

## FIRST FIDELITY LEASING MODARABA

ANNUAL REPORT 1997

### CONTENTS

Corporate Information  
Directors' Report and Chief Executive's Review  
Auditors' Report to the Certificate Holders  
Balance Sheet  
Profit and Loss Account  
Statement of Sources and Application of Funds  
Notes to the Accounts  
Pattern of Certificate Holdings

### COMPANY INFORMATION

Board of Directors	Mr. Rashid Mansur (Chairman)
	Mr. Wasim-ul-Haq Osmani (Chief Executive)
Corporate Secretary	Mr. Imran Hameed
Auditors	Riaz Ahmad & Company Chartered Accountants
Legal Advisor	Cornelius, Lane & Mufti Advocate & Solicitors
Bankers	Muslim Commercial Bank Limited Union Bank Limited Habib Bank A.G. Zurich
Modaraba Company	Fidelity Capital Management (Private) Limited (wholly owned subsidiary of Fidelity Investment Bank Limited)
Principal Place of Business	97-A, Aziz Avenue, Canal Bank, Lahore.
Registrars	Hameed Majeed Associates 7-Bank Square, H.M. House The Mall, Lahore.

### DIRECTORS' REPORT & CHIEF EXECUTIVE'S REVIEW

Directors have pleasure in submitting the 6th Annual Report of the Modaraba together with the Audited Accounts and Auditors' Report thereon for the year ended June 30, 1997.

In recent years, economic growth in Pakistan has followed a distinct cycle of ups and downs. The current cycle appears to have touched bottom in 1996-97 with real GDP growth rate touching a low of 3.1% as compared to 4.6% in 1995-96. Both agriculture and industrial growth rates have declined. Agriculture growth has suffered because of poor cotton crop due to bad weather conditions. Industrial growth has declined due to poor economic management and political instability. Fiscal policies by the previous government were termed to be negative for growth. Excessive taxes were levied on those sectors which already were paying taxes, since this was felt as an easy option for revenue collection. This resulted in short-term benefits -- accruing at the cost of long term viability.

The trade deficit during the year 1996-97 amounted to US \$ 3.370 billion as against US \$ 3.097 billion in 1995-96. The large trade deficit had placed extra pressure on government which resorted to heavy borrowing from the banking system. As a result SBP had to restrict Money Supply Growth to private sector. This resulted in a liquidity crunch in the market. Interest rates had gone soaring high.

High interest rates trigger high inflation and escalation in industrial input costs. Products become uncompetitive for export and also don't compete with imported items. As a direct result of above factors profitability of companies had declined and share prices fell. Investors' sentiment had turned so negative that apart from some of the selected scrips, investors were not ready to put their funds in the Capital Market. The KSE-100 index declined from 1703 level as at June 30, 1996 to 1566 level as at June 30, 1997, still this was not a true reflection of the decline. Had the structure of the KSE-100 index not been changed due to inclusion of 100% weightage of shares

of Pakistan Tele Communication Corporation Limited, decline in index would have been much more. The market throughout the year had worked in a narrow band of highly liquid shares.

In view of dismal performance of capital market, funds invested by the Modaraba in Capital Market have provided minimal return. Values of many scrips have gone much below their NAVs. There seems to be a general feeling in the market that values have touched the bottom and an upturn is overdue. Notwithstanding this general perception, as a matter of prudence the management has decided to make a further provision of Rs. 16.65 million for diminution in value of investments.

The Modaraba has earned a net profit before tax of Rs. 12.45 million for the year as compared to Rs. 14.89 million last year. The lower net profit is because of the non-performance of Capital Market Portfolio and provision for diminution in value of investments of Rs. 16.65 million (1996 Rs. 11.12 million) made in these accounts as referred above.

#### **FUTURE PROSPECTS**

For businesses to grow it is necessary that economic conditions and business climate is conducive. The present government has realized the gravity of the situation and there has been a noticeable change in its policies at least, which now seem to be more industry friendly. The overall business confidence is marginally high thanks to the supply side economic measures taken by the government. It is hoped that with no increase in utility charges, declining inflation and cost of funds, businesses might show some recovery in coming periods but it will take time before a sustained economic growth is achieved. As the general conditions of the economy improve we are confident that with the commitment and capabilities of our team we will be able to make greater profits.

In the meantime, the Modaraba is in the process of restructuring its Capital Market Portfolio which primarily involves sale of such scrips where Modaraba can made significant cash inflow for re-investment in other income generating avenues.

#### **APPROPRIATION**

The Board of Directors have made following appropriation:-

	Rupees
Net profit after taxation for the year	5,263,955
Un-appropriated profit brought forward	13,368,705
	-----
Profit available for appropriation	18,632,660
Transfer to special reserve as per requirement of rule 3 (a) of NBFIC Circular No. 1 dated December 5, 1991	1,052,791
Transfer to general reserve	15,000,000
	-----
	16,052,791
	-----
Un-appropriated profit carried forward	2,579,869
	=====

Directors keeping in view the prudent approach and to give Modaraba more strength have decided to transfer Rs. 15,000,000 to general reserve.

#### **AUDITORS**

The present Auditors Messrs. Riaz Ahmed & Co. Chartered Accountants retire and being eligible offer themselves for re-appointment.

#### **CHIEF EXECUTIVE**

Mr. Rashid Mansur, Chief Executive Officer of the Modaraba had resigned on August 01, 1997. The Board has appointed Mr. Wasim-u-I-Haq Osmani as Chief Executive Officer of the Modaraba in his place.

Before I conclude, I would like to place on record my sincere thanks to the executives and all employees of your Modaraba who have shown dedication and put in concerted efforts during the period under review.

**FIRST FIDELITY LEASING MODARABA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED**

**JUNE 30, 1997**

**AUDITORS' REPORT TO THE CERTIFICATE HOLDERS**

We have audited the annexed balance sheet as at 30 June 1997 and the related profit and loss account and statement of sources and application of funds together with the notes to the accounts for the year ended 30 June 1997 of FIRST FIDELITY LEASING MODARABA which are modaraba company's [Fidelity Capital Management (Private) Limited] representation and we state that we have obtained all the information and explanations which we required and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the modaraba company in respect of First Fidelity Leasing Modaraba as required by the Modaraba Companies and Modarabas (FLoatation and Control) Ordinance, 1980, and Modaraba Companies and Modarabas Rules, 1981;

(b) in our opinion, the balance sheet and the profit and loss account have been drawn up in conformity with the Modaraba Companies and Modarabas (FLoatation and Control) Ordinance, 1980, and Modaraba Companies and Modarabas Rules, 1981; and

(c) in our opinion and to the best of our information and according to the explanations given to us;

i) the balance sheet and the related profit and loss account and statement of sources and application of funds, which are in agreement with the books of account, exhibit respectively a true and fair view of the state of the modaraba's affairs as at 30 June 1997 and the profit and the changes in the sources and application of funds for the year ended on that date;

ii) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, has been deducted by the modaraba and deposited in Central Zakat Fund established under section 7 of that ordinance; and

iii) the business conducted, investments made and expenditure incurred by the modaraba are in accordance with the objects, terms and conditions of the modaraba.

**BALANCE SHEET  
AS AT JUNE 30, 1997**

	Note	1997 Rupees	1996 Rupees
<b>CAPITAL AND RESERVES</b>			
Authorised capital 30,000,000 modaraba certificates of Rupees 10 each		300,000,000 =====	300,000,000 =====
Issued, subscribed and paid up capital	3	206,333,990	206,333,990
<b>Reserves and surplus</b>			
Capital reserve	4	14,693,231	13,640,440
Revenue reserve-General		15,000,000	
Unappropriated profit		2,579,869 -----	13,368,705 -----
		238,607,090	233,343,135
<b>LONG TERM DEPOSITS</b>	5	12,216,488	12,083,355
<b>DEFERRED TAXATION</b>		1,000,000	1,800,000
<b>CURRENT LIABILITIES</b>			
	6	4,995,700	--
	7	2,040,307	3,580,760
Provision for taxation		11,690,660 -----	3,700,000 -----
		18,726,667	7,280,760
<b>CONTINGENCIES AND COMMITMENTS</b>		--	--

-----	-----
270,550,245	254,507,250
=====	=====

The annexed notes form an integral part of these accounts.

	Note	1997 Rupees	1996 Rupees
<b>TANGIBLE FIXED ASSETS</b>			
Operating assets in own use	8	998,020	1,750,340
Operating assets given on lease	9	85,347,179	102,153,590
		-----	-----
		86,345,199	103,903,930
<b>DEFERRED COST</b>		-	191,204
<b>INVESTMENTS</b>	10	33,823,823	74,326,511
<b>CURRENT ASSETS</b>			
Current portion of long term			
musharika finance		-	5,999,479
Morabaha finances	11	53,718,009	10,500,000
Other receivables	12	39,617,549	23,433,325
Cash in hand and bank balances	13	57,045,665	36,152,801
		-----	-----
		150,381,223	76,085,605
		-----	-----
		270,550,245	254,507,250
		=====	=====

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 1997**

	Note	1997 Rupees	1996 Rupees
<b>REVENUES</b>			
Lease rentals		39,741,993	33,784,897
Profit on morabaha/musharika finances		4,307,505	5,395,856
Other income	14	8,612,275	6,833,301
		-----	-----
		52,661,773	46,014,054
<b>OPERATING EXPENSES</b>	15	21,580,502	17,720,596
<b>FINANCIAL AND OTHER CHARGES</b>	16	17,381,194	11,910,577
		-----	-----
		38,961,696	29,631,173
		-----	-----
		13,700,077	16,382,881
<b>MODARABA COMPANY'S MANAGEMENT FEE</b>		1,245,462	1,489,353
		-----	-----
<b>PROFIT BEFORE TAXATION</b>		12,454,615	14,893,528
<b>PROVISION FOR TAXATION</b>	17	7,190,660	5,500,000
		-----	-----
<b>PROFIT AFTER TAXATION</b>		5,263,955	9,393,528
<b>UNAPPROPRIATED PROFIT BROUGHT FORWARD</b>		13,368,705	5,853,883
		-----	-----
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		18,632,660	15,247,411
<b>APPROPRIATIONS</b>			
Transfer to:		-----	-----
Special reserve	4	1,052,791	1,878,706
General reserve		15,000,000	-
		-----	-----
		16,052,791	1,878,706
		-----	-----
<b>UNAPPROPRIATED PROFIT</b>		2,579,869	13,368,705
		=====	=====

The annexed notes form an integral part of these accounts.

**STATEMENT OF SOURCES AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED JUNE 30, 1997**

	1997 Rupees	1996 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from/used by operations	(37,083,731)	13,258,069
Long term advances and deposits - Net	5,999,479	10,487,715
Lease rentals	23,985,644	19,748,102
Profit paid on musharika finances	(114,931)	(1,221,721)
Profit received on morabaha/ musharika finances	4,615,174	7,972,255
	-----	-----
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(2,598,365)</b>	<b>50,244,420</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend received	797,240	695,848
Provision for diminution in the value of investments	16,645,707	(11,116,676)
Investment sold	40,502,688	22,580,701
Lessees security deposits	133,133	2,356,107
Sale proceeds of leased assets sold	702,194	498,175
Sale proceeds of own assets sold	460,000	-
Fixed assets acquired-Own use	(44,300)	(81,768)
Fixed assets -Leased out	(2,382,333)	(25,194,400)
	-----	-----
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>23,522,915</b>	<b>(10,262,013)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(31,686)	(40,479,591)
	-----	-----
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT</b>	<b>20,892,864</b>	<b>(497,184)</b>
<b>CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR</b>	<b>36,152,801</b>	<b>36,649,985</b>
<b>CASH AND CASH EQUIVALENT AT THE END OF THE YEAR</b>	<b>57,045,665</b>	<b>36,152,801</b>
	=====	=====

	1997 Rupees	1996 Rupees
<b>CASH GENERATED FROM / USED BY OPERATIONS</b>		
Profit before taxation	12,454,615	14,893,528
Adjustment for non-cash charges and other items:		
Provision for diminution in the value of investments	16,645,707	11,116,676
Depreciation	18,753,250	14,015,439
Amortization of deferred costs	191,204	382,412
Profit on morabaha/musharika finances	364,032	405,556
Dividend income	(797,240)	(695,848)
Profit on morabaha/musharika finances	(4,307,505)	(5,395,856)
(Gain)/Loss on sale of fixed assets	69,920	-
Lease rentals	(39,741,993)	(33,784,898)
Working capital changes	(40,715,721)	12,321,060
	-----	-----
	<b>(37,083,731)</b>	<b>13,258,069</b>
	=====	=====
<b>WORKING CAPITAL CHANGES</b>		
(Increase)/decrease in current assets		
Morabaha finances	(43,218,009)	29,584,574
Musharika finances	-	21,000,000
Other receivables	(735,544)	1,297,724
	-----	-----
	<b>(43,953,553)</b>	<b>51,882,298</b>
Increase/(decrease) in current liabilities		
Short term finances	4,995,700	(40,000,000)
Creditors, accrued and other liabilities	(1,757,868)	819,200

Management company fee	-	(380,438)
	-----	-----
	3,237,832	(39,561,238)
	-----	-----
	(40,715,721)	12,321,060
	=====	=====

**NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED JUNE 30, 1997

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

First Fidelity Leasing Modaraba was formed under the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Fidelity Capital Management (Private) Limited. The Modaraba commenced its business operations from 05 December, 1991. It is listed on all the stock exchanges in Pakistan.

The Modaraba is a perpetual, multipurpose and multidimensional Modaraba and is primarily engaged in the business of leasing, musharika and morabaha financing, investment in marketable securities and other related business.

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 Overall valuation policy**

These accounts have been prepared under the historical cost convention.

**2.2 Tangible fixed assets****2.2.1 Assets in own use and depreciation.**

Operating fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life. Full year's depreciation is charged on additions while no depreciation is charged

Maintenance and normal repairs are charged to income as and when incurred. Gain/loss on disposal of fixed assets are included in income currently.

**2.2.2 Assets given on lease and depreciation**

Leased assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying annuity method whereby the cost of an asset less salvage value is written off over its lease period. In respect of additions and disposals during the year, depreciation is charged proportionately to the period of the leases.

**2.3 Investments**

Investments are valued at cost. Full provision is made against permanent diminution in the value of investments.

**2.4 Revenue recognition**

Profit on morabaha and musharika finances is recognized on accrual basis, calculated on number of days funds for which were utilized. Lease rentals are recognized as income when due on a systematic basis over the lease period. Front end fee is taken to income on receipt basis. Profit or loss on sale of investments is accounted for in the year in which arises. Dividend income is recognized on receipt basis.

Profit on bank deposit is recognised on time proportion basis taking into account period of deposit and rate of return applicable thereon.

**2.5 Taxation**

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits receivable.

The Modaraba accounts for deferred taxation on all major timing differences, using the liability excluding the tax effect of those timing differences which are not likely to reverse in the foreseeable future.

**2.6 Deferred cost**

Deferred costs are amortized over a period of five years.

	1997 Rupees	1996 Rupees
<b>3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
16,656,491 modaraba certificates of Rupees 10 each	166,564,910	166,564,910
3,976,908 modaraba certificates of Rupees 10 each issued as bonus	39,769,080	39,769,080
	-----	-----
	206,333,990	206,333,990
	=====	=====
<b>4. CAPITAL RESERVES</b>		
Opening balance	13,640,440	11,761,734
Transferred from profit and loss account	1,052,791	1,878,706
	-----	-----
	14,693,231	13,640,440
	=====	=====

This statutory reserve has been created to comply with the Non-Banking Financial Institutions (NBFIs) prudential regulations as applicable to the Modarabas.

#### 5. LONG TERM DEPOSITS

These represent the security deposits (lease key money) received against lease contracts and are refundable at the expiry of respective lease periods.

#### 6. SHORT TERM FINANCE

This represents the finance obtained from Prime Commercial Bank Limited under musharika arrangement on profit and loss sharing basis and is secured against first charge on present and future leased out assets, shares of a listed company and demand promissory note.

	1997 Rupees	1996 Rupees
<b>7. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		
Profit accrued on musharika finances obtained	249,101	-
Lease rentals received in advance	259,986	76,889
Accrued and other payables	772,497	2,713,463
Unclaimed dividend	758,723	790,408
	-----	-----
	2,040,307	3,580,760
	=====	=====

#### 8. OPERATING ASSETS IN OWN USE

DESCRIPTION	COST		As at 30 June 1997	ACCUMULATED DEPRECIATION AS AT 30 JUNE 1997	BOOK VALUE AS AT 30 JUNE 1997	DEPRECIATION Charge for the year	Rate %
	As at 01 July 1996	Additions/ (Deletions) during the year					
Vehicles	2,673,800	(920,000)	1,753,800	963,413	790,387	197,597	20
Computer and other office equipments	334,228	44,300	378,528	260,133	118,395	59,189	33.33
Furniture and fixtures	117,900		117,900	28,662	89,238	9,915	10
	-----	-----	-----	-----	-----	-----	-----
1997 Rupees	3,125,928	44,300 (920,000)	2,250,228	1,252,208	998,020	266,701	
	=====	=====	=====	=====	=====	=====	=====
1996 Rupees	3,044,160	84,068 (2,300)	3,125,928	1,375,588	1,750,340	457,126	
	=====	=====	=====	=====	=====	=====	=====

8.1 Mitsubishi Lancer (LOV-74) of book value Rupees 529,920 was sold for Rupees 460,000 to Mr. Abdul Shakoor through bidding.

#### 9. OPERATING ASSETS GIVE LEASE

DESCRIPTION	COST		As at 30 June 1997	ACCUMULATED AMORTIZATION AS AT 30 JUNE 1997	BOOK VALUE AS AT 30 JUNE 1997	AMORTIZATION CHARGE FOR THE YEAR
	As at 01 July 1996	Additions/ (Deletions) during the year				
Plant and machinery	98,200,000	-	98,200,000	24,841,478	73,358,522	13,471,958
Vehicles	18,103,251	2,142,333 (811,000)	19,434,584	9,228,953	10,205,631	4,548,517
Office equipments	2,402,700	240,000	2,642,700	859,674	1,783,026	466,074
	-----	-----	-----	-----	-----	-----
1997 Rupees	118,705,951	2,382,333 (811,000)	120,277,284	34,930,105	85,347,179	18,486,549
	=====	=====	=====	=====	=====	=====
1996 Rupees	94,088,876	25,194,400 (577,325)	118,705,951	16,552,361	102,153,590	13,558,313
	=====	=====	=====	=====	=====	=====

## 9.1 Detail of leased out assets disposed of during the year under reference:

DESCRIPTION OF ASSETS	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	SALE PROCEED	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
Suzuki Khyber	361,000	50.58	310,416	310,416	Insurance claim	EFU General Insurance Company Limited
Toyota Corolla	450,000	58.22	391,779	391,779	- do -	- do -

## 10. INVESTMENTS

	1997		1996	
	Cost Rupees	Market Value Rupees	Cost Rupees	Market Value
Shares/certificates of listed companies/fund (Note 10.1)	55,132,098	33,823,823	73,562,191	42,001,966
Less: Provision for the diminution in the value of investments	21,308,275	-	14,200,680	-
	-----	-----	-----	-----
	33,823,823	33,823,823	59,361,511	42,001,966
	=====	=====	=====	=====
Add: Certificates of unlisted fund <b>Fidelity Mutual Fund Limited</b> Nil (1996:496,500 ) fully paid certificates of Rupees 10 each	--	--	14,965,000	--
	-----	-----	-----	-----
	33,823,823	--	74,326,511	--
	=====	=====	=====	=====

10.1 SHARES/CERTIFICATES  
OF LISTED COMPANIES/FUNDS

	1997		AVERAGE COST PER SHARE Rupees	1996	
	Cost Rupees	Market Value Rupees		Cost Rupees	Market Value Rupees
Associated undertakings					
<b>D.G.Khan Cement Company Limited</b> 82,005 (1996: 82,005) fully paid ordinary of Rupees 10 each	4,912,515	1,000,400	59.91	4,912,815	1,148,070
<b>Nishat Mills Limited</b> 70,500 (1996:70,500 ) fully paid ordinary of Rupees 10 each	5,586,890	1,410,000	79.25	5,586,890	987,000
<b>Fidelity Investment Bank Limited</b> Nil (1996:65,000 ) fully paid ordinal/ shares of Rupees 10 each	--	--	39.04	2,537,676	448,500

1997

AVERAGE COST

1996



	Cost Rupees	Market Value Rupees	PER SHARE Rupees	Cost Rupees	Market Value Rupees
<b>Trust Leasing Corporation Limited</b>					
Nil (1996:147,000 ) fully paid ordinary shares of Rupees 10 each	--	--	45.38	6,671,746	955,500
<b>Muslim Commercial Bank Limited</b>					
465,500 (1996: 465,600) fully paid ordinary shares of Rupees 10 each	15,779,004	15,245,125	33.90	15,782,393	17,227,200
<b>Others</b>					
<b>First Leasing Corporation Limited</b>					
75,500 (1996: 152,600) fully paid ordinary shares of Rupees 10 each	1,274,018	641,750	16.87	2,574,695	1,678,600
<b>Union Bank Limited</b>					
Nil (1996:5,000 )fully paid ordinary shares of Rupees 10 each	--	--	33.65	168,260	65,500
<b>Karachi Electric Supply Corporation</b>					
Nil (1996:4,000 )fully paid ordinary shares of Rupees 10 each	--	--	36.86	147,470	147,000
<b>Sui Southern Gas Pipelines Limited</b>					
5,500 (1996: 5,000) fully paid ordinary shares of Rupees 10 each	173,130	156,750	31.48	181,000	161,250
<b>Kohinoor Power Limited</b>					
Nil (1996: 34,500) fully paid ordinary shares of Rupees 10 each	--	--	54.62	1,884,513	431,250
<b>ICI Pakistan Limited</b>					
136,000(1996:136,000 ) fully paid ordinary shares of Rupees 10 each	3,475,500	3,298,000	25.56	3,475,500	2,736,320
Nil (1996:1,399) fully paid ordinary shares of Rupees 10 each	--	--	35.39	49,522	19,236
<b>Fauji Fertilizer Company Limited</b>					
Nil (1996:5,000 ) fully paid ordinary shares of Rupees 10 each	--	--	86.24	431,240	452,500
<b>Maple Leaf Electric Company Limited</b>					
1,000,000 (1996:1,000,000 )fully paid ordinary shares of Rupees 10 each	20,000,000	9,250,000	20.00	20,000,000	9,250,000
<b>Adamjee Insurance Company Limited</b>					
Nil (1996:10,250) fully paid ordinary shares of Rupees 10 each	--	--	239.58	2,455,726	1,332,500
	<b>1997</b>		<b>AVERAGE COST</b>	<b>1996</b>	
	<b>Cost</b>	<b>Market Value</b>	<b>PER SHARE</b>	<b>Cost</b>	<b>Market Value</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>Faysal Bank Limited</b>					
11,000 (1996: 11,000) fully paid\ ordinary shares of Rupees 10 each	424,000	295,350	38.55	424,000	349,250
<b>Hub Power Company Limited</b>					
Nil (1996:60,000 ) fully paid ordinary shares of Rupees 10 each	--	--	37.07	2,224,250	2,058,000
<b>Kohinoor Weaving Mills Limited</b>					
10,000 (1996:10,000 ) fully paid ordinary shares of Rupees 10 each	205,505	100,000	20.55	205,505	50,000
<b>Kohinoor Industries Limited</b>					
Nil (1996:23,000 ) fully paid ordinary shares of Rupees 10 each	--	--	41.62	957,454	103,500
<b>Pakistan Telecommunication Company</b>					

Limited					
20,000 ( 1996:20,000 vouchers) fully paid ordinary shares of Rupees 10 each	862,000	613,000	43.10	862,000	785,000
<b>ICP (S.E.M.F) Mutual Fund</b>					
61,500 ( 1996:20,500) certificates of Rupees 10 each	2,339,570	1,722,000	38.04	1,929,570	1,517,000
<b>National Investment Trust Limited</b>					
6,675 (1996:6,675 ) units of Rupees 10 each	99,966	91,448	14.97	99,966	98,790
	-----	-----		-----	-----
	55,132,098	33,823,823		73,562,191	42,001,966
	=====	=====		=====	=====

**11. MORABAHA FINANCES-CONSIDERED GOOD**

These represent the morabaha finances provided under morabaha arrangements at specified profit margin. These finances are secured by pledge of shares, bank guarantee, personal guarantees, letters of hypothecation and demand promissory note.

	1997 Rupees	1996 Rupees
<b>12. OTHER RECEIVABLES</b>		
Profit on musharika finances	-	261,512
Profit on morabaha finances	408,364	454,521
Profit accrued on bank deposits	992,863	513,491
Lease rentals receivable	33,666,153	17,909,804
Income tax refundable	2,933,507	1,496,641
Due from management company	1,265,913	629,907
Sundry debtors	-	2,009,039
Short term prepayments	135,827	77,892
Advances to staff-Considered good	214,922	80,518
	-----	-----
	39,617,549	23,433,325
	=====	=====

**13. CASH IN HAND AND BANK BALANCES**

<b>Balances with banks</b>		
On current accounts	200,000	200,901
On PLS-Saving accounts	861,373	1,226,421
On deposit accounts	55,971,547	34,724,639
	-----	-----
	57,032,920	36,151,961
Cash in hand	12,745	840
	-----	-----
	57,045,665	36,152,801
	=====	=====

**14. OTHER INCOME**

Profit on bank deposits	7,652,037	5,444,189
Dividend income	797,240	695,848
Fees, commission, etc.	162,998	693,264
	-----	-----
	8,612,275	6,833,301
	=====	=====

	1997 Rupees	1996 Rupees
--	----------------	----------------

**15. OPERATING EXPENSES**

Salaries and other benefits (Note 15.1)	1,174,459	1,028,526
Legal and professional	493,506	871,312
Printing and stationery	248,335	641,584
Travelling and vehicle running	230,211	447,504
Fee, subscription and taxes	270,443	230,477
Postage, telephone and telexes	112,302	129,402
Advertisement	23,000	124,520
Auditors' remuneration (Note 15.2)	102,920	81,320
Zakat	11,682	9,169

Penalties levied by State Bank of Pakistan	32,625	-
Miscellaneous	127,769	141,343
Depreciation	18,753,250	14,015,439
	-----	-----
	21,580,502	17,720,596
	=====	=====

15.1 The aggregate amount charged in the accounts for the year for remuneration, including certain benefits to the officers/employees of modaraba is as under

Remuneration	598,741	552,135
House rent	269,435	248,575
Other allowances and perquisites	306,283	227,816
	-----	-----
	1,174,459	1,028,526
	=====	=====

#### 15.2 Auditor's remuneration

Audit fee	50,000	30,000
Fee for special audit under the instructions of State Bank of Pakistan	40,000	40,000
Out of pocket expenses	12,920	11,320
	-----	-----
	102,920	81,320
	=====	=====

15.3 Office space, utilities and related expenditures have been borne by the management company.

	1997 Rupees	1996 Rupees
<b>16. FINANCIAL AND OTHER CHARGES</b>		
Financial		
Profit on musharika finances	364,032	405,556
Bank charges and commission	110,331	3,633
	-----	-----
	474,363	409,189
Other		
Amortization of deferred cost	191,204	382,412
Loss on sale of fixed assets	69,920	2,300
Provision for diminution in the value of shares/certificates	16,645,707	11,116,676
	=====	=====
	17,381,194	11,910,577

#### 17. PROVISION FOR TAXATION

For the year		
Current	9,000,000	3,700,000
Deferred	-	1,800,000
	-----	-----
	9,000,000	5,500,000
Prior years		
Current	(1,009,340)	-
Deferred	(800,000)	-
	-----	-----
	(1,809,340)	-
	-----	-----
	7,190,660	5,500,000
	=====	=====

The modaraba has completed its three years of tax exemption period and two years at the reduced rate of 12.50 percent and is taxable at the rate of 25 percent under the Income Tax Ordinance, 1979. Provision for taxation for the year has been made accordingly.

#### 18. LEASE RENTALS RECEIVABLE WITHIN NEXT TWELVE MONTHS

1998 on the basis of lease FIRST to approximately Rupees 38.215 million (1996: Rupees 39.047 million).

#### 19. CORRESPONDING FIGURES

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

#### PATTERN OF CERTIFICATE HOLDINGS

Number of Certificate Holders	From Certificate	To Certificate	Total Certificate Held
886	1	100	65,557
1,052	101	500	274,101
1,159	501	1,000	919,054
2,139	1,001	5,000	4,336,717
293	5,001	10,000	2,099,077
95	10,001	15,000	1,115,575
41	15,001	20,000	731,912
33	20,001	25,000	717,653
16	25,001	30,000	440,272
12	30,001	35,000	386,059
10	35,001	40,000	369,361
12	40,001	45,000	506,328
4	45,001	50,000	188,540
5	50,001	55,000	263,900
2	55,001	60,000	116,180
2	60,001	65,000	123,820
4	65,001	70,000	271,478
1	70,001	75,000	71,040
0	75,001	80,000	0
2	80,001	85,000	167,700
2	85,001	90,000	173,497
0	90,001	95,000	0
1	95,001	100,000	96,700
1	100,001	105,000	104,850
0	105,001	120,000	0
1	120,001	125,000	120,400
1	125,001	130,000	125,090
0	130,001	155,000	0
1	155,001	160,000	158,322
0	160,001	175,000	0
1	175,001	180,000	177,640
0	180,001	230,000	0
1	225,001	230,000	228,160
0	230,001	390,000	0
1	390,001	395,000	393,186
0	395,001	830,000	0
1	830,001	835,000	831,299
0	835,001	875,000	0
1	875,001	880,000	875,431
0	880,001	2,085,000	0
1	2,085,001	2,090,000	2,087,500
0	2,090,001	2,095,000	0
1	2,095,001	2,100,000	2,097,000
-----	-----	-----	-----
5,782	TOTAL		20,633,399
=====	=====	=====	=====

#### CATEGORIES OF CERTIFICATE HOLDERS

Category Code	Description	Number of Certificate holders	Certificates Held	Percentage of T. Capital.
1.	Individuals	5,715	12,281,947	59.53
2.	Investment Companies	10	1,048,901	5.08
3.	Insurance Companies	3	1,038,253	5.03
4.	Joint Stock Companies	8	591,229	2.87
5.	Financial Institutions	6	2,378,660	11.53
6.	Modaraba Companies	5	199,030	0.96
7.	Foreign Investors	1	177,640	0.86
8.	Others	11	51,895	0.25
9.	Sponsors	23	2,865,844	13.89
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	Total	5,782	20,633,399	100.00
=====	=====	=====	=====	=====