

## **ATLAS LEASE LIMITED**

**Annual Report 1996**

**An ATLAS GROUP COMPANY**

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### **CORPORATE DATA**

#### **BOARD OF DIRECTORS:**

##### **CHAIRMAN**

Mr. Yusuf H. Shirazi

##### **CHIEF EXECUTIVE**

Mr. Khaleeq-ur-Rahman Khan

##### **DIRECTORS**

Mr. A. K.M. Sayeed  
Mr. Hiroshi Sasaki  
Mr. Iftikhar H. Shirazi  
Mr. Kenichi Nakagawa  
Mr. Razi-ur-Rahman Khan  
Mr. Sanauallah Qureshi

##### **COMPANY SECRETARY**

Mr. Muhammad Rafique Umer

#### **GROUP EXECUTIVE COMMITTEE:**

##### **CHAIRMAN**

Mr. Yusuf H. Shirazi

##### **MEMBERS**

Mr. Jawaid Iqbal Ahmed  
Mr. Fahim Ali Khan  
Mr. Iftikhar H. Shirazi  
Mr. Aamir H. Shirazi

##### **SECRETARY**

Mr. Amjad Hussain

#### **GROUP PERSONNEL COMMITTEE:**

##### **CHAIRMAN**

Mr. Nasim S. Mirza

#### **GROUP AUDIT COMMITTEE:**

##### **CHAIRMAN**

Mr. Sanauallah Qureshi

##### **AUDITORS:**

Ford, Rhodes, Robson, Morrow  
Chartered Accountants

##### **LEGAL ADVISORS:**

Mohsin Tayebaly & Co.

#### **BANKERS & LENDING INSTITUTIONS:**

##### **BANKERS:**

ABN AMRO Bank  
Allied Bank of Pakistan Limited  
ANZ Grindlays Bank plc  
Askari Commercial Bank Limited

Faysal Bank Limited  
First International Investment Bank Limited  
Habib Bank AG Zurich  
Habib Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank  
The Bank of Tokyo-Mitsubishi, Limited  
The Hongkong and Shanghai Banking Corporation  
United Bank Limited

**LENDING INSTITUTIONS:**

Asian Development Bank (ADB)  
Commonwealth Development Corporation (CDC)  
German Investment and Development Company (DEG)  
International Finance Corporation (IFC)  
National Development Finance Corporation  
Netherlands Development Finance Company (FMO)

**REGISTERED OFFICE & HEAD OFFICE:**

Federation House, Sharae Firdousi,  
Clifton, Karachi- 75600  
Tel: (92-21) 5866817 - 20, 5866919 - 20 Fax: 5870543  
E-mail: atlas1 @ paknet1.ptc.com

**BRANCH OFFICES:**

**LAHORE OFFICE:**

1st Floor, Emirates Bank Building,  
14 - Egerton Road, Lahore  
Tel: (92-42) 6366170 - 74,6364941 Fax: 6365058

**ISLAMABAD OFFICE:**

2rid Floor, Saudi PakTower,  
Blue Area, Islamabad  
Tel: (92-51) 824906, 824909 Fax:821377

**NOTICE OF MEETING**

Notice is hereby given that the Ninth Annual General Meeting of the members of ATLAS LEASE LIMITED will be held on Monday the December 23, 1996 at 11.00 a.m. at 8th Floor, Adamjee House, I.I. Chundrigar Road, Karachi to transact the following business:

**ORDINARY BUSINESS:**

- 1 To confirm the Minutes of the last Extraordinary General Meeting held on April 22, 1996.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 1996 together with the Directors' and Auditors' Report thereon.
3. To approve Cash Dividend @ 15% for the year ended June 30, 1996 as recommended by the Board of Directors.
4. To appoint Auditors and fix their remuneration for the year 1996-97. The retiring Auditors M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants, being eligible, offer themselves for reappointment.

**SPECIAL BUSINESS:**

5. To approve the remuneration of the Chief Executive and the Working Director.

**OTHER BUSINESS:**

6. To transact any other business as may be placed before the meeting with the permission of the Chair.

A statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

By Order of the Board  
MUHAMMAD RAFIQUE UMER  
Company Secretary

**NOTES:**

- i) The Register of Members of the Company will remain closed from December 16, 1996 to December 23, 1996 (both days inclusive). Transfers received in order at the Registered Office of the Company at the close of business on December 15, 1996 will be treated in time for the purpose of entitlement of dividend.
- ii) A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of authority must be received at the Registered Office of the company duly stamped, signed and witnessed not later than 48 hours before the meeting. A form of Proxy is enclosed.
- iii) Members are requested to notify any change in their addresses immediately.

**STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE,1984**

This statement sets out the material facts concerning the Special Business to be transacted at the Ninth Annual General Meeting of Atlas Lease Limited to be held on December 23, 1996.

Approval of the shareholders will be sought for the remuneration payable to the Chief Executive and working Director in accordance with their terms and conditions of service. For this purpose, it is intended to pass following resolution as an Ordinary Resolution, namely:

**RESOLVED**

"that the Company hereby authorises the holding of offices of profit and payment as remuneration to Mr. Khaleeq-ur-Rahman Khan, Chief Executive and Mr. Iftikhar H. Shirazi, working Director, not exceeding in the aggregate Rs. 3.5 million per annum for the year ending June 30, 1997 in addition to company maintained car with driver for each of them."

The Chief Executive and the working Director are interested in the remuneration payable to them.

**DIRECTORS' REPORT**

The Directors have pleasure in submitting Annual Report of the Company together with the Audited Accounts and the Auditors' Report thereon for the year ended June 30, 1996.

**Financial Results:**

|  | 1996<br>Rupees | 1995<br>Rupees |
|--|----------------|----------------|
| Net profit for the year after charging all expenses and doubtful debts | 41,733,087     | 32,206,760     |
| Previous profit brought forward  | 81,234         | 529,474        |
| Profit available for appropriation                                     | 41,814,321     | 32,736,234     |
| Appropriations:  |                |                |
| Transfer to general reserve  | 26,000,000     | 26,000,000     |
| Cash dividend  | 15,778,590     | 6,655,000      |
|  | 41,778,590     | 32,655,000     |
| Unappropriated profit carried forward                                  | 35,731         | 81,234         |

**Dividend:**

The Directors are pleased to recommend a cash dividend of 15%.

**Chairman's Review:**

The accompanying Chairman's Review deals with the performance of the Company during the year and future outlook. The Directors of the Company endorse the contents of the review.

**Pattern of Shareholding:**

The pattern of Shareholding of the Company is annexed.

**Auditors:**

The present Auditors Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and being eligible offer themselves for reappointment.

for and on behalf of  
BOARD OF DIRECTORS

Karachi: November 25, 1996

**CHAIRMAN'S REVIEW**

I have great pleasure to welcome you to the 9th Annual General Meeting of the Company and to present a review of the operations of your Company for the year ended June 30, 1996.

**THE ECONOMY**

The overall economic indicators showed an upward trend during the year under review. The GDP grew from 4.4% of the last year to 6.1% during the year. The Agriculture sector witnessed growth from 5.9% last year to 6.7%. The manufacturing sector also registered a growth of 4.8% as compared with 2.9% last year.

Although the above statistics show improvement, yet the country's economy generally, and of the large scale industry particularly, continued to have problems during the period under review. The balance of trade and the deficit finance continued to be adverse for the past several years. The rate of inflation also remained high in two digits resulting in increased cost of production in the manufacturing sector. In finance and investment sector the Credit Deposit Ratio (CDR) was done away with as an instrument of credit control. The floor rate on all bank lending was increased by 1%. The Capital Market recorded an all time low during the Year. Consequently, the decline was witnessed despite floatation of several large issues. Out of 764 listed companies, 548 companies could not make any distribution

of profits during 1995 as compared to 272 companies out of a total of 542 listed companies in 1991 (vide table on page 10). In other words, the number of companies on the KSE paying dividend reduced from 50% in 1991 to 28% in 1995.

In the Atlas Group, out of 7 companies listed on the stock exchanges, 5 paid dividends in 1995 including your Company. Your Company has an uninterrupted record of payout to its shareholders since 1992, the third year of operations. It paid 10% cash and 10% stock dividend, every year, from 1992 to 1994, and 10% cash dividend in 1995 alongwith a Right issue at 50%. A Right issue was made, first, at 150% during 1990.

#### **THE LEASING INDUSTRY**

The inflow of new entrants slowed down during the period under review and only two more companies entered the field since my last report to you. At present, 30 leasing companies and 34 modaraba companies engaged in leasing business are listed on the stock exchanges of the country. The competition kept on growing as industry grew. The lease financing aggregated over Rs. 11.0 billion in 1996. Leasing companies have opened up a non-traditional avenue for diversification of long-term capital financing and have made substantial contribution towards promoting industrial expansion in the country, particularly in financing the small and medium sized enterprises. The Government is aware of the growth of the lease business. The Corporate Law Authority, for example, with due consultation with the relevant quarters, has amended the leasing rules for the good of the industry. The changes in the rules are expected to bring about improvement in the image and working of the leasing companies in Pakistan.

#### **THE COMPANY'S GROWTH**

Your Company's equity grew to Rs.196.05 million on June 30, 1996 from Rs.21.23 million in 1990, the first year of your Company's operations. The gross lease disbursements touched an amount of Rs. 2.96 billion in 1996 from Rs. 118.97 million during 1990. In order to meet the growing needs of the business, long term foreign and local loans arranged stood at Rs.746.46 million and Rs.37.40 million respectively at the end of the year under review as against Rs.20.0 million long term local currency loan initiated in 1991.

During the period under review, the Company earned a post tax profit of Rs. 41.73 million as against Rs.1.85 million in

1990. The ROE after tax increased to 21.29% in 1996 from 8.71% in 1990 and EPS increased to Rs.3.97 in 1996 from Rs.0.93 in 1990.

The overall progress of your Company during these years is as follows:

#### **THE OPERATIONS**

I am pleased to report that your Company is growing steadily. It achieved 16.92% growth in lease disbursement, amounting to Rs.713.69 million during the year under review as against Rs.610.42 million during the last year. The portfolio comprised of 61.38% in machinery, 33.14% in vehicles and 5.48% in office equipment. Net investment in lease finance grew by 30.70% from Rs. 1,269.81 million in June 1995 to Rs. 1,659.58 million in June 1996. The sectoral exposure at the end of the year stood diversified: it comprised of 17.57% investment in textile sector, 13.89% in chemical & fertilizer, 10.65% in cement, 9.92% in food, tobacco and beverages, 7.74% in electrical & electronic goods, and 7.31% in steel, engineering & automobiles. 297 contracts were executed during the year under review as compared to 173 contracts during last year.

The sectoral exposure as on June 30, 1997 (See Image)

The total revenues for the year amounted to Rs. 288.58 million, up 34.20%, from Rs.215.03 million in the previous

year. The financial charges and administrative expenses were incurred to the tune of Rs. 203.67 million and Rs.33.94 million respectively during the year. The recovery position remained satisfactory. An amount of Rs. 7.80 million was charged as general provision for potential lease losses bringing the aggregate to Rs. 33.19 million. This provision is in accordance with the Company's prudent policy being followed from the beginning. The profit after tax stood at Rs. 41.73 million, 29.56% higher from the previous year's Rs.32.21 million. A sum of Rupees 14.85 million was paid to exchequer during the period under review by way of tax deducted at source and turnover tax.

#### **FUNDING**

The Capital base of your Company expanded from Rs. 66.55 million last year to Rs.105.19 million during the year under review. The increase was due to the issue of Right shares at par of Rs. 33.27 million and IFC's exercising their option of converting a part of their loan into equity worth Rs.5.37 million. A total of 536,560 shares were issued to IFC at a conversion price of Rs.20.85 per share. The proceeds were utilised in the last quarter of the year under review.

In line with the Group's trends and sustained growth, your Company got full support from the financial institutions, banks, etc. Adequate funds remained available to the Company. The IFC's second loan amounting to US\$ 2.2 million was utilised during the period under review. Efforts were also made to raise local funds through COL, which stood at Rs.336.32 million as against Rs. 80.81 million last year. The two approved foreign currency credit lines of US\$ 10.0 million and NLG 10.0 million (equivalent to US\$ 6.0 million). of ADB and FMO respectively are in the process of being utilised. Efforts are on way to diversify sources of funding and to explore other means of financing to meet growing demand of the business.

#### **CHANGE IN BOARD OF DIRECTORS**

Mr. T. Nakano, on relinquishing charge as the General Manager of The Bank of Tokyo-Mitsubishi Ltd., Karachi was replaced by Mr. K. Nakagawa on April 22, 1996 and Mr. M. Asadullah Shaikh on relinquishing charge as Chairman and Managing Director of NIT was replaced by Mr. Razi-ur-Rahman Khan, Chairman & Managing Director of NIT subsequent to the period under review. May I place on record appreciation of the contribution made by Messrs: T. Nakano and M.Asadullah Shaikh and welcome Messrs: K. Nakagawa and Razi-ur-Rahman Khan on the Board and

look forward to their support in managing the affairs of your Company.

#### **ATLAS PHILOSOPHY AND FUTURE OUTLOOK**

Atlas Group of companies, of which your Company is a constituent member, had a record growth. During the period under review, despite unfavourable economic conditions, all group companies performed better than the previous year as your Company. Atlas believes in steady and sustainable growth. We have travelled a long way to be, where we are today. It firmly believes in what Willian G. Jordan said:

"Everything that is great in life is the product of slow growth; the greater and higher, the nobler the work, the slower the growth, the surer is its lasting success. Mushrooms attain their full power in a night; Oaks require decades."

The Federal Budget 1996 levied Central Excise Duty on lease finance @ 1/12th of 1% of each lease amount outstanding at the end of each calendar month. The Sindh Government has introduced a levy @ 0.5% on the services provided by leasing companies. All these will ultimately increase the cost of lease financing, thus effecting the growth of the industrial investment in the country.

The recent mini budget and repeated devaluation of Pak

Rupee have further burdened the economy. These continuing adverse factors are responsible for the loss of Rupee value against other currencies. With the three massive downward exchange adjustments in Rupee within a short span of one year - October-95 to October-96 - the impact is of more than 22 percent.

The devaluation, levies on POL, gas distribution and withholding tax on imports and supplies will directly add to the cost of production. Inflation which is officially running at about 11% may get worse. All this is causing a dampening effect on the economy and the pace of industrial activity could further decline.

Your Company, however, by adopting a steady and sustained growth pattern in line with the philosophy of the Group is focusing on the Group synergy, market penetration, stricter credit evaluation, other avenues of income, human

resource development and providing quality product and service. We are sure, we will continue to endeavour for a higher level of achievement year after year.

(If the vision is clear and direction set,  
it is then the commitment that matters)

**ACKNOWLEDGEMENTS**

May I, on behalf of the Board, thank the CEO and his team for their dedication and hardwork, The Bank of Tokyo-Mistubishi, Ltd. and National Investment Trust for their advice and guidance provided to the Company. May I also thank the State Bank of Pakistan, financial institutions for their help and support and all our clients for the trust and confidence reposed in your Company.

YUSUF H. SHIRAZI

**LISTED COMPANIES DISTRIBUTION**

**Dividend, Bonus & Issue of Right Shares**

| PARTICULARS                        | Dec. 31,<br>1991 | Dec. 31,<br>1992 | Dec. 31,<br>1993 | Dec. 31,<br>1994 | Dec. 31,<br>1995 |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
|                                    | Rs. in Million   |                  |                  |                  |                  |
| Paid Up Capital                    | 37,024.343       | 58,198.532       | 69,476.15        | 104,137.24       | 134,372.32       |
| No. of Listed Companies            | 542              | 628              | 653              | 724              | 764              |
| <b>Announcements:</b>              |                  |                  |                  |                  |                  |
| <b>Cash Dividend</b>               |                  |                  |                  |                  |                  |
| No. of Companies                   | 139              | 157              | 138              | 156              | 139              |
| % of Total Listed Companies        | 26%              | 25%              | 21%              | 22%              | 18%              |
| <b>Bonus Shares Issued</b>         |                  |                  |                  |                  |                  |
| No of Companies                    | 36               | 55               | 70               | 57               | 37               |
| % of Total Listed Companies        | 7%               | 9%               | 11%              | 8%               | 5%               |
| <b>Cash + Bonus Issued</b>         |                  |                  |                  |                  |                  |
| No. of Companies                   | 42               | 42               | 58               | 42               | 23               |
| % of Total Listed Companies        | 8%               | 7%               | 9%               | 6%               | 3%               |
| <b>Cash + Right Issued</b>         |                  |                  |                  |                  |                  |
| No. of Companies                   | 26               | 10               | 10               | 15               | 6                |
| % of Total Listed Companies        | 5%               | 2%               | 2%               | 2%               | 1%               |
| <b>Bonus + Right Issued</b>        |                  |                  |                  |                  |                  |
| No. of Companies                   | 18               | 10               | 14               | 18               | 9                |
| % of Total Listed Companies        | 3%               | 2%               | 2%               | 2%               | 1%               |
| <b>Cash + Bonus + Right Issued</b> |                  |                  |                  |                  |                  |
| No. of Companies                   | 9                | 4                | 3                | 4                | 2                |
| % of Total Listed Companies        | 2%               | 1%               | 0%               | 1%               | 0%               |
| <b>Right Shares Offered</b>        |                  |                  |                  |                  |                  |
| No. of Companies                   | 36               | 15               | 16               | 45               | 17               |
| % of Total Listed Companies        | 7%               | 2%               | 2%               | 6%               | 2%               |

|                                       |  |     |     |     |     |
|---------------------------------------|--|-----|-----|-----|-----|
| <b>Total Companies announced</b>      |  |     |     |     |     |
| Cash and Bonus                        |  | 270 | 278 | 293 | 292 |
| % of Total Listed Companies           |  | 50% | 44% | 45% | 40% |
| <b>Total Companies Issued/Offered</b> |  |     |     |     |     |
| Right Shares                          |  | 89  | 39  | 43  | 82  |
| % of Total Listed Companies           |  | 16% | 6%  | 7%  | 11% |

**PATTERN OF SHAREHOLDING**  
AS AT JUNE 30, 1996

| Number of Shareholders | From      | Shareholding To | Total Shares Held |
|------------------------|-----------|-----------------|-------------------|
| 29                     | 1         | -               | 100               |
| 33                     | 101       | -               | 500               |
| 27                     | 501       | -               | 1,000             |
| 63                     | 1,001     | -               | 5,000             |
| 4                      | 5,001     | -               | 10,000            |
| 3                      | 10,001    | -               | 15,000            |
| 2                      | 15,001    | -               | 20,000            |
| 1                      | 20,001    | -               | 25,000            |
| 1                      | 25,001    | -               | 30,000            |
| 1                      | 50,001    | -               | 55,000            |
| 1                      | 95,001    | -               | 100,000           |
| 1                      | 150,001   | -               | 155,000           |
| 1                      | 175,001   | -               | 180,000           |
| 1                      | 265,001   | -               | 270,000           |
| 1                      | 440,001   | -               | 445,000           |
| 1                      | 495,001   | -               | 500,000           |
| 1                      | 500,001   | -               | 505,000           |
| 1                      | 535,001   | -               | 540,000           |
| 4                      | 840,001   | -               | 845,000           |
| 1                      | 885,001   | -               | 890,000           |
| 1                      | 905,001   | -               | 910,000           |
| 1                      | 2,285,001 | -               | 2,290,000         |
| -----                  |           |                 | -----             |
| 179                    |           | TOTAL           | 10,519,060        |
| =====                  |           |                 | =====             |

The slabs representing NIL holding have been omitted.

| Categories of Shareholders | Number of Shareholders | Numbers of Shares held | Percentage of Shares held |
|----------------------------|------------------------|------------------------|---------------------------|
| 1. Individuals             | 158                    | 3,782,475              | 35.96                     |
| 2. Investment Companies    | 2                      | 513,801                | 4.89                      |
| 3. Insurance Companies     | 1                      | 28,749                 | 0.27                      |
| 4. Joint Stock Companies   | 7                      | 99,364                 | 0.94                      |
| 5. Financial Institutions  | 5                      | 2,808,786              | 26.70                     |
| 6. Modaraba Companies      | 1                      | 11,701                 | 0.11                      |
| 7. Foreign Investors       | 5                      | 3,274,184              | 31.13                     |
| -----                      |                        | -----                  | -----                     |
| TOTAL                      | 179                    | 10,519,060             | 100.00                    |
| -----                      |                        | -----                  | -----                     |

**FINANCIAL HIGHLIGHTS (1990-1996)**

(Rupees in million)

|                                | 1990   | 1991   | 1992   | 1993   |
|--------------------------------|--------|--------|--------|--------|
| <b>FINANCIAL POSITION</b>      |        |        |        |        |
| Authorised Capital             | 50.00  | 100.00 | 100.00 | 100.00 |
| Paid-up Capital                | 20.00  | 50.00  | 50.00  | 55.00  |
| Reserves & Surplus             | 1.23   | 9.82   | 19.20  | 26.90  |
| Shareholders' Equity           | 21.23  | 59.82  | 69.20  | 81.90  |
| Long Term Loans - Foreign      | --     | --     | 131.32 | 461.17 |
| Long Term Loans - Local        | --     | 20.00  | 70.00  | 47.98  |
| Certificates of Investment     | --     | --     | --     | 0.98   |
| Operating Fixed Assets         | 2.83   | 3.26   | 5.86   | 9.73   |
| Net Investment in Lease        | 106.73 | 305.01 | 551.89 | 740.02 |
| Total Assets                   | 114.44 | 310.65 | 569.06 | 810.08 |
| <b>OPERATING POSITION</b>      |        |        |        |        |
| Lease Disbursements            | 118.97 | 25.013 | 376.83 | 396.69 |
| Income from leasing Operations | 9.85   | 36.81  | 82.03  | 130.93 |
| Total Expenses                 | 9.17   | 28.54  | 68.57  | 111.91 |

|                                  |       |       |       |       |
|----------------------------------|-------|-------|-------|-------|
| Profit Before Taxation           | 1.85  | 8.59  | 14.39 | 20.78 |
| Profit After Taxation            | 1.85  | 8.59  | 14.39 | 18.20 |
| Earning per share (in Rupees)    | 0.93  | 1.72  | 2.88  | 3.31  |
| Return on Equity (in percentage) | 8.73  | 14.35 | 20.79 | 22.22 |
| Book value per share (in Rupees) | 10.61 | 11.96 | 13.84 | 14.89 |

**DISTRIBUTION**

|                |    |    |     |     |
|----------------|----|----|-----|-----|
| Cash Dividend  | -- | -- | 10% | 10% |
| Stock Dividend | -- | -- | 10% | 10% |

|              |    |    |     |     |
|--------------|----|----|-----|-----|
| <b>Total</b> | -- | -- | 20% | 20% |
|--------------|----|----|-----|-----|

|                    |      |    |    |    |
|--------------------|------|----|----|----|
| <b>RIGHT ISSUE</b> | 150% | -- | -- | -- |
|--------------------|------|----|----|----|

|                            | 1994     | 1995     | 1996     |
|----------------------------|----------|----------|----------|
| <b>FINANCIAL POSITION</b>  |          |          |          |
| Authorised Capital         | 100.00   | 100.00   | 200.00   |
| Paid-up Capital            | 60.50    | 66.55    | 105.19   |
| Reserves & Surplus         | 39.58    | 59.08    | 90.86    |
| Shareholders' Equity       | 100.08   | 125.63   | 196.05   |
| Long Term Loans - Foreign  | 601.40   | 815.64   | 746.46   |
| Long Term Loans - Local    | 43.44    | 95.33    | 37.40    |
| Certificates of Investment | 10.92    | 80.81    | 336.32   |
| Operating Fixed Assets     | 13.76    | 13.83    | 17.51    |
| Net Investment in Lease    | 973.03   | 1,269.81 | 1,659.58 |
| Total Assets               | 1,018.56 | 1,402.64 | 1,807.56 |

**OPERATING POSITION**

|                                  |        |        |        |
|----------------------------------|--------|--------|--------|
| Lease Disbursements              | 493.57 | 610.42 | 713.69 |
| Income from leasing Operations   | 159.52 | 204.14 | 273.81 |
| Total Expenses                   | 143.54 | 181.65 | 245.41 |
| Profit Before Taxation           | 26.34  | 33.38  | 43.18  |
| Profit After Taxation            | 24.23  | 32.21  | 41.73  |
| Earning per share (in Rupees)    | 4.00   | 4.84   | 3.97   |
| Return on Equity (in percentage) | 24.21  | 25.64  | 21.29  |
| Book value per share (in Rupees) | 16.54  | 18.88  | 18.64  |

**DISTRIBUTION**

|                |     |     |     |
|----------------|-----|-----|-----|
| Cash Dividend  | 10% | 10% | 15% |
| Stock Dividend | 10% | --  | --  |

|              |     |     |     |
|--------------|-----|-----|-----|
| <b>Total</b> | 20% | 10% | 15% |
|--------------|-----|-----|-----|

|                    |    |     |    |
|--------------------|----|-----|----|
| <b>RIGHT ISSUE</b> | -- | 50% | -- |
|--------------------|----|-----|----|

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of ATLAS LEASE LIMITED as at June 30, 1996 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year 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 year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year 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 changes in financial position, 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 financial position for the year then ended; and

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

Ford, Rhodes, Robson, Morrow  
Chartered Accountants

Karachi :- November 25, 1996

**BALANCE SHEET**  
**AS AT JUNE 30, 1996**

|   | Note | 1996<br>Rupees | 1995<br>Rupees |
|---|------|----------------|----------------|
| <b>SHARE CAPITAL AND RESERVES</b>                   |      |                |                |
| Share Capital                                       |      |                |                |
| Authorised  |      |                |                |
| 20,000,000 (1995:10,000,000)                        |      |                |                |
| ordinary shares of Rs. 10 each                      |      | 200,000,000    | 100,000,000    |
|   |      | =====          |                |
| Issued, subscribed and paid-up                      | 3    | 105,190,600    | 66,550,000     |
| Reserves  | 4    | 90,857,407     | 59,081,234     |
|   |      | -----          |                |
|   |      | 196,048,007    | 125,631,234    |
| <b>LONG TERM LOANS</b>                              |      |                |                |
|   | 5    | 582,631,280    | 715,716,509    |
| <b>LONG TERM DEPOSITS</b>                           | 6    | 150,212,991    | 119,476,295    |
| <b>CERTIFICATES OF INVESTMENT</b>                   | 7    | 11,897,628     | 5,575,000      |
| <b>DEFERRED REVENUE</b>                             | 8    | 1,494,533      | --             |
| <b>CURRENT LIABILITIES</b>                          |      |                |                |
| Current portion of long term loans                  |      | 201,231,308    | 195,257,165    |
| Current portion of long term deposits               |      | 43,041,347     | 30,178,125     |
| Certificates of investment                          | 7    | 324,423,355    | 75,233,227     |
| Shod term finances - Unsecured                      | 9    | 86,650,000     | --             |
| Finance under mark-up arrangements                  | 10   | 59,509,913     | 43,119,748     |
| Accrued and other liabilities                       | 11   | 133,197,010    | 85,387,728     |
| Taxation  |      | 33,772         | 407,482        |
| Proposed dividend                                   |      | 15,778,590     | 6,655,000      |
|   |      | -----          |                |
|   |      | 863,865,295    | 436,238,475    |
| <b>CONTINGENCIES AND COMMITMENTS</b>                |      |                |                |
|   | 12   |                |                |
|   |      | -----          |                |
|   |      | 1,806,149,734  | 1,402,637,513  |
|   |      | =====          |                |
| <b>TANGIBLE FIXED ASSETS</b>                        |      |                |                |
| Operating fixed assets                              | 13   | 17,514,163     | 13,830,097     |
| <b>CAPITAL WORK IN PROGRESS</b>                     |      |                |                |
|   |      | --             | 2,269,700      |
| <b>NET INVESTMENT IN LEASE FINANCE</b>              |      |                |                |
|   | 14   |                |                |
| Minimum lease payments receivable                   |      | 1,195,062,665  | 1,569,195,968  |
| Residual value of leased assets                     |      | 222,565,907    | 169,457,158    |
|   |      | -----          |                |
|   |      | 2,195,628,572  | 1,738,653,126  |
| Unearned finance income                             |      | (536,047,646)  | (468,842,847)  |
|   |      | -----          |                |
| Net investment in lease finance                     |      | 1,659,580,926  | 1,269,810,279  |
| Current portion of net investment                   |      | (546,800,474)  | (364,713,544)  |
| Provision for doubtful debts                        |      | (33,191,618)   | (25,396,206)   |
|   |      | -----          |                |
|   |      | 1,079,588,834  | 879,700,529    |
| <b>LONG TERM INVESTMENTS</b>                        |      |                |                |
|   | 15   | 24,875,616     | 6,494,000      |
| <b>LONG TERM LOANS, DEPOSITS AND DEFERRED COSTS</b> |      |                |                |
|   | 16   | 9,289,480      | 7,484,191      |
| <b>CURRENT ASSETS</b>                               |      |                |                |
| Current portion of net investment                   |      |                |                |
| in lease finance                                    |      | 546,800,474    | 364,713,544    |
| Short term investments                              |      | --             | 39,484,340     |
| Advances, deposits, prepayments                     |      |                |                |
| and other receivables                               | 17   | 112,786,451    | 83,248,931     |
| Cash and bank balances                              | 18   | 15,294,716     | 5,412,181      |
|   |      | -----          |                |
|   |      | 674,881,641    | 492,858,996    |
|   |      | -----          |                |
|   |      | 1,806,149,734  | 1,402,637,513  |

The annexed notes form an integral part of these accounts.  
The auditors report is annexed hereto.

YUSUF H. SHIRAZI  
Chairman

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 1996**

|  | Note | 1996<br>Rupees | 1995<br>Rupees |
|--|------|----------------|----------------|
| <b>REVENUE</b>                                   |      |                |                |
| Income from leasing operations                   | 19   | 273,808,831    | 204,137,838    |
| Other Income                                     | 20   | 14,774,669     | 10,895,716     |
|  |      | -----          | -----          |
|  |      | 288,583,500    | 215,033,554    |
| <b>EXPENDITURE</b>                               |      |                |                |
| Financial charges                                | 21   | 203,668,984    | 142,647,955    |
| Administrative and operating expenses            | 22   | 28,576,591     | 27,252,149     |
| Provision for doubtful debts                     |      | 7,795,412      | 5,935,577      |
| Provision for diminution in value of investments | 15   | 896,400        | 1,494,000      |
| Amortization of deferred costs                   |      | 4,470,108      | 4,324,289      |
|  |      | -----          | -----          |
|  |      | 245,407,495    | 181,653,970    |
|  |      | -----          | -----          |
| Profit for the year before taxation              |      | 43,176,005     | 33,379,584     |
| Turnover tax                                     |      |                |                |
| Current  |      | 1,442,918      | 1,075,168      |
| Prior  |      | --             | 97,656         |
|  |      | -----          | -----          |
|  |      | 1,442,918      | 1,172,824      |
|  |      | -----          | -----          |
| Profit for the year after taxation               |      | 41,733,087     | 32,206,760     |
| Accumulated profit brought forward               |      | 81,234         | 529,474        |
| Profit available for appropriation               |      | 41,814,321     | 32,736,234     |
| <b>APPROPRIATIONS:</b>                           |      |                |                |
| Transfer to general reserve                      |      | 26,000,000     | 26,000,000     |
| Proposed dividend @ 15% (1995:10%)               |      | 15,778,590     | 6,655,000      |
|  |      | -----          | -----          |
|  |      | 41,778,590     | 32,655,000     |
|  |      | -----          | -----          |
| Unappropriated profit carried forward            |      | 35,731         | 81,234         |

The annexed notes form an integral part of these accounts,

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 1996**

|  | 1996<br>Rupees | 1995<br>Rupees |
|--|----------------|----------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                                       |                |                |
| Profit for the year before taxation  | 43,176,005     | 33,379,584     |
| Add: Adjustment to reconcile profit to net cash provided by operating activities |                |                |
| Depreciation on fixed assets   | 2,915,437      | 2,487,355      |
| Amortization of deferred costs   | 4,470,108      | 4,324,289      |
| Provision for doubtful debts   | 7,795,412      | 5,935,577      |
| Provision for diminution in value of investments                                 | 896,400        | 1,494,000      |
| (Profit)/Loss on sale of fixed assets  | 445,520        | (162,042)      |
| Exchange gain  | (298,907)      | --             |
|  | -----          | -----          |
|  | 16,223,970     | 14,079,179     |
|  | -----          | -----          |
| Net cash provided by operating activities  | 59,399,975     | 47,458,763     |
| (Increase)/Decrease in current assets  | 14,655,622     | (83,496,502)   |
| Increase/(Decrease) in current liabilities                                       | 400,039,575    | 68,682,540     |
|  | -----          | -----          |
| Net cash from operating activities before income tax                             | 474,095,172    | 32,644,801     |

|  |               |               |
|--|---------------|---------------|
| Income tax   | 1,816,628     | 1,343,678     |
|  | -----         |               |
| Net cash from operating activities after income tax    | 472,278,544   | 31,301,123    |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>             |               |               |
| Long term investments                                  | (19,278,016)  | (5,000,000)   |
| Dividend paid  | (6,655,000)   | (6,050,000)   |
| Capital expenditure                                    | (9,794,707)   | (5,884,345)   |
| Long term deposits and deferred costs                  | (6,294,603)   | (13,350)      |
| Net investment in lease finance (net of repayments)    | (394,453,858) | (302,609,222) |
| Repayment of long term loans                           | (204,794,406) | (114,111,488) |
| Loan to executive                                      | (176,988)     | (174,729)     |
|  | -----         |               |
| Net cash used in investing activities                  | (641,447,578) | (433,843,134) |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>             |               |               |
| Issue of right shares                                  | 33,275,000    | --            |
| Issue of shares to IFC                                 | 11,187,276    | --            |
| Issue of certificates of investment                    | 6,322,628     | (45,000)      |
| Long term loans  | 77,683,320    | 380,251,000   |
| Deferred revenue                                       | 1,793,440     | --            |
| Sale of fixed assets                                   | 5,019,383     | 1,214,350     |
| Long term advances and deposits                        | 43,599,918    | 23,313,992    |
| Recovery of loan to executive                          | 170,604       | 148,350       |
|  | -----         |               |
| Net cash generated from financing activities           | 179,051,569   | 404,882,692   |
|  | -----         |               |
| Net increase/(decrease) in cash activities             | 9,882,535     | 2,340,681     |
|  | -----         |               |
| <b>CASH AND BANK BALANCES AT BEGINNING OF THE YEAR</b> | 5,412,181     | 3,071,500     |
|  | -----         |               |
| <b>CASH AND BANK BALANCES AT END OF THE YEAR</b>       | 15,294,716    | 5,412,181     |
|  | =====         |               |

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED JUNE 30, 1996**

**1. THE COMPANY AND ITS OPERATIONS**

The company is incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad stock exchanges. It essentially carries on the business of leasing.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

**2.2 Revenue recognition**

The company follows the "Finance Method" in accounting for recognition of lease income. Under this method the unearned lease income, that is the excess of aggregate lease rentals and the residual value over the cost of leased asset is deferred and then amortized to income over the term of the lease, applying the annuity method to produce a constant rate of return on the net cash investment in the lease.

Front-end fee is taken to income on a receipt basis.

Return on investment is recognized on an accrual basis on the assumption that such investments will be held till the next terminal date.

**2.3 Tangible fixed assets**

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the reducing balance method at the rates specified in note 13 to the accounts. In respect of additions during the year, depreciation is charged for full year, however, no depreciation is charged in the year of disposal.

Profit or loss on disposal of assets is included in income currently.

**2.4 Deferred costs**

Processing charges of long term loans and other deferred costs are being amortized over a period of three years from the year of incurrence.

**2.5 Investments**

Long Term Investments

These are stated at cost. Provision for diminution in value of investments is made, if considered permanent.

Short Term Investments

These are stated at lower of cost or market value.

**2.6 Taxation**

Current:

The charge for current taxation for the year, if required, is based on taxable income, which is computed as if all

leases are operating leases.

**Deferred:**

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

**2.7 Foreign currency translations**

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange which approximate those prevailing at the balance sheet date except for liabilities covered under an exchange risk coverage scheme, which are translated at the rate prevailing on the date of disbursement. Exchange differences arising as a result of obtaining cover under these schemes are being amortized over the period of loan. Net exchange differences arising due to hedging mechanism are accounted for as deferred revenue/deferred costs as the case may be and are credited/amortised to income over the term of the underlying transactions.

**2.8 Off-setting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the company has a legal enforceable right to set-off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**2.9 Employees' retirement benefits**

The company operates a contributory provident fund for all its permanent employees and contributions are made monthly in accordance with the fund rules to cover the obligations.

**2.10 Provision for doubtful debts**

Keeping in view the nature of leasing business, the company, as a prudent policy, makes this provision at a reasonable level, which as per the management's anticipation is adequate for potential losses on the lease portfolio.

| <b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>   | Note | 1996<br>Rupees | 1995<br>Rupees |
|--|------|----------------|----------------|
| 8,864,060 (1995: 5,000,000) ordinary shares of Rs.10 each fully paid in cash                 | 3.1  | 88,640,600     | 50,000,000     |
| 1,655,000 (1995: 1,655,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares |      | 16,550,000     | 16,550,000     |
|  |      | -----          | -----          |
|  |      | 105,190,600    | 66,550,000     |
|  |      | =====          | =====          |

3.1 Includes 536,560 ordinary shares of Rs.10 each issued to International Finance Corporation at a premium of Rs.10.85 per share upon exercise of their part option to convert a portion of its loan into equity based on financial statements as at June 30, 1995 as per the loan agreement. (Refer note 5.8)

**4. RESERVES**

|                         |     |            |            |
|-------------------------|-----|------------|------------|
| <b>Capital Reserves</b> |     |            |            |
| Premium on Shares       | 3.1 | 5,821,676  | --         |
| <b>Revenue Reserves</b> |     |            |            |
| General Reserve         | 4.1 | 85,000,000 | 59,000,000 |
| Unappropriated Profit   |     | 35,731     | 81,234     |
|                         |     | -----      | -----      |
|                         |     | 85,035,731 | 59,081,234 |
|                         |     | -----      | -----      |
|                         |     | 90,857,407 | 59,081,234 |
|                         |     | =====      | =====      |

|                                       | Note | 1996<br>Rupees | 1995<br>Rupees |
|---------------------------------------|------|----------------|----------------|
| <b>4.1 General Reserve</b>            |      |                |                |
| Balance as at June 30,                |      | 59,000,000     | 33,000,000     |
| Transfer from profit and loss account |      | 26,000,000     | 26,000,000     |
|                                       |      | -----          | -----          |
|                                       |      | 85,000,000     | 59,000,000     |
|                                       |      | =====          | =====          |

**5. LONG TERM LOANS - Secured**

|   |     |             |             |
|---|-----|-------------|-------------|
| <b>Foreign currency loans</b>               |     |             |             |
| Commonwealth Development Corporation I      | 5.2 | 26,475,137  | 53,026,036  |
| Commonwealth Development Corporation II     | 5.3 | 79,605,966  | 102,428,100 |
| Asian Development Bank                      | 5.4 | 63,131,955  | 84,177,749  |
| Netherlands Development Finance Company     | 5.5 | 110,317,339 | 134,693,426 |
| German Investment and Development Company I | 5.6 | 50,307,007  | 61,469,972  |

|  |      |             |             |
|--|------|-------------|-------------|
| German Investment and Development Company II | 5.7  | 65,023,414  | 76,834,368  |
| International Finance Corporation (Loan A)   | 5.8  | 279,489,607 | 310,151,057 |
| International Finance Corporation (Loan B)   | 5.9  | 77,683,320  | --          |
|  |      | -----       | -----       |
|  |      | 752,033,745 | 822,780,708 |
| Less: Exchange differences not yet due       |      | 5,573,423   | 7,136,522   |
|  |      | -----       | -----       |
|  |      | 746,460,322 | 815,644,186 |
| Local currency loans                         |      |             |             |
| National Development Finance Corporation     | 5.1  | 3,513,385   | 8,107,269   |
| Bank of Punjab                               |      | --          | 30,000,000  |
| ANZ Grindlays Bank plc                       | 5.11 | 25,000,001  | 41,666,667  |
| Askari Commercial Bank Ltd.                  | 5.12 | 8,888,880   | 15,555,552  |
|  |      | -----       | -----       |
|  |      | 37,402,266  | 95,329,488  |
|  |      | -----       | -----       |
|  |      | 783,862,588 | 910,973,674 |
| Less: Current maturity                       |      | 201,231,308 | 195,257,165 |
|  |      | -----       | -----       |
|  |      | 582,631,280 | 715,716,509 |
|  |      | =====       | =====       |

5.1 All the loans stated in note 5 above are secured by pari-passu floating charge on the present and future leased assets, hypothecation of movable assets and receivables of the company and demand promissory notes. The foreign currency loans are registered with the State Bank of Pakistan.

5.2 This represents the balance of a loan of Pound Sterling 3,000,000 obtained from Commonwealth Development Corporation for financing lease operations. The loan is repayable in ten equal semi-annual instalments which commenced from September 25, 1992.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme and the rate of interest and exchange risk cover fee is 11% and 5% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 1% per annum over and above the interest rate.

5.3 This represents loan of Pound Sterling 2,500,000 obtained from Commonwealth Development Corporation for financing lease operations. The loan is repayable in ten equal semi-annual instalments which commenced from January 25, 1995.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme and the rate of interest and exchange risk cover fee is 10.5% and 6.93% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 1% per annum over and above the interest rate.

5.4 This represents a facility of US \$ 5,000,000 obtained from Asian Development Bank for financing lease operations. The loan is repayable in twelve equal semi-annual instalments which commenced from December 15, 1993.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme. The rate of interest and exchange risk cover fee is 9.4% and 7.08% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 1% per annum over and above the interest rate.

5.5 This loan of Netherlands Guilders (NLG) 10,000,000 comprising of two equal tranches of NLG 5,000,000 each was obtained from Netherlands Development Finance Company (FMO). The loan is for financing of lease operations and is repayable in fourteen semi-annual instalments which commenced from November 1, 1994 for the first tranche and November 1, 1995 for the second tranche.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme. The rate of interest and exchange risk cover fee is 10.7% and 5% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

5.6 This represents a loan of Deutsche Marks 5,000,000 obtained from German Investment and Development Company (DEG) for financing lease operations. The loan is repayable in fifteen equal semi-annual instalments which commenced from October 30, 1993.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme. The rate of interest and exchange risk cover fee is 10.5% and 5% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

5.7 This represents a loan of Deutsche Marks 5,000,000 obtained from German Investment and Development Company (DEG) for financing lease operations. The loan is repayable in fifteen equal semi-annual instalments

which commenced from October 30, 1994.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme. The rate of interest and exchange risk cover fee is 10.6% and 5.77% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

5.8 This represents loan (A) of US \$10,000,000 obtained from International Finance Corporation (IFC) for financing lease operations. The loan is repayable in sixteen equal semi-annual instalments which commenced from June 15, 1996.

In accordance with the loan agreement IFC has exercised its conversion option of loan into equity. (Refer note 3.1)

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme. The rate of interest and exchange risk cover fee is 8.5% and 6.66% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

5.9 This represents loan (B) of US \$ 2,200,000 obtained from International Finance Corporation (IFC) for financing lease operations. The loan will be repayable in 4 equal semi annual instalments commencing from June 15, 1997.

The interest rate is Libor plus 2.75% per annum payable half yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

5.10 This has been obtained from National Development Finance Corporation on a sale and repurchase agreement for financing the leasing operations of the company.

The sale price of Rs.20,000,000 has a marked-up price of Rs.34,511,424 subject to prompt payment rebate of Rs.4,085,512 and is repayable in eight equal semi-annual instalments which commenced from March 1,1993.

5.11 This has been obtained from ANZ Grindlays Bank plc for financing the leasing operations of the company. It is -repayable in 6 semi-annual instalments which commenced from February 16, 1995. It carries markup at the rate of 49.31 paisas per thousand Rupees per day.

5.12 This has been obtained from Askari Commercial Bank Limited for financing the leasing operations of the company. It is repayable in 36 equal monthly instalments which commenced from November, 1994. It carries markup at the rate of 52.05 paisas per thousand Rupees per day.

5.13 The Netherlands Development Finance Company (FMO) has sanctioned Loan of US\$ 6.00 million. The interest rate is 10.5% per annum payable half yearly. The loan will be repayable in ten semi-annual instalments commencing from November 01,1997. No drawdowns have been made upto June 30, 1996.

5.14 The Asian Development Bank (ADB) has sanctioned loan of US\$ 10.0 million. The interest rate is Libor plus 2.25% per annum payable half yearly. The loan will be repayable in ten semi-annual instalments commencing from March 15, 1999. No drawdowns have been made upto June 30, 1996.

|                                      | Note | 1996<br>Rupees | 1995<br>Rupees |
|--------------------------------------|------|----------------|----------------|
| 6. LONG TERM DEPOSITS                |      |                |                |
| From lessees                         |      |                |                |
| Security deposits on lease contracts | 6.1  | 192,794,369    | 149,200,003    |
| From employees                       | 6.2  | 459,969        | 454,417        |
|                                      |      | -----          | -----          |
|                                      |      | 193,254,338    | 149,654,420    |
| Less: Current maturity               |      | 43,041,347     | 30,178,125     |
|                                      |      | -----          | -----          |
|                                      |      | 150,212,991    | 119,476,295    |
|                                      |      | =====          | =====          |

6.1 These represent security deposits received against lease contracts and are repayable/adjustable at the expiry of respective lease periods.

6.2 This represents deposits from employees under the Company's Car scheme.

**7. CERTIFICATES OF INVESTMENT**

The company has a scheme of registered Certificates of Investment (COI) for resource mobilization as per permission from the Corporate Law Authority, Government of Pakistan. The terms of these Certificates of Investment range from three months to five years and the return is paid on a profit and loss sharing basis.

**8. DEFERRED REVENUE**

|                                |     |           |       |
|--------------------------------|-----|-----------|-------|
| Net exchange gain              | 2.7 | 1,793,440 | --    |
| Transferred to profit and loss |     | 298,907   | --    |
|                                |     | -----     | ----- |
|                                |     | 1,494,533 | --    |
|                                |     | =====     | ===== |

**9. SHORT TERM FINANCE - Unsecured**

These represents short term finance obtained from various institutions. The mark-up rate ranges from 50 to 52 paisas per thousand rupees per day. The amounts have been subsequently repaid.

**10. FINANCE UNDER MARK-UPARRANGEMENTS**

|   |       |            |            |
|---|-------|------------|------------|
| Running finances from banks utilized under mark-up arrangements - secured | 10.10 | 59,509,913 | 43,119,748 |
|   |       | =====      |            |

10.1 The facilities from commercial banks amount to Rs.88.50 million (1995:Rs.73.50 million) and the mark-up rates range from 45 to 50 paisas per thousand rupees per day and is payable currently. The arrangements are secured by a pari-passu charge on leased assets and hypothecation of rentals receivable.

|  | Note | 1996<br>Rupees | 1995<br>Rupees |
|--|------|----------------|----------------|
| <b>11. ACCRUED AND OTHER LIABILITIES</b>   |      |                |                |
| Accrued expenses   |      | 628,374        | 1,191,998      |
| Mark-up on secured - long term finances  |      | 12,096,240     | 19,743,954     |
| - running finances   |      | 1,189,651      | 767,553        |
| Mark-up on unsecured short term finances   |      | 496,482        | 922,178        |
| Exchange risk fee, guarantee commission, commitment and other charges on long term loans |      | 93,494,658     | 52,797,212     |
| Profit payable on certificates of investment   |      | 9,034,381      | 2,068,567      |
| Due to associated undertakings   |      | --             | 83,702         |
| Other liabilities  |      |                |                |
| Advance from customers pending lease execution   |      | 2,812,717      | 4,953,131      |
| Advance lease rentals from lessees   |      | 8,517,590      | 1,359,005      |
| Lease rentals received on account  |      | 4,024,117      | 745,182        |
| Unclaimed dividend   |      | 12,252         | 19,335         |
| Others   |      | 890,548        | 735,911        |
|  |      | -----          | -----          |
|  |      | 16,257,224     | 7,812,564      |
|  |      | -----          | -----          |
|  |      | 133,197,010    | 85,387,728     |
|  |      | =====          |                |

**12. CONTINGENCIES AND COMMITMENTS**

|  |  |            |            |
|--|--|------------|------------|
| <b>12.1 Commitments</b>                      |  |            |            |
| Letters of comfort against letters of credit |  | 37,039,952 | 45,250,000 |
| Lease commitments                            |  | 36,894,000 | --         |
| Capital commitments for computer system      |  | --         | 656,250    |
|  |  | -----      | -----      |
|  |  | 73,933,952 | 45,906,250 |
|  |  | =====      |            |

**13. OPERATING FIXED ASSETS**

| Description            | Cost                                |                     |                     | As at<br>June 30, 1996<br>Rupees |
|------------------------|-------------------------------------|---------------------|---------------------|----------------------------------|
|                        | As at<br>July<br>11, 1995<br>Rupees | Additions<br>Rupees | Disposals<br>Rupees |                                  |
| Leasehold improvements | 834,417                             | 948,352             | 4,634               | 1,778,135                        |
| Furniture and fixtures | 1,218,397                           | 218,700             | 325,238             | 1,111,861                        |
| Office equipment       | 5,733,760                           | 4,435,357           | 448,418             | 9,720,699                        |
| Electrical equipment   | 2,125,290                           | 62,800              | 652,353             | 1,535,737                        |
| Motor vehicles         | 11,653,385                          | 6,399,197           | 7,577,222           | 10,475,360                       |
|                        | -----                               | -----               | -----               | -----                            |
|                        | 21,565,249                          | 12,064,406          | 9,007,863           | 24,621,792                       |
|                        | =====                               | =====               | =====               | =====                            |
| 1 9 9 5                | 19,611,794                          | 3,614,646           | 1,661,191           | 21,565,249                       |
|                        | =====                               | =====               | =====               | =====                            |

| Description            | Depreciation                    |                                  |                           |                                  | Rate<br>of<br>Depre-<br>ciation<br>on WDV<br>% |
|------------------------|---------------------------------|----------------------------------|---------------------------|----------------------------------|--|
|                        | As at<br>July 1, 1995<br>Rupees | Charge for<br>the year<br>Rupees | On<br>disposals<br>Rupees | As at<br>June 30, 1996<br>Rupees |  |
| Leasehold improvements | 357,900                         | 142,111                          | 880                       | 499,131                          | 10   |
| Furniture and fixtures | 452,508                         | 78,631                           | 126,953                   | 404,186                          | 10   |
| Office equipment       | 1,399,260                       | 845,548                          | 134,038                   | 2,110,770                        | 10   |
| Electrical equipment   | 716,980                         | 104,194                          | 223,178                   | 597,996                          | 10   |
|                        |                                 |                                  |                           | -----                            |  |
|                        |                                 |                                  |                           | 1,279,004                        |  |
|                        |                                 |                                  |                           | 707,675                          |  |
|                        |                                 |                                  |                           | 7,609,929                        |  |
|                        |                                 |                                  |                           | 937,741                          |  |

|                |           |           |           |           |            |       |
|----------------|-----------|-----------|-----------|-----------|------------|-------|
| Motor vehicles | 4,808,504 | 1,744,953 | 3,057,911 | 3,495,546 | 6,979,814  | 20    |
|                | -----     | -----     | -----     | -----     | -----      | ----- |
|                | 7,735,152 | 2,915,437 | 3,542,960 | 7,107,629 | 17,514,163 |       |
|                | =====     | =====     | =====     | =====     | =====      | ===== |
| 1 9 9 5        | 5,856,679 | 2,487,355 | 608,882   | 7,735,152 | 13,830,097 |       |
|                | =====     | =====     | =====     | =====     | =====      | ===== |

13.1 Disposal of assets.

| Description            | Cost<br>Rupees | Accumulated<br>depreci-<br>ation<br>Rupees | Book value<br>Rupees | Sale<br>Proceeds<br>Rupees | Mode of<br>disposal   | Sold to                                       |
|------------------------|----------------|--|----------------------|----------------------------|-----------------------|---|
| Leasehold Improvements | 4,634          | 880  | 3,754                | --                         | Scrapped /<br>Damaged | --  |
| Furniture and Fixture  | 81,191         | 35,365                                     | 45,826               | 31,800                     | Negotiation           | Mrs. Rasheeda Begum<br>D.H.A. Karachi.        |
| Furniture and Fixture  | 10,667         | 2,474                                      | 8,193                | 3,500                      | Negotiation           | Mr. M.H. Khan<br>Federal 'B' Area Karachi.    |
| Furniture and Fixture  | 23,200         | 7,090                                      | 16,110               | 8,750                      | Negotiation           | Mr. Shabbir Aziz<br>F.J.Colony, Karachi.      |
| Furniture and Fixture  | 8,600          | 3,360                                      | 5,240                | 1,750                      | Negotiation           | Mrs. Amina Abubaker<br>Sharfabad, Karachi.    |
| Furniture and Fixture  | 5,500          | 2,870                                      | 2,630                | 700                        | Negotiation           | M/s Gulf Electronics<br>Gizri Road, Karachi   |
| Furniture and Fixture  | 120,862        | 55,758                                     | 65,104               | 14,000                     | Negotiation           | Mr. Faisal Jadoon<br>D.H.A. Karachi.          |
| Furniture and Fixture  | 11,950         | 2,939                                      | 9,011                | --                         | Scrapped /<br>Damaged | --  |
| Furniture and Fixture  | 3,350          | 1,570                                      | 1,780                | 1,200                      | Negotiation           | Mr. Aamir<br>Lyari, Karachi.                  |
| Furniture and Fixture  | 41,936         | 7,968                                      | 33,968               | 2,500                      | Negotiation           | Mujahil Khan<br>Light House, Karachi.         |
| Furniture and Fixture  | 1,560          | 731  | 829                  | --                         | Scrapped /<br>Damaged | --  |
| Furniture and Fixture  | 16,420         | 6,828                                      | 9,592                | --                         | Scrapped /<br>Damaged | --  |
| Office Equipment       | 26,400         | 7,154                                      | 19,246               | 3,000                      | Negotiation           | M/s Mobile Communications<br>Gulberg, Lahore. |
| Office Equipment       | 23,000         | 10,777                                     | 12,223               | 1,200                      | Negotiation           | Mr. Fahad Ghani<br>Gari Khata, Karachi.       |
| Office Equipment       | 49,900         | 17,161                                     | 32,739               | 7,150                      | Negotiation           | Mr. Salman Aziz<br>F. Jinnah Colony, Karachi. |
| Office Equipment       | 44,250         | 15,218                                     | 29,032               | 12,375                     | Negotiation           | Mr. M.A. Khan<br>F.B. Area, Karachi.          |
| Office Equipment       | 50,000         | 13,550                                     | 36,450               | 14,000                     | Negotiation           | Mr. Min-haj-uddin<br>N. Nazimabad, Karachi    |
|                        | =====          | =====                                      | =====                | =====                      |                       |   |
| B/F                    | 523,420        | 191,693                                    | 331,727              | 101,925                    |                       |   |
|                        | =====          | =====                                      | =====                | =====                      |                       |   |

| Description      | Cost<br>Rupees | Accumulated<br>depreci-<br>ation<br>Rupees | Book value<br>Rupees | Sale<br>Proceeds<br>Rupees | Mode of<br>disposal | Sold to                            |
|------------------|----------------|--|----------------------|----------------------------|---------------------|------------------------------------|
| C/F              | 523,420        | 191,693                                    | 331,727              | 101,925                    |                     |                                    |
| Office Equipment | 30,000         | 8,130                                      | 21,870               | 13,000                     | Negotiation         | Mr. M Amin<br>Civil Lines, Karachi |
| Office Equipment | 30,857         | 8,361                                      | 22,496               | 22,866                     | Negotiation         | Atlas Honda Ltd.                   |

|                      |           |           |           |           |                         |   |
|----------------------|-----------|-----------|-----------|-----------|-------------------------|---|
| Office Equipment     | 55,000    | 14,905    | 40,095    | 15,000    | Negotiation             | S.I.T.E. Karachi<br>Mr. Amjad Hussain<br>Tipu Sultan Road Karachi |
| Office Equipment     | 106,511   | 29,975    | 76,536    | --        | Scrapped /<br>Damaged   | --  |
| Office Equipment     | 32,500    | 8,807     | 23,693    | 24,193    | Negotiation             | Kashif Electronics<br>A A. Shopping Centre<br>D.H.A. Karachi.     |
| Electrical Equipment | 61,850    | 28,418    | 33,432    | 31,200    | Negotiation             | Mrs. Rasheeda Begum<br>D.H.A. Karachi.                            |
| Electrical Equipment | 45,300    | 18,214    | 27,086    | 24,327    | Negotiation             | Mr. M.H. Khan<br>F.B. Area, Karachi.                              |
| Electrical Equipment | 6,730     | 1,824     | 4,906     | 4,700     | Negotiation             | Mrs. Amina Abubaker<br>Sharfabad, Karachi.                        |
| Electrical Equipment | 6,800     | 3,547     | 3,253     | 3,000     | Negotiation             | M/s Gulf Electronics<br>Gizri Road, Karachi                       |
| Electrical Equipment | 1,950     | 1,018     | 932       | 700       | Negotiation             | Mr. Shahab Zafar<br>Gulistan-e-Jauhar, Karachi.                   |
| Electrical Equipment | 30,769    | 8,338     | 22,431    | 23,000    | Negotiation             | Mr. Faisal Jadoon<br>D.H.A. Karachi.                              |
| Electrical Equipment | 20,000    | 10,434    | 9,566     | 7,000     | Negotiation             | M/s General Air Conditioning                                      |
| Electrical Equipment | 7,250     | 3,782     | 3,468     | 4,000     | Negotiation             | Mr. S. Khan<br>Karachi.   |
| Electrical Equipment | 17,103    | 8,923     | 8,180     | 10,000    | Negotiation             | Mrs. I. Hussain<br>D.H.A. Karachi.                                |
| Electrical Equipment | 40,000    | 20,868    | 19,132    | 20,000    | Negotiation             | Mrs. S.A. Ahmed<br>D.H.A., Karachi.                               |
| Electrical Equipment | 112,528   | 30,495    | 82,033    | 56,000    | Negotiation             | Mr. Muhammad Aslam<br>Tariq Road, Karachi.                        |
| Electrical Equipment | 247,500   | 67,072    | 180,428   | 180,428   | Negotiation             | M/s Shirazi Trading Co.<br>I.I.Chundrigar Road, Karachi.          |
| Electrical Equipment | 22,700    | 6,152     | 16,548    | 5,000     | Negotiation             | Mrs. Rashida Begum<br>D.H.A. Karachi.                             |
| Electrical Equipment | 16,193    | 8,411     | 7,782     | --        | Scrapped /<br>Damaged   | --  |
| Electrical Equipment | 8,430     | 2,285     | 6,145     | 1,500     | Negotiation             | Mrs. Rashida Begum<br>D.H.A. Karachi.                             |
| Electrical Equipment | 7,250     | 3,397     | 3,853     | 2,000     | Negotiation             | Muhammad Zaman Khan<br>Kutchery Road Karachi                      |
| Motor Vehicles       | 199,487   | 71,815    | 127,672   | 170,062   | Negotiation             | Mr. Saeed Arshad<br>Shahrah-e-Liaquat, Karachi.                   |
| Motor Vehicles       | 2,769,200 | 996,912   | 1,772,288 | 1,800,000 | Negotiation             | M/s Shoaib Corporation<br>North Nazimabad, Karachi.               |
| Motor Vehicles       | 2,051,282 | 1,001,025 | 1,050,257 | 750,000   | Negotiation             | M/s Motor Cade<br>Buffer Zone, North Karachi.                     |
| Motor Vehicles       | 388,000   | 189,344   | 198,656   | 199,069   | Negotiation             | Mrs. Arifa Ahmed<br>Alam Road, Lahore.                            |
| Motor Vehicles       | 593,400   | 118,680   | 474,720   | 516,922   | Negotiation             | All Bhai Motors<br>P.E.C.H.S. Karachi.                            |
| Motor Vehicles       | 365,128   | 131,446   | 233,682   | 338,005   | Negotiation             | Ms. Fauzia w/o Mohsin All<br>Khaleeq-uz-Zaman Road,<br>Karachi.   |
| Motor Vehicles       | 702,125   | 414,535   | 287,590   | 287,590   | Company's car<br>Scheme | Mr. Khaleeq-ur-Rahman Khan<br>Employee                            |
| Motor Vehicles       | 197,500   | 116,604   | 80,896    | 80,896    | Company's car<br>Scheme | Mr. Nabeel Sayeed<br>Employee                                     |
| Motor Vehicles       | 285,000   | --        | 285,000   | 300,000   | Insurance Cla           | Muslim Insurance Co. Ltd.<br>Campbell' Street Karachi             |
| Motor Vehicles       | 26,100    | 17,550    | 8,550     | 27,000    | Negotiation             | Mr. Mohib All Khan<br>Baldia Town, Karachi.                       |
| TOTAL                | 9,007,863 | 3,542,960 | 5,464,903 | 5,019,383 |                         |   |

Note 1996 Rupees 1995 Rupees

#### 14. NET INVESTMENT IN LEASE FINANCE

Includes Rs.952,020 (1995: Rs. 18,440) in respect of associated companies. Maximum amount due at the end of any month during the year was Rs.1,023,780 (1995: Rs.784,870).

#### 15. LONG TERM INVESTMENTS

##### 15.1 Government Securities

|                            |      |            |           |
|----------------------------|------|------------|-----------|
| - Federal Investment Bonds | 15.3 | 17,500,000 | 5,000,000 |
|----------------------------|------|------------|-----------|

##### 15.2 Shares in listed companies:

| No. of Ordinary | Market Value | Cost | 1995 |
|-----------------|--------------|------|------|
|-----------------|--------------|------|------|

| Ordinary shares of Rs. 10/- each                       | shares  | Rupees    | Rupees     | Rupees    |
|--|---------|-----------|------------|-----------|
| J.D.W. Sugar Mills Ltd.                                | 298,800 | 597,600   | 2,988,000  | 2,988,000 |
| Engro Chemicals Pakistan Ltd.                          | 6,000   | 960,000   | 790,000    | --        |
| Muslim Insurance Co. Ltd.                              | 24,944  | 510,105   | 538,790    | --        |
| Atlas Battery Ltd.                                     | 80,018  | 5,341,202 | 5,449,226  | --        |
|  |         | 7,408,907 | 9,766,016  | 2,988,000 |
| Less: Provision for diminution in value of investments |         |           | 2,390,400  | 1,494,000 |
|  |         |           | 7,375,616  | 1,494,000 |
|  |         |           | 24,875,616 | 6,494,000 |
|  |         |           | =====      | =====     |

15.3 These investments have been made in compliance with the State Bank of Pakistan's Rules for Non-Banking Financial Institutions to maintain 15% liquidity against certain liabilities. The rate of return ranges from 14% to 15% per annum and matures on May 5, 1999; January 28, 2002 and November 22, 2004 respectively.

**16. LONG TERM LOANS, DEPOSITS AND DEFERRED COSTS**

|  |      |           |           |
|--|------|-----------|-----------|
| Loan to executive - secured, considered good | 16.1 | 1,765,329 | 1,758,945 |
| Less: Current portion                        |      | 196,194   | 170,604   |
|  |      | 1,569,135 | 1,588,341 |
| Deposits                                     |      | 475,536   | 484,636   |
| Deferred costs                               | 16.2 | 7,244,809 | 5,411,214 |
|  |      | 9,289,480 | 7,484,191 |
|  |      | =====     | =====     |

16.1 This represents house loan to the Chief Executive Officer which is repayable in 144 monthly instalments and carries mark-up @ 10% per annum. The loan is secured by registered mortgage of property and assignment of life insurance policy.

Maximum amount outstanding at the end of any month during the year against loan to Chief Executive was Rs. 1,768,467 (1995: Rs. 1,758,945).

| 16.2 Defe Note                   | 1996<br>Rupees | 1995<br>Rupees |
|----------------------------------|----------------|----------------|
| Front-end fee on long term loans |                |                |
| Opening balance                  | 12,879,841     | 12,879,841     |
| Additions during the year        | 6,303,703      | --             |
|                                  | 19,183,544     | 12,879,841     |
| Amortized to-date                | 11,938,735     | 7,468,627      |
|                                  | 7,244,809      | 5,411,214      |
|                                  | =====          | =====          |

The above expenditure is carried forward as it confers the benefit of the same to future years.

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

|  |      |             |            |
|--|------|-------------|------------|
| Advances - considered good against assets to be leased out for expenses to employees |      | 15,200,000  | 35,018,000 |
| Others   |      | 50,000      | --         |
|  |      | 15,435,916  | 35,195,785 |
|  |      | =====       | =====      |
| Current portion of loan to an executive  |      | 196,194     | 170,604    |
| Prepayments  |      | 2,068,015   | 2,170,993  |
| Due from associated undertakings   | 17.1 | 2,729,052   | 4,399,314  |
| Accrued lease income   |      | 20,183,996  | 15,500,787 |
| Accrued profit on long term investments  |      | 457,260     | 1,660,703  |
| Accrued mark-up on long term deposits  |      | 2,716,534   | --         |
| Exchange difference refundable from SBP  |      | 64,134,348  | 23,263,012 |
| Other assets   | 17.2 | 2,094,629   | --         |
| Other receivables  |      | 2,770,507   | 887,733    |
|  |      | 112,786,451 | 83,248,931 |
|  |      | =====       | =====      |

17.1 Maximum amount due from associated undertakings at the end of any month during the year was Rs.4,399,314 (1995: Rs.4,399,314).

17.2 This represents leased assets repossessed stated at principal amount receivable at the time of repossessing the asset. The company has finalized negotiation with a buyer in the subsequent period to sell it for a higher value.

|                                   | Note     | 1996<br>Rupees | 1995<br>Rupees |
|-----------------------------------|----------|----------------|----------------|
| <b>18. CASH AND BANK BALANCES</b> |          |                |                |
| Cash in hand                      |          | 26,157         | 25,552         |
| Stamps in hand                    |          | 11,060         | 16,820         |
| Cheques in hand                   |          | 2,380,490      | 2,169,195      |
| With banks                        |          |                |                |
| on current accounts               |          | 3,485,009      | 3,200,614      |
| on deposit account                | 18.1     | 8,292,000      | --             |
| on special account with SBP       |          | 1,100,000      | --             |
|                                   |          | -----          | -----          |
|                                   |          | 15,294,716     | 5,412,181      |
|                                   |          | =====          | =====          |
| 18.1 Foreign currency deposits    |          | 83,292,000     | --             |
| less: Credit facility availed     | 18.1 (a) | 75,000,000     | --             |
|                                   |          | -----          | -----          |
|                                   |          | 8,292,000      | --             |
|                                   |          | =====          | =====          |

18.1 (a) This represents a credit facility availed on a matching facility basis which is secured by a lien on the foreign currency deposits and has been offset in accordance with policy stated in note 2.8. The rate of mark-up ranges from 12.8% to 13.3% per annum. The maturity of credit facility and foreign currency deposits are upto December 15, 1998.

#### 19. INCOME FROM LEASING OPERATIONS

|                           |  |             |             |
|---------------------------|--|-------------|-------------|
| Income on lease contracts |  | 267,662,559 | 199,893,451 |
| Front-end fee             |  | 6,146,272   | 4,244,387   |
|                           |  | -----       | -----       |
|                           |  | 273,808,831 | 204,137,838 |
|                           |  | =====       | =====       |

#### 20. OTHER INCOME

|   |  |            |            |
|---|--|------------|------------|
| Return on long term investments         |  | 1,910,561  | 709,641    |
| Return on short term investments        |  | 6,913,974  | 4,394,922  |
| Exchange Gain                           |  | 298,907    | --         |
| Mark-up on short term finance           |  | 1,469,917  | 3,782,271  |
| Mark-up on loan to executive            |  | 176,988    | 174,729    |
| Gain on cancellation of lease contracts |  | 878,067    | 977,139    |
| (Loss)/profit on sale of fixed assets   |  | (445,520)  | 162,042    |
| Arrangement fee                         |  | 210,130    | --         |
| Dividend Income                         |  | 20,000     | --         |
| Interest on foreign currency deposits   |  | 2,716,534  | --         |
| Miscellaneous                           |  | 625,111    | 694,972    |
|   |  | -----      | -----      |
|   |  | 14,774,669 | 10,895,716 |
|   |  | =====      | =====      |

|  | Note | 1996<br>Rupees | 1995<br>Rupees |
|--|------|----------------|----------------|
| <b>21. FINANCIAL CHARGES</b>   |      |                |                |
| Mark-up on - long term loans   |      | 91,749,941     | 83,221,956     |
| - short term finances  |      | 24,783,207     | 4,787,772      |
| Mark-up on running finances  |      | 3,857,273      | 2,960,188      |
| Exchange risk fee, commitment charges, guarantee commission and other charges on long term loans |      | 52,083,143     | 44,915,823     |
| Bank charges   |      | 2,135,870      | 2,114,539      |
| Profit on certificates of investment   |      | 29,002,590     | 4,614,270      |
| Loan administration fees   |      | 56,960         | 33,407         |
|  |      | -----          | -----          |
|  |      | 203,668,984    | 142,647,955    |
|  |      | =====          | =====          |

#### 22. ADMINISTRATIVE AND OPERATING EXPENSES

|                                   |  |            |           |
|-----------------------------------|--|------------|-----------|
| Salaries, allowances and benefits |  | 10,509,003 | 9,883,715 |
| Rent, rates and taxes             |  | 2,348,078  | 2,176,657 |
| Gas, electricity and utilities    |  | 530,459    | 649,570   |
| Printing and stationery.          |  | 1,220,004  | 777,091   |

|  |      |            |            |
|--|------|------------|------------|
| Insurance                                |      | 803,994    | 724,000    |
| Repairs and maintenance                  |      | 1,475,536  | 1,160,784  |
| Travelling and conveyance                |      | 1,417,331  | 2,204,690  |
| Staff training expenses                  |      | 79,723     | 862,463    |
| Membership and subscription              |      | 475,156    | 580,991    |
| Canteen and entertainment expenses       |      | 1,286,361  | 837,746    |
| Postage expenses                         |      | 103,060    | 109,556    |
| Telephone expenses                       |      | 1,829,963  | 2,208,449  |
| Legal and professional charges           |      | 287,732    | 419,909    |
| Vehicle running expenses                 |      | 1,320,431  | 940,653    |
| Advertisement                            |      | 574,763    | 599,871    |
| Depreciation                             |      | 2,915,437  | 2,487,355  |
| Stamps and fees                          |      | 232,261    | 76,229     |
| Freight and packing                      |      | 657,848    | 229,744    |
| Security service charges                 |      | 68,211     | 108,946    |
| Penalty levied by State Bank of Pakistan |      | 14,200     | --         |
|  |      | -----      | -----      |
|  |      | 28,149,551 | 27,038,419 |
| <br>                                     |      |            |            |
| Auditors' remuneration                   |      |            |            |
| Audit fee                                |      | 65,000     | 45,000     |
| Taxation services                        |      | 12,500     | 36,040     |
| Special audit fee                        |      | 45,000     | 45,000     |
| Other certifications                     |      | 19,470     | --         |
| Out-of-pocket expenses                   |      | 8,295      | 6,698      |
|  |      | -----      | -----      |
|  |      | 150,265    | 132,738    |
| Donations                                | 22.1 | 5,000      | --         |
| Professional Tax                         |      | 150,000    | --         |
| Miscellaneous                            |      | 121,775    | 80,992     |
|  |      | -----      | -----      |
|  |      | 28,576,591 | 27,252,149 |
|  |      | =====      | =====      |

22.1 Recipients of donation do not include any donee in whom any director or his spouse had an interest.

### 23. TAXATION

Provision for current taxation has been made on the basis of minimum tax under section 80D of the Income Tax Ordinance, 1979.

Deferred taxation arising due to timing differences computed under the liability method is estimated at Rs.81.55 million of which Rs.7.26 million credit is in respect of the current year (1995:Rs.74.29 million, for the year Rs.34.54 million). The liability for deferred taxation is not likely to reverse in the foreseeable future and, therefore no provision has been made in these accounts.

|  | Note | 1996<br>Rupees | 1995<br>Rupees |
|--|------|----------------|----------------|
| <b>24. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS</b> |      |                |                |
| Insurance  |      | 803,994        | 724,000        |
| Services Provided by                                 |      | 987,977        | --             |
| Services Provided to                                 |      | 66,114         | 854,405        |
| Expenses charged by                                  |      | 22,405         | 183,133        |
| Expenses charged to                                  |      | 2,443,442      | 4,399,314      |
| Lease rentals  |      | 90,200         | 922,825        |
| Cost of assets leased                                |      | 810,500        | --             |
| Issue of Certificate of investment                   |      | 15,000,000     | --             |
| Acquisition of fixed assets                          |      | 6,585,018      | 1,537,924      |
| Sale of fixed assets                                 |      | 203,294        | --             |
|  |      | -----          | -----          |
|  |      | 27,012,944     | 8,621,601      |
|  |      | =====          | =====          |

### 25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Remuneration in respect of the above charged in these accounts is as follows:

|                         | 1996                         |                    |                      |                 |
|-------------------------|------------------------------|--------------------|----------------------|-----------------|
|                         | Chief<br>Executive<br>Rupees | Director<br>Rupees | Executives<br>Rupees | Total<br>Rupees |
| Managerial remuneration | 716,793                      | 690,000            | 2,536,228            | 3,943,021       |
| Housing and utilities   | 265,128                      | 330,000            | 1,213,288            | 1,808,416       |
| Medical and other       | 67,842                       |                    |                      |                 |

|                   |           |           |           |
|-------------------|-----------|-----------|-----------|
| expenses          | 97,984    | 298,159   | 463,985   |
| Provident fund    | 51,197    | 60,000    | 214,770   |
|                   | -----     | -----     | -----     |
|                   | 1,100,960 | 1,177,984 | 4,262,445 |
|                   | =====     | =====     | =====     |
| Number of persons | 1         | 1         | 15        |
|                   | =====     | =====     | =====     |

1 1 9

1995

|                            | Chief Executive Rupees | Director Rupees | Executives Rupees | Total Rupees |
|----------------------------|------------------------|-----------------|-------------------|--------------|
| Managerial remuneration    | 1,003,200              | 620,000         | 1,690,740         | 3,313,940    |
| Housing and utilities      | 472,620                | 354,000         | 818,090           | 1,644,710    |
| Medical and other expenses | 794,900                | 111,670         | 191,250           | 1,097,820    |
| Provident fund             | 87,120                 | 54,000          | 153,260           | 294,380      |
|                            | -----                  | -----           | -----             | -----        |
|                            | 2,357,840              | 1,139,670       | 2,853,340         | 6,350,850    |
|                            | =====                  | =====           | =====             | =====        |
| Number of persons          | 1                      | 1               | 9                 |              |
|                            | =====                  | =====           | =====             |              |

25.1 The Chief Executive and Director are also provided with free use of telephones and company maintained cars.

25.2 Fees totalling Rs.7,500 (1995: Rs.8,000) were paid to four directors (1995: four directors) for attending Board Meetings during the year.

26. GENERAL

26.1 All figures have been rounded off to the nearest rupee.

26.2 Previous year's figures have been rearranged wherever necessary for the purpose of comparison.

THE ATLAS FAMILY

Year of Establishment Acquisition

ATLAS GROUP COMPANIES

|   |        |
|---|--------|
| Shirazi Investments (Pvt) Ltd.          | 1962   |
| Atlas Honda Ltd.                        | 1963   |
| Atlas Battery Ltd.                      | 1966   |
| Shirazi Trading Co.(Pvt) Ltd.           | 1973   |
| Atlas Warehousing (Pvt) Ltd.            | 1979   |
| Atlas Office Equipment (Pvt) Ltd.       | 1979 * |
| Muslim Insurance Co. Ltd.               | 1980 * |
| Allwin Engineering Industries Ltd.      | 1981 * |
| Atlas Lease Ltd.                        | 1989   |
| Atlas Investment Bank Ltd.              | 1990   |
| Honda Atlas Cars (Pakistan) Ltd.        | 1993   |
| Honda Atlas Services (Pvt) Ltd.         | 1994   |
| Atlas Information Technology (Pvt) Ltd. | 1996   |