 1996 (18 Months) Rupees	31 December 1994 (12 Months) Rupees
<b>REVENUE</b>			
Income on finance leases		572,415,519	296,099,503
Profit/mark up on bank deposits and advances		112,285,129	56,892,975
Fees, commission and other charges		23,907,772	18,486,612
Gain on sale of investments		-	1,771,344
Miscellaneous income		2,218,795	820,445
		-----	-----
		710,827,215	374,070,879
 <b>EXPENDITURE</b>			
Financial charges	23	475,161,761	246,740,159

Administrative and other operating expenses	24	55,202,621	26,389,713
Provision for doubtful receivables		39,474,678	5,188,492
Deferred cost amortized		8,789,758	4,013,846
Provision for diminution in value of short term equity investments		1,062,243	-
		-----	-----
		579,691,061	282,332,210
		-----	-----
<b>PROFIT BEFORE TAXATION</b>		131,136,154	91,738,669
<b>PROVISION FOR TAXATION</b>	25	6,000,000	2,987,082
		-----	-----
<b>PROFIT AFTER TAXATION</b>		125,136,154	88,751,587
<b>UNAPPROPRIATED PROFIT BROUGHT FORWARD</b>		235,913	418,152
		-----	-----
		125,872,067	89,169,739
<b>APPROPRIATIONS</b>			
Proposed dividend		36,315,510	49,933,826
Interim dividend		18,157,755	--
General reserve		45,000,000	20,000,000
Reserve for contingencies		25,500,000	19,000,000
		-----	-----
		124,973,265	88,983,826
		-----	-----
<b>UNAPPROPRIATED PROFIT</b>		398,802	235,913
		=====	=====

The annexed notes form an integral part of these accounts.

RASHID AHMED  
CHIEF EXECUTIVE

MAZHAR KARIM  
CHAIRMAN

**STATEMENT OF SOURCES AND APPLICATION OF FUNDS**  
for the period ended 30 June 1996

	30 June 1996 (18 Months) Rupees	31 December 1994 (12 Months) Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	131,136,154	91,738,669
Adjustments to reconcile profit to net cash provided by operating activities:		
Provision for diminution in value of short term equity investments	1,062,243	-
Dividend income	(457,944)	(37,500)
(Gain)/loss on sale of equity investments	7,397	(1,771,344)
Depreciation	5,412,586	2,581,480
Long term deposit and deferred cost amortized	8,789,758	4,019,887

Provision for doubtful receivables	39,474,678	5,188,492
Loss/(gain) on sale of fixed assets	(113,479)	18,923
	-----	-----
	54,175,239	9,999,938
Cash flows from operating activities before adjustment of working capital	185,311,323	101,738,607
Increase in advances, prepayments and other receivables	(164,539,103)	(100,557,580)
Increase in creditors, accrued and other liabilities	25,193,817	71,889,254
	-----	-----
Cash flows from operating activities before income tax	45,966,107	73,070,281
Income tax paid	(9,788,560)	(2,507,794)
Net cash flows from operating activities	36,177,547	70,562,487
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase/(decrease) in investments	216,310,304	(35,479,743)
Loss/(gain) on sale of equity investments	(7,397)	1,771,844
Dividend income	457944	37,500
Investment in finance leases	(496,371,245)	(618,137,819)
Assets purchased for own use	(10,186,713)	(5,444,655)
Loans to employees	521,378	(1,648,684)
Long term deposits and deferred cost incurred	(31,845,456)	(4,369,200)
Sale proceeds and deletion to fixed assets	1,060,230	1,001,486
Foreign currency deposits	(354,828,630)	-
	-----	-----
	(874,889,585)	(657,269,771)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Ordinary share capital	60,525,850	--
Share premium	121,051,700	--
Redeemable capital		
Obtained	341,965,150	1,100,000
Redeemed	(12,351,406)	(8,371,632)
Long term loan		
Obtained	354,828,630	184,762,200
Repayments	(118,216,499)	(101,471,355)
Deposits of fixed maturity	198,916,189	184,865,622
Long term deposits	73,826,615	83,432,045
Short term borrowings	8,850,000	210,000,000
Dividend paid	(67,828,386)	(16,418,967)
	-----	-----
	961,567,843	537,897,913
	-----	-----
Net increase/(decrease) in cash and cash equivalent	122,855,805	(48,809,871)
Cash and cash equivalent at beginning of the period	123,117,221	171,926,592
<b>CASH AND CASH EQUIVALENT AT THE</b>	-----	-----
<b>END OF THE PERIOD</b>	245,973,026	123,117,221
	=====	=====

RASHID AHMED  
CHIEF EXECUTIVE

MAZHAR KARIM  
CHAIRMAN

## NOTES TO THE ACCOUNTS

for the period ended 30 June 1996

### 1. THE COMPANY AND ITS ACTIVITIES

Pakistan Industrial Leasing Corporation Limited is a public limited company and its shares are quoted on all the stock exchanges of Pakistan. The company is mainly engaged in the business of leasing.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting convention

These financial statements have been prepared under the historical cost convention.

#### 2.2 Employees' retirement benefits

The company operates provident fund scheme covering all its permanent employees. Equal monthly contributions are made both by the company and employees at the rate of 10 percent of the basic salary to the fund.

The company also operates funded pension and gratuity schemes for its employees. Provision has been made in the accounts for the liability on the basis of actuarial estimates.

#### 2.3 Foreign currency transactions

Transactions in foreign currencies are accounted for in Rupees at the rates of exchange ruling on the date of the transaction. Assets and liabilities in foreign currencies are translated into Rupees at the rate of exchange ruling at the balance sheet date except where exchange risk cover has been obtained. Exchange differences have been deferred over the period of lease finances i.e. for five years against which leased assets were acquired. Exchange risk fee and exchange gain/loss on translation of foreign currency bank account is charged to current year's income.

#### 2.4 Equity investments

Long term :                   These are stated at cost.  
Short term :                   These are stated at lower of cost or market value. Market value of quoted investment is determined on aggregate portfolio basis.

#### 2.5 Taxation

The charge for current taxation is based on taxable income at the current tax rates after taking into account the tax credits and tax rebates available, if any. Deferred tax is accounted for by using the liability method on all major timing differences excluding tax effect on those timing differences which are not likely to reverse in the foreseeable future. As a measure of prudence, deferred tax debits are not accounted for.

#### 2.6 Tangible operating fixed assets and depreciation

Tangible operating fixed assets are stated at cost less accumulated depreciation. Cost of these assets consists of historical cost and directly attributable costs of bringing the assets to working condition.

Depreciation is charged to income applying the reducing balance method to write off the cost over their expected remaining useful life.

Full year's depreciation is charged on additions, while no depreciation is charged on assets deleted during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

### 2.7 Deferred costs

Foreign currency exchange differences relating to loans and negotiation fees are amortized over the loan period or five years from the year of incurrence, whichever is shorter.

### 2.8 Accounts receivables

Provision for doubtful debts is made/adjusted after review of outstanding portfolio at the year end on the basis of State Bank of Pakistan prudential regulations as applicable to leasing companies and management's own judgement.

### 2.9 Revenue recognition

The company follows the 'Finance Method' to recognize the income on finance leases. The unearned finance income i.e. the excess of aggregate lease rentals and the residual value over the cost of leased assets is amortized to income over the lease term by applying the annuity method to produce a constant rate of return on the net cash investment in the lease. Whereby expectation of ultimate recovery is uncertain, the revenue recognition to that extent is postponed till the actual collection thereof.

Income on bank deposits, loans, advances and other investments is recognized on a time proportion basis taking into account the principal/net investment outstanding and applicable rates of mark up/profit thereon.

Income from fees, commissions and commitment charges etc.; is recognized as and when received.

Dividend income on equity investments is accounted for on receipt basis.

## 3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	30 June 1996 Rupees	31 December 1994 Rupees
16,052,585 (1994: 10,000,000) ordinary shares of Rupees 10 each fully paid up in cash	160,525,850	100,000,000
1,004,700 ordinary shares of Rupees 10 each issued to International Finance Corporation against their right of option to convert 10 percent of their outstanding loan into fully paid up shares	10,047,000	10,047,000
1,100,470 ordinary shares of Rupees 10 each issued as fully paid bonus shares	11,004,700 -----	11,004,700 -----
	181,577,550	121,051,700

## 4. CAPITAL RESERVES

Reserve for contingencies (Note 4.1)	88,010,871	57,510,871
Premium on issue of right shares (Note 4.2)	123,292,181 -----	2,240,481 -----
	206,303,052 =====	59,751,352 =====

### 4.1 Reserve for contingencies

This represents the amount set aside to strengthen the financial soundness of the company. The reserve has been earmarked by the board of directors for meeting unforeseeable future losses against leases, advances and

investments. As such, it is not considered as free reserve for distribution of dividends, etc. This reserve also fulfills the requirement to create a special reserve under NBFIs regulations issued by State Bank of Pakistan.

#### 4.2 Premium on issue of right shares

	30 June 1996 Rupees	31 December 1994 Rupees
Balance as on 01 January	2,240,481	2,240,481
Add: 6,052,585 right shares of Rupees 10 each issued at the premium of Rupees 20 each during the period	121,051,700	-
	-----	-----
	123,292,181	2,240,481
	=====	=====

#### 5. REVENUE RESERVES

General	95,300,000	50,300,000
Unappropriated profit	398,802	235,913
	-----	-----
	95,698,802	50,535,913
	=====	=====

#### 6. REDEEMABLE CAPITAL

National Development Finance Corporation (Note 6.1)	29,276,962	41,628,368
First International Investment Bank Limited (Note 6.2)	163,704,150	--
Security Investment Bank Limited (Note 6.3)	75,350,000	--
Security Investment Bank Limited (Note 6.4)	102,911,000	--
Askari Commercial Bank Limited (Note 6.5)	1,100,000	1,100,000
	-----	-----
	372,342,112	42,728,368
Less: Current portion (Note 10)	111,310,690	7,881,608
	-----	-----
	361,031,422	34,846,760

6.1 The credit line of Rupees 50 million has been obtained from National Development Finance Corporation under mark up arrangements for the acquisition of assets to be given on lease. According to terms of the agreement, the marked up price of Rupees 94.239 million includes mark up and rebate on timely payments of Rupees 26.282 million and Rupees 17.957 million respectively. The marked up price is repayable in 10 equal half yearly instalments commencing from 01 January 1994 and is secured by way of floating and hypothecation charge on the company's present and future assets and demand promissory notes ranking pari passu with the charges created in favour of other creditors.

6.2 This represents the facility obtained from First International Investment Bank Limited against lien on foreign currency deposit of DM 7.5 million and a second hypothecation charge on assets. Mark up on this facility is paisas 38.36 per Rupees thousand per day. Repayment of this facility would be made in six instalments with first instalment falling due on 23 November 1998 and last instalment on 23 February 2001.

6.3 This credit facility has been obtained from Security Investment Bank Limited against lien on foreign currency deposit of US\$ 2.2 million and a second hypothecation charge on assets. Mark up on this facility is paisas 35.10 per Rupees thousand per day. This facility would be repaid on maturity i.e. 31 January 1999.



6.4 This represents the finance obtained from Security Investment Bank Limited against lien on foreign currency deposit of DM 4.44 million and a second hypothecation charge on assets. Mark up on this facility is paisas 34.21 per Rupees thousand per day. This facility would be repaid on maturity i.e. 12 February 1999.

6.5 This represents the facility obtained from Askari Commercial Bank Limited under discounting/purchase agreement and secured by way of demand promissory note. It carries mark up at the rate of 45 paisas per Rupees thousand per day. Liquidated damages for the delayed period will be charged at the rate of 1 percent per annum. It will be repaid on 09 November 1996.

**7. LONG TERM LOANS**

In foreign currency

Asian Development Bank

Swiss Francs 668,800 (Note 7.2)	9,926,530	18,866,047
U.S. Dollars 5,333,336 (Note 7.3)	155,569,678	213,908,219
	-----	-----
	165,496,208	232,774,266

Commonwealth Development Corporation

Pound Sterling 1,071,429 (Note 7.4)	44,222,250	70,755,600
U.S. Dollars 5,981,250 (Note 7.5)	149,588,072	190,384,819
	-----	-----
	193,810,322	261,140,419

**International Finance Corporation**

U.S. Dollars 2,250,000 (Note 7.6)	55,682,100	76,562,888
U.S. Dollars 9,375,000 (Note 7.7)	290,049,175	184,762,200I
U.S. Dollars 2,200,000 (Note 7.8)	77,683,320	--
	-----	-----
	423,414,595	261,325,088

**German Investment and Development Company**

Deutsche Marks 3,437,500 (Note 7.9)	57,109,078	72,684,281
Deutsche Marks 4,062,500 (Note 7.10)	67,492,547	83,067,750
Deutsche Marks 7,500,000 (Note 7.11)	174,086,250	--
	-----	-----
	298,687,875	155,752,031

**Netherlands Development Finance Company**

Netherlands guilders 3,000,000 (Note 7.12)	44,236,950	66,355,425
Netherlands guilders 4,000,000 (Note 7.13)	58,982,600	73,728,250
Deutsche Marks 4,440,000 (Note 7.14)	103,059,060	--
	-----	-----
	206,278,610	140,083,675

	1,287,687,610	1,051,075,479
Less: Current portion (Note 10)	222,858,768	146,440,317
	-----	-----
	1,064,828,842	904,635,162
	=====	=====

7.1 The loans stated in Note No. 7 above are secured by way of floating and hypothecation charges on all the company's assets (present and future) including assets leased by the company and demand promissory notes ranking pari passu with the charges stated in Note No. 6.1.

7.2 The foreign currency loan balance has been converted into Pak Rupees at the average rate of exchange ruling on 16 April and 09 May 1990 i.e. the dates on which the exchange risk cover was obtained from State Bank of Pakistan. The interest and exchange risk fee rates are 7.10 percent and 4.38 percent per annum respectively. The loan is repayable in sixteen semi annual unequal instalments commencing from 15 January 1990.

7.3 The interest and exchange risk fee rates are 9.4 percent and 6.51 percent per annum respectively. The outstanding balance in foreign currency loan has been converted into Pak Rupees at the average rate of exchange ruling on the dates on which the exchange risk cover was obtained from State Bank of Pakistan. Loan is repayable in twelve semi annual equal instalments commencing from 15 July 1994.

7.4 The foreign currency loan balance has been converted into Pak Rupees at the average rate of exchange ruling on 22 May, 22 August and 12 December 1990 i.e. the dates on which the exchange risk cover was obtained from State Bank of Pakistan. The interest and exchange risk fee rates are 10 percent and 3 percent per annum respectively. The loan is repayable in fourteen semi annual equal instalments commencing from 15 March 1992.

7.5 The outstanding balance in foreign currency loan has been converted into Pak Rupees at the average rate of exchange ruling on 18 December 1991, 27 December 1991 and 18 April 1992 i.e. the dates on which the exchange risk cover was obtained from State Bank of Pakistan. The interest and exchange risk fee rates are 10.25 percent and 5 percent per annum respectively. The loan is repayable in sixteen semi annual equal instalments commencing from 15 March 1994.

7.6 The interest and exchange risk fee rates are 10.56 percent and 5.44 percent per annum respectively. The foreign currency loan balance has been converted into Pak Rupees at the average rate of exchange ruling on 05 October 1991 i.e. the date on which the exchange risk cover was obtained from State Bank of Pakistan. The loan is repayable in sixteen semi annual equal instalments commencing from 15 December 1992.

7.7 The outstanding balance in foreign currency loan has been converted into Pak Rupees at the rate of exchange ruling on 03 July 1994 and 01 June 1995 the date on which the exchange risk cover was obtained from State Bank of Pakistan. The interest and exchange risk fee rates are 8.50 percent and 6.66 percent per annum respectively. Loan is repayable in sixteen semi annual equal instalments commencing from 15 June 1996.

7.8 The interest rate for six months period shall be sum of the offered rate (six months LIBOR for US\$ which appears on the Reuters screen relevant page as of 11.00 a.m. London time on the interest determination date and a spread of 2.75 percent per annum. The outstanding balance in foreign currency loan has been converted into Pak Rupees at the rate of exchange ruling on 30 June 1996. The loan is repayable in four equal semi annual instalments commencing from 15 June 1997. This loan has been hedged by placing a deposit of US\$ 2.2 million with Security Investment Bank Limited and availing a Rupee facility against this deposit (See Note 6 and 19).

7.9 The outstanding balance in foreign currency loan has been converted into Pak Rupees at the rate of exchange ruling on 21 October 1992 i.e. the date on which the exchange risk cover was obtained from State Bank of Pakistan. The interest and exchange risk fee rates are 10.95 percent and 5.17 percent per annum respectively. The loan is repayable in sixteen semi annual equal instalments commencing from 30 April 1994.

7.10 The foreign currency loan balance has been converted into Pak Rupees at the average rate of exchange ruling on 31 March 1993 i.e. the date on which the exchange risk cover was obtained from State Bank of Pakistan. The interest and exchange risk fee rates are 10.5 percent and 5.17 percent per annum respectively. The loan is repayable in sixteen semi annual equal instalments commencing from 30 April 1995.

7.11 The interest rate is 10.50 percent per annum. The outstanding balance in foreign currency loan has been converted into Pak Rupees at the rate of exchange ruling on 30 June 1996. The loan is repayable in eight equal semi annual instalments commencing from 30 October 1997. This loan has been hedged by placing a deposit of DM 7.5 million with First International Investment Bank Limited and availing a Rupee facility against this deposit (See Note 6 and 19).

7.12 The outstanding balance in foreign currency loan has been converted into Pak Rupees at the average rate of exchange ruling on 21 September 1992 i.e. the date on which the exchange risk cover was obtained from State Bank of Pakistan. The interest and exchange risk fee rates are 11 percent and 5 percent per annum respectively. The loan is repayable in ten semi annual equal instalments commencing from 01 October 1994.

7.13 The foreign currency loan balance has been converted into Pak Rupees at the average rate of exchange ruling on 12 December 1992 i.e. the date on which the exchange risk cover was obtained from State Bank of Pakistan. The interest and exchange risk fee rates are 11 percent and 5 percent per annum respectively. The loan is repayable in ten semi annual equal instalments commencing from 01 October 1995.

7.14 The foreign currency loan balance has been converted into Pak Rupees at the rate of exchange ruling on 30 June 1996. The interest rate is 10.50 percent per annum. The loan is repayable in ten equal semi annual instalments commencing from 01 May 1997. This loan has been hedged by placing a deposit of DM 4.44 million with Security Investment Bank Limited and availing a Rupee facility against this deposit (See Note 6 and 19).

7.15 Following foreign currency loans were sanctioned but not disbursed till 30 June, 1996:

Name of lender	Amount of facility
Asian Development Bank	U.S.\$ 15 million
Netherlands Development Finance Company	DM. 4.44 million
German Investment and Development Company	D.M. 2.5 million

**8. DEPOSITS OF FIXED MATURITY**

	30 June 1996 Rupees	31 December 1994 Rupees
Balance at the end of the period (Note 8.1)	570,650,503	371,734,314
Less: Due within one year	348,630,698	314,903,897
	-----	-----
	222,019,805	56,830,417

8.1 These represent Registered Certificates of Investments (COIs) issued according to the permission granted by the Government of Pakistan for raising funds directly from the local/foreign resources. These certificates have been issued for maturity periods of three months to five years. The return on certificates is payable on uniform basis.

**9. LONG TERM DEPOSITS**

Balance at the end of the period (Note. 9.1)	327,459,590	253,632,975
Less: Current (Note 10)	48,398,451	31,166,754
	-----	-----
	279,061,139	222,466,221
	=====	=====

9.1 These represent the interest free security deposits (lease key money) received on execution of lease contracts and are repayable/adjustable at the expiry of respective lease periods.

**10. CURRENT PORTION OF LONG TERM LIABILITIES**

Redeemable capital (Note 6)	11,310,690	7,881,608
Long term loans (Note 7)	222,858,768	146,440,317
Long term deposits (Note 9)	48,398,451	31,166,754
	-----	-----

282,567,909      185,488,679  
 =====

**11. SHORT TERM BORROWINGS**

Financial institutions (Note 11.1)	193,850,000	200,000,000
Others (Note 11.2)	25,000,000	10,000,000
	-----	-----
	218,850,000	210,000,000
	=====	=====

11.1 These represent short term facilities obtained from banking companies and financial institutions. These facilities carry mark up at the rate ranging from 48 to 54 paisas per Rupees thousand per day. These borrowings are secured against demand promissory notes.

11.2 These represent short term facilities obtained from Pakistan Herald Limited and Regent Modaraba Management Company (Private) Limited secured against demand promissory note. It carries mark up at the rate of 48 and 50 paisas per Rupees thousand per day respectively.

**12. CREDITORS, ACCRUED AND OTHER LIABILITIES**

	30 June 1996 Rupees	31 December 1994 Rupees
Interest/discount accrued on secured loans	49,449,421	28,155,915
Profit on deposits of fixed maturity	22,568,771	16,256,107
Exchange risk fee	117,905,486	108,937,955
Commitment charges	776,069	55,012
Advance lease rentals	5,584	721,766
Accrued liabilities	9,708,005	11,782,812
Other amounts due to lessees	3,416,144	12,726,096
	-----	-----
	203,829,480	178,635,663
	=====	=====

**13. DIVIDEND PAYABLE**

Proposed	36,315,510	49,933,826
Unclaimed	478,006	214,811
	-----	-----
	36,793,516	50,148,637
	=====	=====

**14. CONTINGENCIES AND COMMITMENTS**

Letters of credit for import of machinery to be leased Rupees 215.125 million (1994: Rupees 46.577 million).

Lease contracts approved but not disbursed amounting to Rupees 605.167 million (1994: Rupees 84.840 million).

**15. TANGIBLE OPERATING FIXED ASSETS**

DESCRIPTION	C O S T		As at 30-Jun 1996	ACCUMULATED DEPRECIATION AS AT 30 JUNE 1996	BOOK VALUE AS AT 30 JUNE 1996	DEPRECIATION	
	As at 01 January 1995	Additions/ (Deletions)				Charge for the period	Rate %
Buildings (Note 13.1 )	3,213,340	--	3,213,340	652,985	2,560,355	203,861	5

Furniture and fixtures	1,912,091	444,189 (90,500)	2,265,780	776,110	1,489,670	236,287	10
Vehicles	7,945,155	5,173,080 (1,666,154)	11,452.08	4,462,843	6,989,238	2,707,576	20
office & electric equipments	1,255,211	293,511 (48,000)	1,500,722	454,600	1,046,122	167,689	10
Computers	2,792,131	1,833,275	4,625,406	2,063,024	2,562,382	937,851	20
Air-conditioning plant	56,308	478,016	1,434,324	516,860	917,464	130,435	10
Electric and other installations	2,972,353	1,964,642	4,936,995	3,072,008	1,864,987	1,028,887	33
30 June 1996 Rupees	21,046,589	10,186,713 (1,804,654)	29,428,648	11,008,430	17,430,218	5,412,586	
31 December 1994 Rupees	17,108,834	5,444,655 (1,596,900)	21,046,589	7,443,747	13,602,842	2,581,480	
	=====	=====	=====	=====	=====	=====	

15.1 This represents 5th Floor of Sidco Avenue Centre, Karachi.

15.2 Detail of fixed assets disposed of during the period is as follows:

DESCRIPTION	COST Rupees	ACCUMULATED DEPRECIATION Rupees	BOOK VALUE Rupees	SALE PROCEEDS Rupees	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
<b>FURNITURE AND FIXTURES</b>						
Household furniture	30,000	1,500	28,500	27,000	Purchase option scheme	Mr. Zahid Jaleel, Ex-Employee
Household furniture	30,000	--	30,000	30,000	Purchase option scheme	Mr. Jawad Mehdi, Ex-Employee
Household furniture	25,000	1,250	23,750	23,750	Purchase option scheme	Mr. Naeem Awan, Ex-Employee
Household furniture	20,000	3,350	16,650	16,650	Purchase option scheme	Mr. Asif Fazal, Ex-Employee
Household furniture	8,500	850	7,650	7,650	Purchase option scheme	Mr. Shoaib Rauf, Ex-Employee
Household furniture	10,000	1,000	9,000	9,000	Purchase option scheme	Mr. Razi Aziz, Ex-Employee
Household furniture	15,000	2,850	12,150	12,150	Purchase option scheme	Mr. Razi Aziz, Ex-Employee
<b>VEHICLES</b>						
Yamaha Motor Cycle	47,300	13,244	34,056	40,000	Insurance claim	Insurance claim received from Premier Insurance Company
Toyota Corolla	593,000	251,432	341,568	450,000	Tender	Mr. Malik Nadeem
Suzuki Alto	100,854	36,307	64,547	65,150	Negotiation	Mr. Iqbal Bhatti, Lahore
Mitsubishi Gallant	925,000	546,120	378,880	378,880	Negotiation	Mr. Ijaz Shabir, Lahore

**16. INVESTMENT IN FINANCE LEASES**

31 December 1994      30 June 1996

	Rupees	Rupees
Lease rentals receivables	3,025,473,744	2,484,459,293
Guaranteed residual value of leased assets	320,804,272	257,804,003
	-----	-----
gross investment in leases	3,346,278,016	2,742,353,296
Less: Unearned finance income	874,312,813	766,759,338
	-----	-----
	2,471,965,203	1,975,593,958
Net investment in lease finances		
Less: Current portion (Note 16.1)	747,800,887	360,013,218
: Provision for doubtful receivables	39,977,754	5,578,329
	-----	-----
	787,778,641	365,591,547
	-----	-----
	1,684,186,562	1,610,002,411
	=====	=====

16.1 This represents the principal portion of lease rentals amounting to Rupees 944.646 million (1994: Rupees 633.336 million) receivable within next twelve months.

#### 17. EQUITY INVESTMENTS

##### ASSOCIATED UNDERTAKINGS

###### Quoted

###### Shakarganj Mills Limited

183,012 (1994: 137,500) ordinary shares of Rupees 10 each 4,730,000 4,503,125

###### Crescent Steel and Allied Products Limited

115,000 (1994: 100,000) ordinary shares of Rupees 10 each 7,675,000 7,675,000

###### Unquoted

###### Crescent Powertec Limited

2,500,000 2,500,000

###### Crescent Greenwood Limited

1,000,000 ordinary shares of Rupees 10 each 10,000,000 10,000,000

##### OTHER COMPANIES

###### Quoted

###### BSJS Balanced Funds Limited

560,406 ordinary certificates of Rupees 10 each 5,604,060 -

###### Sui Northern Gas Pipelines Limited

291,744 (1994: 202,600) ordinary shares of Rupees 10 each 8,134,390 8,134,390

###### Pakistan Industrial Credit and Investment Corporation Limited

491,457 (1994: 427,354) ordinary shares of Rupees 10 each 19,822,700 19,822,700

###### Unquoted

###### International Housing Finance Limited

312,500 ordinary certificates of Rupees 10 each 3,125,000 -

(Chief Executive Mr. Nessar Ahmed)

-----	-----
61,591,150	52,635,215
=====	=====

17.1 The company's holding does not exceed 10 percent of the equity of the investee company.

17.2 Market value of quoted investment is Rupees 29.451 million (1994: Rupees 44.925 million).

**18. LONG TERM LOANS**

House building (Note 18.1)	2,198,294	3,655,015
Vehicle loan-staff (Note 18.2)	4,130,925	2,503,892
	6,329,219	6,158,907
Less: Current portion	1,912,560	1,220,870
	-----	-----
	4,416,659	4,938,037
	=====	=====

18.1 This represents the loan given to company's chief executive at interest rate of 6.25 percent per annum. Principal amount is repayable in 87 equal monthly instalments commencing from January 1992 and Rupees 522,558 (1994: Rupees 401,244) is outstanding for more than three years.

Maximum aggregate amount due from Chief Executive at the end of any month during the period was Rupees 3.588 million (1994: Rupees 3.655 million).

18.2 This represents the loan given to company's employees and repayable in 6 to 7 years. Rate of interest ranges from 5.25 to 6 percent per annum. Maximum aggregate amount due from staff at the end of any month during the period was Rupees 3.448 million (1994: Rupees 2.481 million) and there was no amount outstanding for more than three years.

**19. LONG TERM DEPOSITS AND DEFERRED COST**

	30 June 1996 Rupees	31 December 1994 Rupees
Deferred cost (Note 19.1)	31,782,463	9,215,585
Foreign currency deposits (Note 19.2)	354,828,630	--
Security deposits	962,082	473,261
	-----	-----
	387,573,175	9,688,846
	=====	=====
<b>19.1 Deferred cost</b>		
Exchange differences	29,768,568	8,808,168
Negotiation and other fees	21,657,298	11,261,063
	-----	-----
	51,425,866	20,069,231
Amortization todate	19,643,403	10,853,646
	-----	-----
	31,782,463	9,215,585

**19.2 Foreign currency deposit**

First International Investment Bank Limited (DM 7.5 million) (Note 19.4)	174,086,250	--
Security Investment Bank Limited (US\$ 2.2 million)(Note 19.5)	77,683,320	--
Security Investment Bank Limited (DM 4.44 million)(Note 19.6)	103,059,060	--
	-----	-----
	354,828,630	--
	=====	=====

19.3 The deposits stated in note 19.2 above are placed under lien for hedging against foreign currency loans mentioned in note No. 7.

19.4 The interest rate on this deposit is 5.31 percent per annum. The deposit will mature in 6 instalments commencing on November 23, 1998 and last instalment on February 23, 2001.

19.5 The interest rate on this deposit is 6.56 percent per annum. The deposit will mature on January 31, 1999.

19.6 The interest rate on this deposit is 4.69' percent per annum. The deposit will mature on February 12, 1999.

## 20. EQUITY AND OTHER INVESTMENTS

	30 June 1996 Rupees	31 December 1994 Rupees
<b>Shares/certificates-Quoted</b>		
<b>Shares of joint stock companies</b>		
<b>Al-Towfeeq Investment Bank Limited</b>		
(1994: 10,000) ordinary shares of Rupees 10 each	--	140,550
<b>Union Bank Limited</b>		
(1994: 5,500) ordinary shares of Rupees 10 each	--	114,063
<b>Dhan Fibres Limited</b>		
38,000 (1994: 300,000) ordinary shares of Rupees 10 each	294,020	3,000,000
<b>Fauji Fertilizer Company Limited</b>		
15,000 ordinary shares of Rupees 10 each	1,073,145	1,073,145
	-----	-----
	1,367,165	4,327,758
<b>Modaraba and other certificates</b>		
<b>First Hajveri Modaraba</b>		
9,518 ordinary certificates of Rupees 10 each	43,784	43,784
<b>First Elite Capital Modaraba</b>		
21,625 ordinary certificates of Rupees 10 each	144,769	151,789
<b>Trust Modaraba</b>		
14,000 (1994: 10,000).ordinary certificates of Rupees 10 each	152,500	152,500



**22nd ICP Mutual Fund**

10,000 ordinary certificates of Rupees 10 each	362,400	362,400
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**23rd ICP Mutual Fund**

56,200 ordinary certificates of Rupees 10 each	562,000	562,000
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**24th ICP Mutual Fund**

124,700 ordinary certificates of Rupees 10 each	1,247,000	1,247,000
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-----	-----
2,512,453	2,519,473
-----	-----
3,879,618	6,847,231

Less: Provision for diminution in value of  
short term equity investments

(1,062,243)	--
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Market value (1994: Rupees 7.834 million)

2,817,375	6,847,231
-----------	-----------

**Others Unquoted investments****Federal Investment Bonds (Note 20.1)**

14,000,000	8,000,000
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**Treasury bills (Note 20.2)**

--	28,298,628
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14,000,000	36,298,628
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16,817,375	43,145,859
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=====	=====
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20.1 Federal Investment Bonds have been issued by the Government of Pakistan and carry profit at the rates dependent on the maturity of the bonds.

20.2 Treasury bills have been issued by the Government of Pakistan and purchased at a discounted price. Yield on these bills would vary depending on the cost of purchase.

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

Loans-Considered good (Note 21.1)

70,680,254	97,531,804
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To listed companies

1,500,000	1,500,000
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Considered doubtful

1,500,000	1,500,000
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Provision for doubtful

--	--
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-----	-----
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70,680,254	97,531,804
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To non-listed companies

28,969,138	6,250,000
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99,649,392	103,781,804
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Advances-Considered good

Against assets to be leased out

99,139,802	735,000
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To employees

2,082,252	1,288,958
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To income tax department

3,255,990	3,487,720
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104,478,044	5,506,673
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Profit on bank deposits and advances	43,044,187	19,669,591
Short term prepayments	3,903,631	2,047,860
Exchange difference refundable from State Bank of Pakistan	82,533,445	37,208,453
Other receivables		
Considered good	5,201,291	11,363,489
Considered doubtful	6,205,155	1,129,902
Provision for doubtful	6,205,155	1,129,902
	-----	-----
	--	--
	-----	-----
	5,201,291	11,363,489
	-----	-----
	338,809,990	179,577,870
	=====	=====

21.1 The loans to listed and non-listed companies are secured against demand promissory notes, hypothecation of stocks and directors' personal guarantees. The rates of mark up range from paisas 52 to paisas 60 per Rupees thousand per day.

**22. CASH AND BANK BALANCES**

Cash in hand	189,331	74,294
Cash with banks		
On current accounts	90,012,084	38,453,945
On foreign currency accounts	463,119	154,527
On dividend accounts	175,993	175,993
On deposit accounts	155,118,797	83,877,547
On escrow account	13,702	380,915
	-----	-----
	245,783,695	123,042,927
	-----	-----
	245,973,026	123,117,221
	=====	=====

**23. FINANCIAL CHARGES**

Interest on long term loans	169,617,042	101,913,517
Mark up on redeemable capital	31,844,216	7,842,781
Mark up on short term finances	43,175,829	26,762,258
Exchange risk fee	89,462,241	54,511,114
Profit on deposits of fixed maturity	131,156,322	53,114,660
Commitment and processing fee	5,721,872	1,944,667
Bank charges and commission	3,556,644	308,420
Miscellaneous charges	627,595	342,742
	-----	-----
	475,161,761	246,740,159
	=====	=====

**24. ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

Staff salaries and other benefits	24,219,414	12,620,504
Legal and professional	3,892,353	1,260,673

Rent, rates and taxes	3,160,682	1,417,892
Travelling and conveyance	2,801,793	1,501,968
Postage, telephone and telex	2,708,507	1,599,742
Insurance	2,499,888	962,130
Electricity	1,070,664	431,906
Stationery and other supplies	1,204,979	870,782
Advertisement	1,008,627	323,455
Business promotion and entertainment	969,720	634,613
Repair and maintenance	1,490,560	702,323
Fees and subscriptions	937,325	426,043
Vehicles' running	760,875	420,910
Auditors' remuneration		
Audit fee	250,000	125,000
SBP's special audit fee	67,500	50,000
Out of pocket expenses	13,180	5,230
	-----	-----
	330,630	180,230
	-----	-----
Newspapers and periodicals	92,466	67,628
Corporate assets tax including additional tax of Rupees 64,438	2,064,438	--
Penalties levied by State Bank of Pakistan	8,712	--
Zakat	5,024	4,079
Miscellaneous	395,578	285,065
Donation (Note 24.1)	167,800	98,290
Depreciation	5,412,586	2,581,480
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	55,202,621	26,389,713
	=====	=====

24.1 None of the directors or their spouses had any interest in the donees.

## 25. PROVISION FOR TAXATION

The provision for current taxation represents the minimum tax due under the Income Tax Ordinance, 1979. However, after considering the available tax losses, no provision for taxation except minimum tax is required. The tax losses available for carry forward are Rupees 576.842 million as on June 30, 1996 (1994: Rupees 308.999 million).

## 26. DIRECTORS' AND EXECUTIVES' REMUNERATION

The aggregate amount charged in the accounts for the period for remuneration, including all benefits to the Chief Executive and Executives of the company is as follows:

	Chief Executive		Executives	
	30 June 1996 Rupees	31 December 1994 Rupees	30 June 1996 Rupees	31 December 1994 Rupees
Managerial remuneration	1,935,000	1,065,000	2,199,309	820,200
Bonus	275,000	285,000	396,144	135,756
House allowance	870,750	479,250	1,029,589	369,090
Retirement benefits	637,776	289,764	672,313	251,756
Utilities	193,500	106,500	219,931	82,020
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	3,912,026	2,225,514	4,517,286	1,658,822
	-----	-----	-----	-----



1	1410001	1415000	1410045
1	1545001	1550000	1546100
1	1585001	1590000	1589121
1	1655001	1660000	1657755
1	3930001	3935000	3930180
-----			-----
1079			18157755

Categories of shareholders	Number	Shares Held	Percentage
Individuals	1025	3233204	17.81
Investment Companies	7	486997	2.68
Insurance Companies	2	593570	3.27
Joint Stock Companies	24	6576697	36.22
Financial Institutions	13	8651837	20.11
Others	8	3615450	19.91
	-----	-----	-----
Total	1079	18157755	100.00
	-----	-----	-----
Others			
Modarabas	3	544095	3.00
Non-Residents	5	3071355	16.91
	-----	-----	-----
Total	8	3615450	19.91