

Annual Report 1996

ASIAN LEASING CORPORATION LTD.

COMPANY INFORMATION

Board of Directors :

Mr. Mohammad Aslam Khan	Chairman
Mr. Mohammad Zafamllah Khan	Director
Dr. Iftekhhar A. Khan	Director
Mr. Khalid Iqbal	Director
Syed Ghulam Abbas	Director
Mrs. Roohi Raees Khan	Director
Mr. Muhammad Bashir Chaudhry	Director
Syed Manzar Alam	Director
Mr. Khalid Niaz Khawaja	Director/Chief Executive Officer

Company Secretary :

Mr. Ahsan Iqbal (ACA)

Bankers to the Company:

Allied Bank of Pakistan Limited
Al Baraka Islamic Investment Bank Limited
Al Faysal Investment Bank Limited
Al-Towfeek Investment Bank Limited
Bank of Punjab
Crescent Investment Bank Limited
Faysal Bank Limited
Fidelity Investment Bank Limited
Habib Bank Limited
Indus Bank Limited
Muslim Commercial Bank Limited
National Development Finance Corporation
Prime Commercial Bank Limited
Prudential Commercial Bank Limited
United Bank Limited

Auditors :

Ford, Rhodes, Robson, Morrow
Chartered Accountants

Legal Advisor:

Mr. Masood Javaid
Advocate, Supreme Court of Pakistan

Registrars and Share Transfer Office:

Noble Computer Services (Private) Ltd.
1st Floor, Al-Mansoor Building,
Dr. Ziauddin Ahmed Road, Karachi.

Registered Office 8: Head Office :

85-B, Gulberg (Jail) Road,
LAHORE- 54000
Tel 7584417, 7584381
7584247, 7573766, 7578836
Tlx 44013 ALC PK.
Fax (042) 7584418

Branch Office :

204-Clifton Centre

Khayaban-e-Roomi, Clifton, Karachi.

Tel : 5835936, 5866095

Fax: 5873573

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the TENTH ANNUAL GENERAL MEETING OF ASIAN LEASING CORPORATION LIMITED will be held on Thursday 26th December, 1996 at the registered office of the Company, i.e. 85-B, Gulberg (Jail) Road, Lahore at 9.00 a.m. to transact the following business:

1. To confirm the minutes of Extra Ordinary General Meeting of the Company held on 30th June, 1996.
2. To receive, consider and adopt the audited accounts for the period of eighteen months ended June 30, 1996 together with the Directors' and Auditors' reports thereon.
3. To declare cash dividend @ Rs. 1.00 per share (10%) as recommended by the Board of Directors.
4. To appoint Auditors and fix their remuneration. The present Auditors, Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

AHSAN IQBAL

CORPORATE SECRETARY

NOTES:

1. The Register of Members of the Company will remain closed from 21st December, 1996 to 27th December, 1996 (both days inclusive) and no transfer of shares will be made during the period the register is closed.
2. A member entitled to attend and vote at the General Meeting is entitled to appoint one person as his proxy to attend and vote on his behalf.
3. Instrument appointing proxy and the power of attorney or other authority under which it is signed or a naturally certified copy of the power or authority must be deposited at the registered office of the Company atleast 48 hours before the time of the meeting.
4. Shareholders are requested to notify any change in address immediately.

DIRECTORS' REPORT TO THE MEMBERS

The Board of Directors have pleasure in presenting their report together with audited accounts of your Company for a period of eighteen months from January 1995 to June 1996. To comply with the requirements of Finance Act, 1995, your Company has changed its accounting year from calendar to fiscal:

FINANCIAL RESULTS

The financial results of the Company for the period under review are summarised as follows:

	(Rupees)
Revenue	135,973,224
Expenditure	103,803,894
Profit before taxation	32,169,330
Provision for taxation	19,400,000
Profit after taxation	12,769,330
Un-appropriated profit brought forward	84,413
Transfer from General Reserve	154,523
Profit available for appropriation	13,008,266

Appropriations

- Transfer to Special Reserve	2,553,866
- Proposed dividend	10,454,400
- Un-appropriated profit carried forward	-

DIVIDEND

Your company believes in sharing its profits with its shareholders and in view of this policy, the Board of Directors have recommended a cash dividend @ Re. 1.00 per share (10%) for the period under review.

REVIEW OF OPERATIONS

Despite unfavorable economic scenario, continued recession in the economy and constraints faced in resource mobilization during the period under review, Asian Leasing Corporation Limited maintained its total portfolio of net investment in lease finance and disbursed Rs. 224.21 million including Rs. 176.32 million from July, 1995 to June, 1996 as against Rs. 163.36 million in 1994 - an overall increase of 37.25% and generated Revenue of Rs. 135.97 million including Rs. 90.47 million from July, 1995 to June, 1996 as against Rs. 91.50 million in 1994 - an overall increase of 48.60%.

Profit after tax for the period under review registered a fall of Rs. 9.99 million as compared to that of year 1994 due to the impact of heavy taxation and the reduction in cushion available between average rate of return on lease financing and rate of mark-up on loans. Profit before tax for the period under review recorded a growth of 19.35% at Rs. 32.17 million including Rs. 19.56 million from July, 1995 to June, 1996 as against Rs. 26.95 million in 1994. Management kept a strict control on the overall expenditure of the company. However, as a result of increase in salaries and benefits to staff, raise in mark-up rates on the financial facilities given by the lending agencies and high inflation in the economy, financial charges and administrative expenses increased by Rs. 35.30 million (59.35%) during the period of eighteen months as against expenses of Rs. 59.48 million during the year 1994.

Your company has followed a balanced and prudent policy to build up a quality and diversified portfolio of lease financing. The sector-wise and asset-wise disbursement of lease portfolio of the company are as under:

SECTOR-WISE PORTFOLIO

Sector	Percentage
Spinning	14.58%
Weaving	6.86%
Knitting	7.94%
Textile Composite	487%
Sugar	5.04%
Cement	1235%
Engineering	14.98%
Energy, Oil & Gas	3.42%
Financial Institutions	0.59%
Chemical	11.46%
Leather	2.28%
Construction	2.82%
Service	2.20%
Others	10.61%
-----	-----
TOTAL	100.00%
=====	=====

ASSET-WISE PORTFOHO

TYPE OF ASSETS	PERCENTAGE
Machinery	84.40%
Vehicle	12.86%
Equipment	162%
Computer	1.12%
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TOTAL

100.00%

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The company has managed to keep a balance of all important sectors of industry in disbursement and also made investment in such items which are necessary for the increase of productivity of the industrial sector.

RESOURCE MOBIHIZATION

Inspite of increased competition in the field of resource mobilization and tight conditions prevailing in the capital market due to micro and macro economic factors, your company has managed to get credit lines of nearly Rs. 100 million from the Local Financial Institutions during the period under review.

Most of the funds available from financial institutions have short term maturity and, in such circumstances, fund generation through Certificates of Investments (COIs) has become increasingly important and the ability of a company to issue its own COIs would lower currently high cost of borrowings thereby increasing margins which would ultimately lead to higher profitability. Your company has been quite successful in mobilizing funds through the COIs in an environment where every nationalized and private bank, investment banks, development financial institutions, non-banking financial institutions and even the Government itself is trying to attract investors by offering increased returns. COIs which were launched in 1994 continued to be a success and a strategy has been devised to intensify efforts by concentrating on potential market for deposits. Management is confident that in future scheme of COIs will prove to be a useful source of funds.

The company is grateful to the following financial institutions who have helped or are helping in extending facilities to the company and without their assistance the progress as above could not be possible.

- Asian Development Bank
- National Development Finance Corporation
- Crescent Investment Bank Limited
- Faysal Bank Limited
- AI-Faysal Investment Bank Limited
- Allied Bank of Pakistan Limited
- Fidelity Investment Bank Limited
- Muslim Commercial Bank Limited
- AI-Towfeek Investment Bank Limited
- Saudi Pak Agricultural and Investment Co. (Pvt) Ltd.
- Prudential Commercial Bank Limited

FUTURE PROSPECTS

State Bank of Pakistan has made it mandatory for Non-Banking Financial Institutions to maintain a cash reserve of 1% of its liabilities. No return is paid on this deposit. Further, requirement for maintaining liquidity has also been enhanced from 15% to 19% from December 31, 1996. These steps will have a negative impact on cost of funds of leasing companies.

The Finance Act, 1996 has introduced central excise duty for services rendered in respect of leasing. This will not only increases the cost of leasing of assets but also increases administrative cost for the lessor in recovering excise duty from the lessee.

The growth for 1996-97 is expected to be affected and we have set ourselves realistic budgetary targets keeping in view the socio-economic conditions of the country. We expect the conditions to improve in near future and look forward for the better results.

DIRECTORS

During the period under review, members of the company, at the Extra-ordinary General Meeting held on June 30, 1996, approved the increase in the number of directors on the Board and consequently, Syed Manzar Alam, Nominee of NIT was elected as a director of your company. The directors welcome Mr. Manzar Alam on the Board and are hopeful of benefiting from his guidance and suggestions as a Director.

AUDITORS

The auditors Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and being eligible offer themselves for re-appointment.

PATTERN OF SHAREHOLDING

The pattern of Shareholding as of June 30, 1996 is enclosed.

ACKNOWLEDGEMENT

The company is thankful to the authorities of the State Bank of Pakistan, Corporate Law Authority and our valuable clients, financial institutions and shareholders for their continued support and co-operation. An appreciation is also placed on record for the dedication, commitment and hard work put in by the staff of the Company.

In the last the Board thank all concerned agencies once again who helped, patronised and assisted in our progress; particularly, I record my appreciation in favour of the management of NDFC for their all-out support.

ON BEHALF OF THE BOARD

(KHALID NIAZ KHAWAJA)
CHIEF EXECUTIVE

PATTERN OF SHARE HOLDINGS AS AT JUNE 30, 1996

Shareholding

Number of Shareholders	From	To	Total Shares Held
291	1	100	14,141
33	101	500	77,881
138	501	1000	99,477
328	1001	5000	603,805
44	5001	10000	297,279
6	10001	15000	67,057
2	15001	20000	35,738
3	20001	25000	65,052
1	25001	3000	26,136
1	40001	45000	41,817
1	50001	55000	52,272
1	55001	60000	57,306
2	65001	70000	134,489
1	70001	75000	72,600
1	80001	85000	81,416
1	100001	105000	104,544
1	120001	125000	121,000
1	135001	140000	139,800
1	140001	145000	143,244
1	245001	250000	249,284
2	260001	265000	522,720
3	520001	525000	1,568,160
1	565001	570000	569,329
1	2610001	2615000	2,613,600
1	2695001	2700000	2,696,253
-----			-----
1,166		TOTAL	10,454,400
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There is no Shareholding falling in the slab which have not been included above.

CATEGORIES OF SHAREHOLDERS AS AT 31ST DECEMBER, 1994

Categories of Shareholders	Number	Shares Held	Percentage
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1. INDIVIDUALS	1,145	3,624,287	34.668
2. INVESTMENT COMPANIES	5	254,185	2.431
3. INSURANCE COMPANIES	2	611,146	5,846
4. JOINT STOCK COMPANIES	9	362,422	3.47
5. FINANCIAL INSTITUTIONS	3	5,382,453	51.49
6. MODARABA COMPANIES	4	104,038	0.995
7. FOREIGN INVESTORS	-	-	-
8. CO-OPERATIVE SOCIETIES	2	112,733	1.078
9. CHARITABLE TRUSTS	1	3,136	0.030
10. OTHERS	-	-	-
	-----	-----	-----
TOTAL	1,166	10,454,400	100.00
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Asian Leasing Corporation Limited as at June 30, 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 eighteen months 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 accounts 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 June 30, 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 Usher Ordinance, 1980, was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

FORD, RHODES, ROBSON, MORROW
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1996

	Notes	June 30 1996 Rupees	December 31 1994 Rupees
Tangible fixed assets	4	4,495,434	4,908,929
Investment in lease finance			
Lease payments receivable		501,660,101	521,961,765
Residual value		77,223,219	62,904,075

Gross lease payments receivable	578,883,320	584,865,840
Less: Unearned mark-up	112,768,230	122,729,716
	466,115,090	462,136,124
Less: Bad debts written off	(4,191,735)	-
Net investment in lease finance	461,923,355	462,136,124
Less: Current maturity	(191,375,952)	(166,869,521)
	(2,569,681)	(4,117,791)
	267,977,722	291,148,812
Long term investments	5 5,888,000	4,052,500
Long term finances	6 5,489,243	19,319,469
Deferred costs	7 2,183,864	1,841,724
	286,034,263	321,271,434
Current assets		
Current portion of net investment in lease finance	191,375,952	166,869,521
Short term finances	8 16,954,204	22,356,426
Advances, deposits, prepayments and other receivables	9 18,169,876	21,043,139
Cash and bank balances	10 27,080,252	47,185,178
	253,580,284	257,454,264
Current liabilities	11 (165,058,900)	(141,583,396)
Working capital	88,521,384	115,870,868
Total capital employed	374,555,647	437,142,302
Less: Long term and deferred liabilities		
Long term loans - secured	12 150,204,299	227,923,046
Marginal deposits on lease arrangements	77,710,965	65,993,803
Customers' deposits - COIs	13 3,600,000	2,500,000
Provision for gratuity	55,085	55,085
	231,570,349	296,471,934
Net capital employed	142,985,298	140,670,368

	June 30	December 31
Notes	1996	1994
	Rupees	Rupees

REPRESENTED BY
Share capital

14 104,544,000 86,400,000

Reserve & Surplus

- Special Reserve
- General Reserve
- Reserve for issue of bonus shares
- Unappropriated profit

15 7,104,821 4,550,955
 16 31,336,477 31,491,000
 17 -- 18,144,000
 -- 84,413

		38,441,298 54,270,368
CONTINGENCIES AND COMMITMENTS	27	-- --

		142,985,298 140,670,368
		=====

The annexed notes form and integral part of these accounts,

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD 1995 TO JUNE 30, 1996

	Notes	Eighteen months ended June 1996 Rupees	Year ended December 31 1994 Rupees
REVENUE			
Income from lease operations	18	113,017,336	75,651,760
Mark-up income	19	21,886,231	15,321,941
Other income	20	1,069,657	528,038
		-----	-----
		135,973,224	91,501,739
EXPENDITURE			
Direct cost of leases	21	175,654	143,890
Financial Charges	22	79,709,257	50,674,470
Administrative and operating expenses	23	15,068,325	8,805,111
Depreciation	4	1,533,005	1,115,147
Deferred costs-Amortised	7	1,528,537	947,513
Bad debts written off		9,663,938	--
Provision for doubtful receivables		(3,874,822)	2,860,832
		-----	-----
		103,803,894	64,546,963
Profit before tax		32,169,330	26,954,776
Taxation	24	19,400,000	4,200,000
		-----	-----
Profit after tax		12,769,330	22,754,776
Unappropriated profit brought forward		84,413	24,592
Transfer from general reserve		154,523	--
		-----	-----
Profit available for appropriation		13,008,266	22,779,368
Appropriations -			
Transfer to Special reserve		2,553,866	4,550,955
Transfer to Reserve for Issue of Bonus Shares-		--	18,144,000
Proposed dividend		10,454,400	--
		-----	-----
		13,008,266	22,694,955
Unappropriated profit carried forward		--	84,413
		=====	=====

The annexed notes form an integral part of these accounts.

STATEMENT OF SOURCES AND APPHCATION OF FUNDS

FOR THE PERIOD FROM JANUARY 01, 1995 TO JUNE 30, 1996

1996	1994
Rupees	Rupees

CASH FLOW FROM OPERATING ACTIVITIES

Net profit after taxation	12,769,330	22,754,776
Adjustment for:		
Depreciation	1,533,005	1,115,147
Amortisation of deferred costs	1,528,537	947,513
(Profit/Loss on sale of fixed assets	(159,468)	(289)
Bad debts written off	9,663,938	--
Provision for doubtful receivables	(3,874,822)	2,860,832
Provision for gratuity - Net	--	(3,333)
	8,691,190	4,919,870
Operating profit before working capital changes	21,460,520	27,674,646
(Increase)/decrease in:		
Short term finances (other than provision for doubtful and current portion)	15,680,939	7,073,591
Advances, deposits, prepayments and other receivables (other than provision for doubtful)	(485,252)	(6,875,925)
	15,195,687	197,666
Increase/(Decrease) in:		
Current liabilities (other than current maturity of long term loan and dividends)	(19,847,120)	35,325,514
NET CASH FROM OPERATING ACTIVITIES	16,809,087	63,197,826
	1996	1994
	Rupees	Rupees
Brought forward	16,809,087	63,197,826
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(1,689,992)	059,043)
Sale proceeds of fixed assets	729,950	201,677
Deferred costs	(1,870,677)	(415,512)
Net investment in lease finance recovered	220,235,033	109,456,319
Net investment in lease finance provided	(224,213,991)	(163,357,735)
Marginal deposits on lease arrangements received	28,905,333	15,549,896
Marginal deposits on lease arrangements repaid	(16,620,343)	(5,050,052)
Long term investments	(1,835,500)	(3,752,500)
Long term finances	3,196,706	(22,149,486)
Net Cash used in Investing Activities	6,836,511	(69,976,436)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends		
Long term loans	99,069,520	110,947,258
Customers' deposits - COIs	6,650,000	(11,800,000)
Repayment of long term loans	(149,470,044)	(70,070,491)
Net cash used in financing activities	(43,750,524)	29,076,767
Net increase/(decrease) in cash and cash equivalents	(20,104,926)	22,298,157
Cash and bank balances at the beginning of the period	47,185,178	24,887,021

Cash and bank balances at the end of the period

27,080,252 47,185,178

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NOTES TO THE ACCOUNTS**FOR THE PERIOD ENDED JUNE 30, 1996****1. THE COMPANY AND ITS OPERATIONS**

The company is a public limited company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Company is engaged in the business of lease financing.

2. COMPLIANCE WITH I A S

These accounts comply with International Accounting Standards in all material respects.

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

The financial statements are prepared under the historical cost convention.

3.2 Tangible fixed assets and depreciation

Fixed assets for own use are stated at cost less accumulated depreciation, Depreciation on these assets is calculated applying the straight line method whereby the cost of assets is written off over estimated useful lives.

A full one year depreciation is charged in the year of addition and no depreciation is charged in the year of deletion.

Repairs and maintenance costs are expensed out as and when incurred, however, major betterments are capitalised.

3.3 Deferred costs

These costs are to be written off over a period of five years from the year of incurrence.

3.4 Taxation

Current tax provision is based on profits as adjusted for tax purposes after taking into account all available allowances and credits.

The company determines deferred tax on all major timing differences using the liability method (Note: 24)

3.5 Revenue recognition

The company recognises all "sale and lease back" and "direct leases" as finance leases. Accordingly, the excess of aggregate lease rentals over the net investments in the cost of leased assets is deferred and amortised to income over the term of the lease according to the annuity method. Front end fees (project examination fees) are taken to income on receipt basis while commitment fees are recorded on accrual basis. Other income is accounted for when it becomes receivable.

3.6 Foreign currency translation

Transactions in foreign currencies are accounted for at the rates prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated at the rate of exchange prevailing on the balance sheet date except for foreign currency loans registered under the Exchange Risk Cover Scheme of the Government of Pakistan which are, if any, recorded at the rate prevailing on the date of disbursement. Exchange difference, if any, arising from translation at year end rates is taken to profit and loss account.

3.7 Staff retirement benefits

The company had established an unfunded gratuity scheme for all permanent employees upto March, 1992 whereafter the scheme of Recognized Provident Fund has been introduced in place of gratuity scheme under a trust established for this purpose.

3.8 Provision for doubtful receivables

The company make a provision for doubtful receivables equivalent to 2% (1994: 2%) of net lease receivables, including advances against leases and long/short term finances, in pursuance to loan conditions of Asian Development Bank (Note: 12.5).

Provision for doubtful receivables is made at the higher of SBP's Rules of Business (Prudential Regulations) or 2% as specified by Asian Development Bank on an aggregate basis.

3.9 Long term investments

These are stated at cost.

4. TANGIBLE FIXED ASSETS

These are for company's own use:-

	C O S T			
	To December 31, 1994	Additions / (Deletions)	To June 30, 1996	
Building - freehold	2,430,520	-	2,430,520	
Leasehold improvements	689,651	-	689,651	
Air-conditioning plant and electric installations	815,330	-	815,330	
Furniture & fixtures	767,113	6,000	773,113	
Office machines and equipments	1,059,880	877,050 (75,850)	1,861,080	
Vehicles	3,321,861	806,942 (1,086,589)	3,042,214	
	-----	-----	-----	
	Rupees	9,084,355	1,689,992 (1,162,439)	9,611,908
		=====	=====	=====
1994	Rupees	8,883,451	459,043 (258,139)	9,084,355
		=====	=====	=====

DEPRECIATION

	Accumulated Book Value			
	Depreciation as at		Charge for the period	Rate %
June 30, 1996	June 30, 1996			
Building - freehold	546,867	1,883,653	182,289	5
Leasehold improvements	517,260	172,391	81,655	15
Air-conditioning plant and electric installations	649,266	166,064	78,659	15
Furniture & fixtures	451,160	321,953	115,328	10
Office machines and equipments	876,924 (34,992)	1,019,148	331,182	15
Vehicles	2,666,954 (556,965)	932,225	743,892	20
	-----	-----	-----	
	Rupees	5,708,431	4,495,434	1,533,005
		=====	=====	=====
1994	Rupees	4,232,177	4,908,929	1,115,147
		=====	=====	=====

4.1 Detail of fixed assets sold during the year

Particulars	Cost	Accumulate Depreciati	Book Value	Sale Proceeds
Office Machines & Equipments				
Paktel Set	53,850	20,142	33,708	6,500
Printer Seikosha	22,000	14,850	7,150	7,000
Motor Vehicle				
Motorcycle	28,848	28,847	1	26,000
Radio/Tape Suzuki	6,800	2,040	4,760	5,450
Toyota Corolla	1,049,725	524,862	524,863	685,000
Bicycle	1,216	1,216	-	-
Rupees	1,162,439	591,957	570,482	729,950

Particulars	Profit/ (Loss)	Mode of sale	Particulars of purchaser
Office Machines & Equipments			
Paktel Set	(27,208)	Negotiation	Dar International (Pvt) Ltd.
Printer Seikosha	(150)	Negotiation	Electrich Township, Lahore.
Motor Vehicle			
Motorcycle	25,999	Lost due to theft	Claim received from Adamjee Insurance Co. Ltd.
Radio/Tape Suzuki	690	Lost due to theft	Claim received from Adamjee Insurance Co. Ltd.
Toyota Corolla	160,137	Lost due to theft	Adamjee Insurance Co. Ltd.
Bicycle	-	Lost due to theft	
Rupees	159,468		

	1996 Rupees	1994 Rupees
5. LONG TERM INVESTMENTS		
Government securities		
Federal Investment Bonds (Note: 5.1)	4,800,000	4,052,500
Listed companies		
Muslim Commercial Bank Ltd. (Note: 5.2)	588,000	-
Lease Pak Limited (Note: 5.3)	500,000	-
	-----	-----
	5,888,000	4,052,500
	=====	=====

5.1 These investments have been made to comply with SBP's Rules of Business (Prudential Regulations) for Non-Banking Financial Institutions. FIBs have face value of Rs. 4,800,000 (1994: Rs. 4,100,000) and maturity period range from three to ten years. The mark-up receivable ranges from 13% to 15% per annum.

5.2 This consists of 11,800 (1994: Nil) shares of Rs. 10/- each in Muslim Commercial Bank Limited including 1,800 bonus shares of Rs. 10/- each. The market value of these shares as on balance sheet date was Rs. 421,850. No provision for diminution in value of investment has been made in view of holding it on long term basis.

5.3 This consists of 50,000 (1994: Nil) shares of Rs. 10/- each in Lease Pak Limited. The market value of these shares as on balance sheet date was Rs 195,000. No provision for diminution in value of investment has been made in view of holding it on long term basis.

	1996 Rupees	1994 Rupees
6. LONG TERM FINANCES - SECURED		
Morabaha finances		
Less: Current portion (Note: 8)	18,952,780	22,149,486
	(13,463,537)	(2,830,017)
	-----	-----
	5,489,243	19,319,469
	=====	=====

These have been rescheduled from short to long term finances. Rescheduled resale price has been fixed at Rs. 34,033,705 repayable within two to four years. These are secured by demand promissory notes and personal guarantees of the directors of the respective loanee companies. Particulars are as follows:

Borrowers

Bilal Fibres Ltd.	12,556,753	12,904,658
Sohail Textiles Mills Ltd.	6,396,027	9,244,828
	-----	-----
	18,952,780	22,149,486
	=====	=====

7. DEFERRED COSTS

	Loan negotiation expenses Rupees	Share issue expenses Rupees	Total 1996 Rupees	Total 1994 Rupees
Opening balance	1,617,860	223,864	1,841,724	2,373,725
Add: Incurred during the period	1,705,084	165,593	1,870,677	415,512
Less: Amortised during the period	(1,383,396)	(145,141)	(1,528,537)	(947,513)
	-----	-----	-----	-----
	1,939,548	244,316	2,183,864	1,841,724
	=====	=====	=====	=====

	1996	1994
	Rupees	Rupees
8. SHORT TERM FINANCES - SECURED		
Short term morabaha finances	6,345,470	22,026,409
Less: Bad debts written off	(2,500,000)	--
	-----	-----
	3,845,470	22,026,409
Add: Current portion of long term morabaha finances (Note: 6)	13,463,537	2,830,017
	-----	-----
	17,309,007	24,856,426
Less: Provision for doubtful finances	(354,803)	(2,500,000)
	-----	-----
	16,954,204	22,356,426
	=====	=====

These have been provided under morabaha agreements with aggregate resale price of Rs. 18,437,600 (1994: Rs. 38,180,795) repayable within one year. These are secured by demand promissory notes and personal guarantees of the directors of the respective loanee companies.

**9. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Advances to employees	687,221	645,277
Advance to Chief Executive (Note: 9.1)	349,061	410,820
Exchange rate difference recoverable from State Bank of Pakistan	273,909	10,327,039
Advance for purchase of shares	-	500,000
Deposits	30,125	45,125
Prepayments	278,023	520,488
Accrued income (Note: 9.2)	7,604.57	8,312,678
Other receivables	8,946,972	281,712
	-----	-----
	18,169,876	21,043,139
	=====	=====

9.1 This includes the unpaid mark-up of Rs. 118,241 and the balance of loan of Rs. 230,820 due from the Chief Executive which is interest fee. Monthly deduction of Rs. 10,000 is made out of the salary.

The loan is secured against equitable mortgage of property and is approved by the CLA

	1996	1994
	Rupees	Rupees
9.2 Accrued income		
Long term investment	174,828	232,512
Bank deposits	2,211,967	2,303,172
On lease operations	10,510,305	9,715,426
On morabaha finances and advances	3,007,190	1,051,609
	-----	-----
	15,904,290	13,302,719
Less: Bad debts - income		
Lease operations	2,345,940	--
Morabaha finances	1,145,260	--
	-----	-----
	3,491,200	--
Provision against doubtful income		
Lease operations	3,226,325	4,083,118
Morabaha finances	1,582,200	906,923

8,299,725	4,990,041
7,604,565	8,312,678
=====	=====

10. CASH AND BANK BALANCES

On deposit accounts	17,001,827	38,784,567
On current accounts (Note: 10.1)	10,020,786	8,319,030
Cash in hand	57,639	81,581
	-----	-----
	27,080,252	47,185,178
	=====	=====

10.1 It includes an interest free deposit of Rs. 509,950 maintained with State Bank of Pakistan under Rule 6 of SBP's Rules of Business (Prudential Regulations) for Non-Banking Financial Institutions.

11. CURRENT LIABILITIES

Current maturity of long term loans (Note: 12)	111,972,050	84,653,826
Current portion of customers' deposits - COIs (Note: 13)	16,250,000	10,700,000
Short term loans - secured (Note: 11.1)	7,500,000	15,000,000
Accrued liabilities	338,942	291,160
Mark-up accrued on secured loans	4,643,292	25,106,589
Mark-up accrued on Certificates of Investment	399,215	1,458,780
Provision for taxation	13,467,542	4,351,627
Central Excise duty payable	11,714	-
Others	1,395	1,064
Dividends (Note: 11.2)	10,474,750	20,350
	-----	-----
	165,058,900	141,583,396
	=====	=====

11.1 Short term loan has been obtained from AI Towfeeq Investment Bank Limited under a Morabaha agreement. The sale price of Rs. 7,500,000 has a repurchase price of Rs. 8,406,550 which is repayable in four quarterly instalments starting from August 08, 1996.

The loan is secured against pari passu charge on assets of the company to the extent of Rs. 8.407 million and assignment of rentals receivable by the company.

	1996	1994
	Rupees	Rupees
11.2 Dividends		
Unclaimed dividends	20,350	20,350
Proposed dividend	10,454,400	-
	-----	-----
	10,474,750	20,350
	=====	=====

12. LONG TERM LOANS - SECURED

National Development Finance Corporation -

Loan No. 3 (Note: 12.1)	-	7,500,000
Loan No. 4 (Note: 12.2)	10,000,000	17,500,000
Loan No. 5 (Note: 12.3)	16,363,636	-
Loan No. 6 (Note: 12.4)	25,000,000	-

Asian Development Bank -

Loan No. 1 (US\$ 1,500,000) (Note: 12.5)	16,796,261	33,592,520
Loan No. 2 (US\$ 1,166,670) (Note: 12.6)	15,508,550	27,139,829
Loan No. 3 (US\$ 5,833,334) (Note: 12.7)	113,291,327	161,844,524

Crescent Investment Bank Ltd.		
Loan No. 1 (Note 12.9)	4,999,997	14,999,999
Loan No. 2 (Note 12.10)	8,333,334	-
Loan No. 3 (Note 12.11)	9,166,667	-
Al-Faysal Investment Bank Limited (Note: 12.8)	9,534,761	-
Allied Bank of Pakistan Ltd. (Note 12.12)	15,000,000	30,000,000
Fidelity Investment Bank Ltd. (Note: 12.13)	9,999,998	20,000,000
Muslim Commercial Bank Ltd. (Note: 12.14)	8,181,818	-
	-----	-----
	262,176,349	312,576,872
Less: Current Maturity (Note: 11)	111,972,050	84,653,826
	-----	-----
	150,204,299	227,923,046
	=====	=====

12.1 N.D.F.C. Loan No. 3

The loan was obtained under a sale and repurchase agreement for financing the leasing operations of the company.

The sale price of Rs. 20,000,000 had a repurchase price of Rs.30,425,907 which was repayable in 8 equal half-yearly instalments commencing from December 31, 1992.

The payment of the repurchase price was secured by an agreement to (a) create a floating charge on the undertaking and all properties and assets of the company, (b) pledge/hypothecation of all fixed assets, book debts and benefits of the contracts for supply of goods for the purposes of business and (c) demand promissory note. The loan was fully repaid during the period.

12.2 N.D.F.C. Loan No. 4

The loan has been obtained under a sale and repurchase agreement for financing the leasing operations of the company,

The sale price of Rs. 20,000,000 has a repurchase price of Rs. 31,509,608 which is repayable in 8 equal half-yearly instalments commencing from August 08, 1994.

The payment of the repurchase price is secured by an agreement to (a) mortgage of immovable properties including building, plant, machinery and equipment and replacements thereof and additions thereto plus other properties as N.D.F.C. may determine, (b) create a floating charge on the business, undertaking and all properties and assets of the company, (c) pledge/hypothecation of all fixed assets, book debts. and benefits of contracts for supply of goods for the purposes of business, (d) hypothecation of assets acquired by the company from the finance provided by N.D.F.C. and (e) demand promissory note.

12.3 N.D.F.C. Loan No. 5

The loan has been obtained trader a sale and repurchase agreement for financing the leasing operations of the company.

The sale price of Rs. 20,000,000 has a repurchase price of Rs. 27,380,540 which is repayable in 11 equal quarterly instalments commencing from January 02, 1996.

The payment of the repurchase price is secured by way of (a) hypothecation charge on the entire assets and undertakings of the company, (b) mortgage charge on all the present and future fixed assets of the company and (c) demand promissory note. The charge so created shall rank pari passu with all other existing loan creditors.

12.4 N.D.F.C. Loan No. 6

This loan has been obtained under a sale and repurchase agreement for financing the leasing

operations of the company.

The sale price of Rs. 25,000,000 has a repurchase price of Rs. 33,937,900 which is repayable in 6 equal half-yearly instalments commencing from November 26, 1996.

The payment of the repurchase price is secured by way of (a) hypothecation charge on the entire assets and undertakings of the company, (b) mortgage charge on all the present and future fixed assets of the company and (c) demand promissory note and personal guarantees of the Chairman.

12.5 A.D.B. Loan No. 1

This represents the balance of a loan of US\$ 3,000,000 sanctioned by Asian Development Bank for financing of lease operations.

The loan carries interest at the rate of 10.8% p.a. payable semi-annually on 15th June and 15th December in each year.

The loan is repayable in 12 equal semi-annual instalments of US\$ 250,000 each commencing on June 15, 1992.

The loan is secured by (i) a pari-passu floating charge on the leased assets purchased out of the proceeds of the loan, (ii) hypothecation of moveable assets and receivables of the company and (iii) demand promissory note.

The conditions of the loan agreement requires the company to, inter alia, maintain (i) a debt equity ratio not exceeding 10:1, (ii) a debt service coverage ratio equalling or exceeding 1.25:1, (iii) a provision for doubtful accounts equivalent to 2% of the total risk assets as defined in the agreement and (ix,) not to distribute more than 60% of the unrestricted after tax profits of any year.

12.6 A.D.B. Loan No. 2

This represents the balance of a loan of US\$ 2,000,000 sanctioned by Asian Development Bank for financing of lease operations.

The loan carries interest at the rate of 1.5% p.a. above labor, payable semi-annually on 15th June and 15th December in each year.

The loan is repayable in 11 equal semi-annual instalments of US\$ 166,666 each commencing on December 15, 1992 and one final instalment of US\$ 166,674.

Other conditions of security and financial restriction are the same as of Loan No. 1. 23

12.7 A.D.B. Loan No. 3

This represents the balance of a loan of US\$ 7,000,000 sanctioned by Asian Development Bank for financing of lease operations.

The loan carries interest at the rate of 9.4% per annum, payable semi-annually on 15th June and 15th December in each year.

The loan is repayable in 11 equal semi-annual instalments of US\$ 583,333 each commencing on June 15, 1994 and one final instalment of US\$ 583,337.

Other conditions of security and financial restrictions are the same as in Loan No. 1 except financial restrictions as extended by (v) to maintain, at all times, a current ratio equal to at least 1.25:1 and (vi) to maintain, at all times, in cash or Government Securities an amount equal in value at least 10% of the principal amount of outstanding Certificates of Investment.

12.8 Al-Faysal Investment Bank Ltd.

The loan has been obtained under a sale and repurchase agreement for financing the leasing operations of the company.

The sale price of Rs. 19,069,520 has a repurchase price of Rs. 22,221,216 which is repayable in 6 quarterly installments commencing from December 16, 1995. The loan is secured against a charge on leased assets of the company.

12.9 Crescent Investment Bank Ltd. - 1

The loan of Rs. 20,000,000 has been obtained under a sale and repurchase agreement for financing the leasing operations of the company. The repurchase price is Rs.26,163,289 which is repayable in 12 equal quarterly instalments commencing from May 12, 1994.

The payment of the repurchase price is secured by an agreement to (a) create first charge over fixed assets of the company (b) an undertaking by the company to maintain a minimum credit balance of Rs. 5.0 million with Cres Bank during the currency of the facility. (c) undertaking that if the promissory note is not paid upon maturity, company shall become liable to pay liquidated damages @ 20% per annum for each day the payment is delayed, (d) demand promissory note.

12.10 Crescent Investment Bank Ltd. - 2

The loan of Rs. 10,000,000 has been obtained under a sale and repurchase agreement for financing the leasing operations of the company. The repurchase price is Rs. 13,057,786 which is repayable in 12 equal quarterly instalments commencing from January 09, 1996.

The payment of the repurchase price is secured by an agreement to (a) create first charge over fixed assets of the company with other creditors, (b) undertaking that if the promissory note is not paid upon maturity, company shall become liable to pay liquidated damages @ 20% per annum for each day the payment is delayed, (c) demand promissory note.

12.11 Crescent Investment Bank Ltd- 3

The loan of Rs. 10,000,000 has been obtained under a sale and repurchase agreement for financing the leasing operations of the company. The repurchase price is Rs. 3,005,617, which is repayable in 12 equal quarterly instalments commencing from May 27, 1996.

The payment of the repurchase price is secured by an agreement to (a) to create first charge over Fixed assets of the company, (b) an undertaking that if the promissory note is not paid upon maturity, company shall become liable to pay liquidated damages @ 19.5% per annum for each day the payment is delayed.

12.12 Allied Bank of Pakistan Limited

This loan has been obtained under a sale and repurchase agreement for financing the leasing operations of the company.

The sale price of Rs. 30,000,000 has a repurchase price of Rs 39,200,000 which is repayable in 6 equal half-yearly instalments commencing from December 25, 1995.

The payment of the repurchase price is secured by an agreement to (a) registration of first charge on present and future assets of the company ranking pari passu with the senior creditors. (b) registered hypothecation charge on the leased assets of the company.

12.13 Fidelity Investment Bank Limited

This loan has been obtained under a sale and repurchase agreement for financing the leasing operations of the company.

The sale price of Rs. 19,069,520 has a repurchase price of Rs. 22,221,216 which is repayable in 6 equal quarterly instalments commencing from December 16, 1995. The loan is secured against a charge on leased assets of the company.

12.14 Muslim Commercial Bank Ltd.

This loan has been obtained under a sale and repurchase agreement for financing the leasing operations of the company.

The sale price of Rs. 10,000,000 has a repurchase price of Rs. 12,675,739 which is repayable

in 11 equal quarterly instalments commencing from March 31, 1996. The loan is secured against a charge on the current/fixed asset including leased assets of the company to the extent of Rs. 12,000,000.

	1996	1994
	Rupees	Rupees
13. CUSTOMERS' DEPOSITS - COIs		
Certificates of investment	19,850,000	13,200,000
Less: Current portion (Note: 11)	16,250,000	10,700,000
	-----	-----
	3,600,000	2,500,000
	=====	=====

These represent deposits accepted by the company from other companies and individuals in accordance with the permission to issue registered certificates of deposit granted by the Corporate Law Authority.

The certificates are of a term ranging from three months to three years and the return is paid on predetermined rates as negotiated with respective customers and range from 14% to 18% per annum.

14. SHARE CAPITAL

Authorised -		
25,000,000 (1994: 10,000,000) ordinary shares of Rs. 10/- each	250,000,000	100,000,000
	=====	=====
Issued, subscribed and paid up-		
5,000,000 (1994: 5,000,000) ordinary shares of Rs. 10/- each fully paid up in cash	50,000,000	50,000,000
5,454,400 (1994: 3,640,000) ordinary shares of Rs. 10/- each issued as fully paid bonus shares	54,544,000	36,400,000
	-----	-----
	104,544,000	86,400,000
	=====	=====

14.1 The company issued 1,814,400 (1994: 1,440,000) fully paid bonus shares on June 29, 1995.

15. SPECIAL RESERVE	7,104,821	4,550,955
	=====	=====

This represents special reserve created under Rule-3 of SBP's Rules of Business (prudential Regulations) for Non-Banking Financial Institutions.

16. GENERAL RESERVE

Opening balance	31,491,000	31,491,000
Transfer to Profit and Loss Account	(154,523)	-
	-----	-----
	31,336,477	31,491,000
	=====	=====

	1996	1994
	Rupees	Rupees
17. RESERVE FOR ISSUE OF BONUS SHARES		
Opening balance	18,144,000	14,400,000
Transfer from Profit and Loss Account	-	18,144,000
	-----	-----
	18,144,000	32,544,000
Bonus shares issued	18,144,000	14,400,000
	-----	-----

Closing balance	-	18,144,000	=====
18. INCOME FROM LEASE OPERATIONS			
Mark-up on lease operations	111,235,560	74,875,463	
Front end fee	1,516,418	604,636	
Commitment fee	265,358	171,661	
	-----	-----	
	3,017,336	75,651,760	=====
19. MARK-UP INCOME			
Federal Investment Bonds	635,535	545,990	
Banks deposits	7,036,654	4,697,996	
Morabaha finance	14,214,042	10,077,955	
	-----	-----	
	21,886,231	15,321,941	=====
20. OTHER INCOME			
Miscellaneous and Documentation charges recovered	910,189	527,749	
Profit on sale of fixed assets (Note 4.1)	159,468	289	
	-----	-----	
	1,069,657	528,038	=====
21. DIRECT COST OF LEASES			
Lease executory expenses	77,198	39,035	
Insurance expenses - Leased vehicles	98,456	104,855	
	-----	-----	
	175,654	143,890	=====
	1996	1994	
	Rupees	Rupees	
22. FINANCIAL CHARGES			
Mark-up on long term secured loans	68,123,594	34,012,904	
Mark-up on short term secured loans	2,744,527	330,184	
Mark-up on certificates of investment	2,426,899	1,488,369	
Foreign exchange risk coverage fee	6,364,237	14,768,429	
Excise duty on loan	50,000	74,584	
	-----	-----	
	79,709,257	50,674,470	=====
23. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and benefits	8,084,602	5,026,356	
Rent	483,701	344,932	
Utilities	442,063	257,245	
Stationery and supplies	470,401	325,614	
Repairs and maintenance	707,168	541,428	
Insurance	342,932	223,334	
Telephone, telex and postage	990,840	640,960	
Travelling	150,835	7,400	
Boarding and lodging	415,323	91,377	
Legal and professional charges	607,252	236,207	
Advertisement	298,840	178,115	
Auditors' remuneration (Note: 23.1)	209,611	90,132	
Donations (Note: 23.2)	20,700	30,000	
Corporate expenses	465,740	140,728	
Zakat	5,002	5,284	

Other expenses	1,242,815	665,999
Credit rating fee	130,500	-
	-----	-----
	15,068,325	8,805,111
	=====	=====

23.1 Auditors' Remuneration-

Audit fee	110,000	50,000
Tax consultancy	40,000	20,000
Special audits	35,000	12,132
Expenses reimbursed	24,611	8,000
	-----	-----
	209,611	90,132
	=====	=====

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

1996	1994
Rupees	Rupees

24. TAXATION

Provision for the year		
- Normal	19,400,000	4,200,000
	=====	=====

24.1 Tax provision is based on taxable profits as adjusted for tax purposes after taking into account available rebates and credits.

24.2 Deferred taxation arising due to timing differences computed under the liability method is estimated at Rs. 46 million out of which Rs. 5.6 million debt is in respect of the current period. (1994: Rs. 50 million for the year Rs. 3.4 million). The liability for deferred taxation is not likely to reverse in the foreseeable future end, therefore, no provision has been made there against.

25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors	
	1996	1994	1996	1994
Managerial remuneration	810,000	551,613	-	293,548
Bonus	180,000	80,000	-	100,000
Accommodation	324,000	220,645	-	-
Utilities	90,000	61,290	-	-
Medical expenses	45,335	44,746	-	-
Club subscription	17,390	-	-	-
Conveyance provided	280,641	199,806	-	149,606
Residential telephone bills reimbursed	56,093	37,790	-	-
	-----	-----	-----	-----
Rupees	1,803,459	1,195,890	-	543,154
	-----	-----	-----	-----
Number of persons	1	1	-	1
	=====	=====	=====	=====

Executives	
1996	1994

Managerial remuneration	333,000	293,484
Bonus	79,000	45,000

Accommodation	233,100	205,438
Utilities	43,800	50,400
Medical expenses	43,151	39,466
Club subscription	6,980	4,810
Conveyance provided	156,084	129,502
Residential telephone bills reimbursed	16,076	15,281
	-----	-----
Rupees	911,191	783,381
	-----	-----
Number of persons	2	2
	=====	=====

2

Fees paid to 5 non-executive Directors for attending meetings during 18 Months. Rs. 43,500 (1994: 5 Directors; fee paid Rs. 5,500)

**26. LEASES AND ADVANCES IN EXCESS OF 20% OF
PMD-UP CAPITAL AND FREE RESERVES**

Following are the parties to whom net investment in lease finance exceeded 20% (i.e. Rs.27,176,095) of the paid-up capital and free reserves of the company.

Group name	1996	1994
	Rupees	Rupees
Gulistan group	-	28,798,277
Kohinoor group	-	29,471,077
Nishat group	28,266,726	38,361,408

27. CONTINGENCIES AND COMMITMENTS

Nil (1994: Nil)

28. GENERAL

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