

PAKISTAN INDUSTRIAL LEASING CORPORATION LIMITED

ANNUAL REPORT 1997

CONTENTS

Company Information
Financial Highlights
Lease Portfolio
Five Years at a Glance
Notice of Annual General Meeting
Director's Report & Chief Executive's Review
Auditor's Report to the Members
Balance Sheet
Profit and Loss Account
Statement of Sources and Application of Funds
Notes to the ACCOUNTS
Pattern of Holding of Shares

COMPANY INFORMATION

BOARD OF DIRECTORS

(in alphabetical order)

Mr. Anjum M. Saleem
Mr. Asad Ali Shaikh (Nominee of PICIC)
Mr. Khalid Bashir
Mr. Javed Omer Vohra
S. Hashim Ishaque (Nominee of NIT)
Mr. Mazhar Karim (Chairman)
Mr. Muhammad Rafi
Mr. Nasir Shafi
Mr. Rashid Ahmed (Chief Executive officer & Managing Director)

AUDITORS

Riaz Ahmad & Company
Chartered Accountants

CORPORATE SECRETARIES

Mr. Zaheer A. Shaikh
Mr. Rashid Sadiq

LEGAL ADVISORS

Hassan & Hassan Advocates

REGISTERED OFFICE

83-Babar Block
New Garden Town, Lahore.
Tel: 5881974-75 Fax:92-42-5881976

HEAD OFFICE

4th & 5th Floor, PAAF Building,
7 - D Kashmir/Egerton Road, Lahore.
Tel: 111-666-333, 6366067-8, 6310230-1, 6311178-80, 6304970
Fax: 92-42-6369272 Telex: 47154 PILC PK.
E-mail: Pakind@Paknet1 .ptc.pk

BRANCHES

Karachi

5th Floor, Sidco Avenue Centre,
264 R. A. Lines, Stratchen Road, Karachi.
Tel: 111-666-333, 5687770, 5687780, 5687783-4
Fax: 92 - 21 - 5687866 Telex: 28880 CGS PK.

Sialkot

Suite No. 1 & 2,
Uberoi Co-operative Sports Building,
Paris Road, Sialkot.
Tel: 111-666-333, 587702

Fax: 92- 432 - 587703

Faisalabad

G - 735 & 736, Bazar Court,
Faisalabad Serena Hotel, Club Road, Faisalabad.
Tel: 111-666-333, 626787, 626789
Fax: 92- 411- 621230
Telex: 43496 PILC PK.

Multan

G - 8, Holiday Inn,
Abdali Road, Multan.
Tel: 111-666-333,586683
Fax: 92- 61-586583

Islamabad

State Life Building No.5, Blue Area, Islamabad.
Tel: 111-666-333, 826286, 826387, 826392
Fax: 92- 51- 826220

Peshawar

1st Floor, AYS Centre,
Arbab Road, Peshawar.
Tel & Fax: 92- 91-272299

FINANCIAL HIGH-LIGHTS - (1992 - 1997)

(Rupees in thousand)

BALANCE SHEET	Dec-92	Dec-93	Dec-94	Jun-96	Jun-97
Paid-up-Capital	110,047	110,047	121,052	181,578	181,578
Reserves & Retained Earnings	43,101	82,474	110,287	302,002	346,129
Net Worth	153,148	192,521	231,339	483,580	527,707
Long Term Loans - Foreign	688,502	967,785	1,051,075	1,287,688	1,901,954
Long Term Loans - Local	3,984	50,000	42,728	30,376	13,241
Long Term Deposits - Against Leases	111,416	170,201	253,633	327,459	371,591
Certificates of Investment	25,119	186,869	371,734	570,650	555,154
Current Liabilities	68,494	127,820	446,212	453,265	563,533
Total Liabilities	897,515	1,502,675	2,165,382	2,669,438	3,405,473
	1,050,663	1,695,196	2,396,721	3,153,018	3,933,180
Operating Fixed Assets	9,027	11,760	13,603	17,430	20,740
Long Term Investment	17,190	35,837	52,634	61,591	64,457
Net Lease Receivables	870,792	1,345,730	1,970,016	2,431,987	3,007,120
Long Term Loan and Deferred Cost	11,211	10,487	14,627	50,025	107,380
Non Lease Current Assets	142,443	291,382	345,841	591,985	733,483
Total Assets	1,050,663	1,695,196	2,396,721	3,153,018	3,933,180
INCOME STATEMENT					
Gross Income from lease Financing	121,462	197,388	379,312	412,735	535,253
Return on Placements and Advances	16,677	30,129	56,893	71,962	75,579
income from Investments and others	293	2,674	2,591	873	3,004
Total Income	138,433	230,192	374,071	485,570	613,836
Financial Expenses	84,935	150,687	250,873	323,716	436,137
Operating Expenses	14,398	21,561	31,457	36,540	45,313
Profit Before Provisions	40,571	59,401	96,927	118,619	122,229
Provision for Doubtful Receivables	1,471	1,457	5,188	38,655	37,386
Provision for Taxation	1,325	2,063	2,987	3,662	4,400
Net Income	37,775	55,881	88,752	76,302	80,443

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting of the shareholders of PAKISTAN INDUSTRIAL LEASING CORPORATION LIMITED will be held on Saturday the November 01, 1997 at 11:00 a.m. at Pearl Continental Hotel, Lahore to transact the following business:-

1. To receive and adopt the Directors and Auditors Reports and Audited Accounts for the year ended June 30, 1997.
2. To approve, as recommended by the Directors, the payment of Cash Dividend @ 20% i.e. Rs. 2/- per share for the year ended June 30, 1997.
3. To appoint Auditors for the year 1997-98 and fix their remuneration. The present Auditors M/s. Riaz Ahmad & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

BOOK CLOSURE:

The Register of Members of the company shall remain closed and no transfer of shares will be accepted for registration from October 25, 1997 to November 01, 1997 (both days inclusive). Transfers received at the Registered Office, 83-Babar Block, New Garden Town, Lahore by the close of business (5:00 p.m.) on October 24, 1997, which are in order, will be accepted for the purpose of payment of the Final Dividend to the transferees.

REGISTERED OFFICE:

83-Babar Block, New Garden Town
LAHORE.
Telephone No. (042) 5881974-75
Fax No. (042) 5881976
Dated: September 30, 1997.

BY ORDER OF THE BOARD
ZAHEER A. SHAIKH
CORPORATE SECRETARY

NOTE:

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

DIRECTORS' REPORT AND CHIEF EXECUTIVE'S REVIEW

The Board of Directors is pleased to present the annual report together with the audited accounts of your Company for the year ended June 30, 1997.

Financial Results:

The financial results of the Company for the year ended June 30, 1997 are summarised as under:

(Rupees in thousands)

Revenue	613,836
Expenditure	491,607
Provision for doubtful receivables	37,386
Profit before taxation	84,843
Provision for taxation	4,400
Profit after taxation	80,443
Unappropriated profit brought forward	399
Profit available for appropriation	80,842

Appropriations:

Proposed dividend	36,316
General reserve	14,000
Reserve for contingencies	30,000
Unappropriated profit carried forward	526

Dividend:

The Board of Directors has recommended a cash dividend @ 20% for the year ended June 30, 1997.

Review of Operations:

Entering the 9th year of operations, your Company has maintained its growth trends, despite depressing economic conditions prevailing in the country. However, a turn-around is expected with the business friendly budget and related measures being taken up by the present Government. The favourable impact of this turn-around, however, cannot be immediate.

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

Net investment in leases during the year ending June 30, 1997 increased by 24% from Rs. 2,431.988 million to Rs.3,007.12] million. Net income for the year before provisions amounted to Rs. 122.228 million as compared to Rs. 118.519 million in 1996. As a policy, your company has considered it prudent to create a provision of Rs. 37.386 million for doubtful debts. This provision should in no manner construe that the company's risk assets are affected.

The recovery performance during the period was excellent due to continuous and vigorous monitoring at all levels of management. It has been particularly commendable in the textile sector where our exposure stands reduced to 22% from 24% in 1996. Also in view of the economic conditions prevalent in the country, your company had considered it prudent to tone down its market aggression somewhat, gearing up efforts to consolidate the existing client portfolio.

The main item of expenditure, financial expenses, increased to Rs. 436.137 million for the year ended June 30, 1997 from Rs. 323.716 million for the year 1996. This is a consequence of higher level of borrowings required to finance the Company's business and the increasing cost of funds from domestic and international sources. Cost of domestic funds had moved up dramatically w.e.f. April 1996 when the government increased profit rate on Federal Investment Bonds (FIB's) and Treasury Bills from 11.5% to 17.5% and lifted Rs. 53.5 billion from the money market.

Inflationary pressures were evident in expenditure incurred on general and administrative activities. Service cost increased to Rs. 45.313 million for the year ended June 30, 1997 compared with Rs. 36.54 million for the year 1996. This cost was considered necessary, in view of our focus on the small and micro business enterprise, and to enhance access to credit for this sector by opening branches in Multan and Peshawar.

Reserve for contingencies:

PILCORP is required to create a reserve @2% of the Company's risk assets to meet unforeseeable future losses, as per contractual agreement with Asian Development Bank. In order to meet the State Bank of Pakistan's mandatory requirement, 20% of the net profit for the year is to be transferred to a special reserve account. Hence, Rs. 30.00 million (being much in excess of the requirement) have been transferred to reserve for contingencies, bringing the total to Rs. 113.01 million.

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

Training of company employees:

On regular basis, the employees are nominated to attend various courses to hone their technical and intellectual capabilities in the context of the changing strategies in financial disciplines. The results of these training programmes are encouraging.

Fund mobilization:

During the period under review, PILCORP has successfully negotiated the following lines of credit:

- | | | | |
|---|---|------|-------------|
| 1. Commonwealth Development Corporation (CDC) | = | £ | 5.0 million |
| 2. Netherland Development Finance Company (FMO) | = | US\$ | 3.0 million |
- (for small and micro enterprises)

Additionally, The World Bank had approved us, as one of the recipients of the credit available under their Financial Sector Deepening & Intermediation Project (FSDIP) for US\$ 216.0 million, to be utilised on first come first served basis. The modus operandi for the draw down and related matters are under discussions with the Government of Pakistan, Bankers Equity Limited and The World Bank and we expect the draw down in the first quarter of 1998. In the previous year, your Company received foreign currency lines to the value of DM 18.88 million and USS 17.2 million which were fully utilised during the period under review. We have requested the consultants to our TFC issue to speed up formalities in connection with the TFC issue for Rs. 400.00 million. We expect this issue to go through in early 1998. Locally, the following credit lines have been contracted:

1. Standard Chartered Bank	=	Rs.	50.00 million
2. Saudi Pak Industrial & Agricultural Investment Company (Pvt) Limited	=	Rs.	30.00 million

Future outlook:

In view of the increasing competition and our continued efforts towards diversification, PILCORP has successfully opened an additional branch at Peshawar for the purpose of financing small and micro enterprises.

The future outlook, with the continuation of business friendly policies of the government, is promising and with the largest branch network in Pakistan we at PILCORP are well geared to take on the benefit of changing economic scenario. Based upon our decision to reduce exposure in the textile sector, our focus has shifted to other sectors such as Oil and Gas, Chemicals, Pharmaceuticals, Engineering, Leather Garments and Sports Goods, etc.

The status of our joint venture in Bangladesh now rests with the central bank who have been instructed by the Bangladesh Ministry of Finance to issue a formal licence for the setting up of Bangladesh Leasing Corporation Limited (BLCL). Initially, FMO were the only foreign institutional investor in the equity of BLCL. Recently the Board of Directors of International Finance Corporation (Washington) have also accorded their approval for investment in the equity of BLCL upto USS 500,000/-. IFC will also extend a credit limit of USS 7.0 million to BLCL, USS 3.5 million from IFC's own sources and the balance through syndication arranged by IFC.

Additionally, upon IFC's special request, senior executives of PILCORP have undertaken a study tour of Nepal for setting up of a joint venture leasing company in that country. The study report is being examined to establish the viability of such a joint venture.

Acknowledgment:

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

The management and staff of the Company also deserve appreciation for their devotion, dedication and hard work without which the excellent results during the year ended June 30, 1997 would not have been achieved.

Auditors:

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

Pattern of share holding:

The pattern of share holding as on June 30, 1997 is shown on page 32.

Lahore:
September 30, 1997.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **PAKISTAN INDUSTRIAL LEASING CORPORATION LIMITED** as at 30 June 1997 and the related profit and loss account and statement of sources and application of funds, 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 sources and application of funds, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 1997 and of the profit and the changes in sources and application of funds 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.

Lahore
September 30, 1997

RIAZ AHMAD & COMPANY
Chartered Accountants

BALANCE SHEET AS AT 30, JUNE 1997

	NOTE	1997 Rupees	1996 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
50,000,000 ordinary shares of Rupees 10 each		500,000,000 =====	500,000,000 =====
Issued, subscribed and paid up capital			
18,157,755 ordinary shares of Rupees 10 each	3	181,577,550	181,577,550
Reserves			
Capital reserves	4	236,303,052	206,303,052
Revenue reserves	5	109,826,320 346,129,372 -----	95,698,802 302,001,854 -----
		527,706,922	483,579,404
REDEEMABLE CAPITAL	6	6,913,402	19,066,272
LONG TERM LOANS	7	1,566,839,957	1,064,828,842
DEPOSITS OF FIXED MATURITY	8	221,011,582	222,019,805
LONG TERM DEPOSITS	9	317,775,730	279,061,139
CURRENT LIABILITIES			
Current portion of long term liabilities	10	395,256,100	282,567,909

Short term finances	11	225,348,776	218,850,000
Deposits of fixed maturity	8	334,142,240	348,630,698
Creditors, accrued and other liabilities	12	297,053,514	194,214,562
Provision for taxation		4,159,208	3,406,827
Dividend payable	13	36,972,746	36,793,516
		1,292,932,584	1,084,463,512
CONTINGENCIES AND COMMITMENTS	14	--	--
		-----	-----
		3,933,180,177	3,153,018,974
		=====	=====

The annexed notes form an integral part of these accounts

TANGIBLE FIXED ASSETS	15	20,739,947	17,430,219
NET INVESTMENT IN FINANCE LEASES	16	2,158,231,881	1,684,186,562
EQUITY INVESTMENTS	17	64,456,760	61,591,150
LONG TERM LOANS	18	5,167,321	4,416,659
LONG TERM DEPOSITS AND DEFERRED COST	19	102,212,642	45,608,025
CURRENT ASSETS			
Current portion of investment in finance leases	16	848,888,798	747,800,887
Equity and other investments	20	53,260,379	16,817,375
Advances, prepayments and other receivables	21	360,956,093	329,195,071
Cash and bank balances	22	319,266,356	245,973,026
		1,582,371,626	1,339,786,359
		-----	-----
		3,933,180,177	3,153,018,974
		=====	=====

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE, 1997

	NOTE	1997 Rupees	1996 Rupees
REVENUE			
Income from lease financing	23	535,253,149	412,735,406
Return on short term placements and Other advances	24	75,578,889	71,962,128
Income on investment	25	2,964,642	457,943
Other income	26	39,222	414,978
		-----	-----
		613,835,902	485,570,455
EXPENDITURE			
Financial Charges	27	436,137,420	323,715,866
Administrative and other operating expenses	28	45,312,657	36,539,869
Deferred cost		10,157,016	6,696,075
		491,607,093	366,951,810
		-----	-----
Profit before provisions		122,228,809	118,618,645
Provision for doubtful receivables		37,148,244	38,321,363
Provision for diminution in value of Short term equity investments		237,537	333,589
		37,385,781	38,654,952
		-----	-----
PROFIT BEFORE TAXATION		84,843,028	79,963,693
PROVISION FOR TAXATION	29	4,400,000	3,662,334
		-----	-----
PROFIT AFTER TAXATION		80,443,028	76,301,359
UNAPPROPRIATED PROFIT		398,802	30,912,953
BROUGHT FORWARD		-----	-----
		80,841,830	107,214,312

APPROPRIATIONS

Proposed dividend @ 20%	36,315,510	36,315,510
General reserve	14,000,000	45,000,000
Reserve for contingencies	30,000,000	25,500,000
	80,315,510	106,815,510
	-----	-----
UNAPPROPRIATED PROFIT	526,320	398,802
	=====	=====

The annexed notes form an integral part of these accounts

STATEMENT OF SOURCES AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30, JUNE, 1997

	1997	1996
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	84,843,028	79,963,693
Adjustments to reconcile profit to net cash provided by operating activities		
Provision for diminution in value of short term equity investments	237,537	333,589
Income on investment	(2,964,642)	(457,943)
Depreciation	4,796,309	3,796,152
Long term deposits and deferred cost amortized	10,164,906	6,696,075
Provision for doubtful receivables	37,148,244	38,321,363
Gain on sale of fixed assets	(17,328)	(112,876)
	49,365,026	48,576,360
	-----	-----
Cash flows from operating activities before adjustment of working capital	134,208,054	128,540,053
Increase in advances, prepayments and other receivables	(32,901,571)	(139,162,202)
Increase in creditors, accrued and other liabilities	102,838,952	70,766,100
	-----	-----
Cash flows from operating activities before income tax	204,145,435	60,143,951
Income tax paid	(2,413,245)	(3,553,768)
	-----	-----
Net cash flows from operating activities	201,732,190	56,590,183
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase/(decrease) in investments	(39,546,150)	27,424,725
Income on investment	2,964,642	457,943
Investment in finance leases	(612,281,474)	(428,744,277)
Assets purchased for own use	(8,123,710)	(4,017,703)
Loans to employees	(844,487)	213,712
Long term deposits and deferred cost incurred	(28,355,335)	(30,423,935)
Sale proceeds of fixed assets	35,000	570,750
Foreign currency deposits	(788,048,394)	(354,828,630)
	(1,474,199,908)	(789,347,415)
CASH FLOWS FROM FINANCING ACTIVITIES		
Credit facilities availed	749,634,206	341,965,150
Redeemable capital	(17,136,207)	(8,603,351)
Long term loan		
Obtained	840,204,801	230,205,030
Repayments	(225,938,494)	(48,733,960)
Deposits of fixed maturity	(15,496,681)	25,726,540
Long term deposits	44,130,927	56,613,043
Short term borrowings	6,498,776	218,850,000
Dividend paid	(36,136,280)	(26,058,532)
	1,345,761,048	789,963,920
	-----	-----

Net increase in cash and cash equivalent	73,293,330	57,206,688
Cash and cash equivalent at beginning of the year	245,973,026	188,766,338
	-----	-----
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	319,266,356	245,973,026
	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 1997

1. THE COMPANY AND ITS ACTIVITIES

Pakistan Industrial Leasing Corporation Limited is a public limited company and its shares are quoted on all the stock exchanges of Pakistan. The company is mainly engaged in the business of leasing in accordance with the permission granted by Federal Government vide S.R.O. No.121 9(I)/89 dated 20 December, 1989 as amended from time to time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

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

2.2 Employees' retirement benefits

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

The company also operates funded pension and gratuity schemes for its permanent employees. Provision has been made in the accounts for the liability on the basis of actuarial valuations carried out in every year. (Refer to note No.28.1).

2.3 Foreign currency transactions

Transactions in foreign currencies are accounted for in Rupees at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rate of exchange ruling at the balance sheet date except where exchange risk cover has been obtained. Foreign currency loans registered under exchange risk coverage scheme of the State Bank of Pakistan are translated into Rupees at the rates prevailing on the dates of disbursements. Exchange risk fee, exchange gains and losses are charged to current year's income.

2.4 Accounts receivables

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

2.5 Tangible fixed assets and depreciation

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

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

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

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

2.6 Taxation

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

2.7 Investments

Long term investments are stated at cost. Short term investments are stated at lower of cost or market value, determined on aggregate portfolio basis.

2.8 Off-Selling of financial assets and financial liabilities

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

2.9 Deferred cost

Exchange differences arise due to conversion of foreign currency loan receipts for acquisition of lease assets, into Rupees at buying rates and re-conversion at market rates for placement of foreign currency deposits with financial institutions as hedging to secure the future loan repayments are treated as deferred cost. Other loan originating costs such as negotiation and front end fees are also deferred. These are amortized over the loan period or five years from the year of occurrence, whichever is shorter.

2.10 Revenue recognition

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

Income on bank deposits, loans, advances and other investments is recognized on a time proportion basis taking into account the principal/net investment outstanding and applicable rates of mark-up/profit thereon. Dividend income on equity investments, fees, commissions and commitment charges etc; are accounted for on receipt basis.

	1997 Rupees	1996 Rupees
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
16 052 585 ordinary shares of Rupees 10 each fully paid up in cash	160,525,850	160,525,850
1 004 700 ordinary shares of Rupees 10 each issued to International Finance Corporation against their right of option to convert 10 percent of their outstanding loan into fully paid up shares	10,047,000	10,047,000
1 100 470 ordinary shares of Rupees 10 each issued as fully paid bonus shares	11,004,700	11,004,700
	-----	-----
	181,577,550	181,577,550
	=====	=====
	1997 Rupees	1996 Rupees
4. CAPITAL RESERVES		
Reserve for contingencies (Note 4.1)	113,010,871	83,010,871

Premium on issue of right shares	123,292, 181	123,292, 181
	-----	-----
	236,303,052	206,303,052
	=====	=====

4.1 RESERVE FOR CONTINGENCIES

This represents the amount set aside to strengthen the financial soundness of the company. The reserve has been earmarked by the board of directors for meeting unforeseeable future losses against leases, advances and investments. This reserve also fulfills the requirement to create a special reserve under Prudential Regulations as applicable to leasing companies.

5. REVENUE RESERVES

general	109,300,000	95,300,000
Unappropriated profit	526,320	398,802
	-----	-----
	109,826,320	95,698,802
	=====	=====

6. REDEEMABLE CAPITAL

National Development Finance Corporation (Note 6.1)	13,240,755	29,276,962
Askari Commercial Bank Limited	--	1,100,000
	-----	-----
	13,240,755	30,376,962
Less: Current portion (Note 10)	6,327,353	11,310,690
	-----	-----
	6,913,402	19,066,272
	=====	=====

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

7. LONG TERM LOANS**In foreign currency****Asian Development Bank**

Swiss Francs 230,800 (Note 7.2)	3,425,603	9,926,530
U.S. Dollars 4,000,004 (Note 7.3)	116,677,317	155,569,678
U.S. Dollars 15,000,000 (Note 7.4)	610,542,000	
	730,644,920	165,496,208

Commonwealth Development Corporation

Pound Sterling 642,857 (Note 7.5)	26,533,350	44,222,250
U.S. Dollars 4,893,750 (Note 7.6)	122,390,240	149,588,072
	148,923,590	193,810,322

International Finance Corporation

U.S. Dollars 1,687,500 (Note 7.7)	41,761,575	55,682,100
U.S. Dollars 8,125,000 (Note 7.8)	251,376,125	290,049,175
U.S. Dollars 1,650,000 (Note 7.9)	67,159,620	77,683,320
	360,297,320	423,414,595

German Investment and Development Company

Deutsche Marks 2,812,500 (Note 7.10)	46,725,609	57,109,078
Deutsche Marks 3,437,500 (Note 7.11)	57,109,078	67,492,547
Deutsche Marks 10,000,000 (Note 7.12)	234,528,000	174,086,250
	338,362,687	298,687,875

Netherlands Development Finance Corporation

Netherlands Guilders 2,000,000 (Note 7.13)	29,491,300	44,236,950
Netherlands Guilders 3,000,000 (Note 7.14)	44,236,950	58,982,600
Deutsche Marks 3,996,000 (Note 7.15)	93,717,389	103,059,060
Deutsche Marks 4,440,000 (Note 7.16)	104,130,432	-
	271,576,071	206,278,610
	-----	-----
	1,849,804,588	1,287,687,610
In local currency		
World Bank (Note 7.17)	52,149,329	--
	-----	-----
	1,901,953,917	1,287,687,610
Current portion (Note 10)	335,113,960	222,858,768
	-----	-----
	1,566,839,957	1,064,828,842
	=====	=====

7.1 The loans stated in note No.7 above are secured by way of floating and hypothecation charges on all the company's assets (present and future) including assets leased by the company and demand promissory notes ranking pari passu with the charges stated in note No.6.t.

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

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

7.4 The interest is charged at six months LIBOR plus 2.125 percent per annum. The loan is repayable in 10 equal semi-annual installments commencing from 15 March 1999. The loan has been hedged by placing a deposit of U.S.Dollars 15 million with Pakistan Kuwait Investment Company (Private) Limited and a Rupee credit has been obtained thereagainst (Note 19.2).

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

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

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

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

7.9 The interest rate is charged at six months LIBOR plus 2.75 percent. The loan is repayable in four equal semi annual installments commencing from 15 June 1997. The loan has been hedged by placing a deposit of U.S.Dollars 2.2 million with Security Investment Bank Limited and a Rupee facility has been obtained thereagainst (Note 19.2).

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

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

7.12 The interest rate is 10.50 percent per annum. The loan is repayable in eight equal semi annual installments commencing from 30 October 1997. This loan has been hedged by placing a deposit of Deutsche Marks 7.5 million with First International Investment Bank Limited and Deutsche Marks 2.5 million with Pak Libya Holding Company (Private) Limited and a Rupee facility has been obtained thereagainst (Note 19.2).

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

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

7.15 The interest rate is 10.50 percent per annum. The loan is repayable in ten equal semi annual installments commencing from 01 May 1997. This loan has been hedged by placing a deposit of Deutsche Marks 4.44 million with Security Investment Bank Limited and availed a Rupee facility thereagainst (Note 19.2).

7.16 The interest is charged at the rate of 9.75 percent per annum. The loan is repayable in 10 equal semi annual installments commencing from 01 November 1997 to 01 May 2002. This loan has been hedged by placing a deposit of Deutsche Marks 4.44 million with Pak Libya Holding Company (Private) Limited and availed a Rupee facility thereagainst (Note 19.2).

7.17 This represents the credit line obtained from World Bank through Bankers Equity Limited for financing small and micro enterprises shared amongst three leasing companies in Pakistan on a first come first served basis. It carries interest at the rate of 14 percent per annum and repayment will start from February 2000 in semi annual installments over a period of 10 years including a grace period of 3 years.

	1997	1996
	Rupees	Rupees
8. DEPOSITS OF FIXED MATURITY		
Balance at the end of the year (note 8.1)	555, 153,822	570,650,503
Less: Due within one year	334,142,240	348,630,698
	-----	-----
	221,011,582	222,019,805
	=====	=====

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

9. LONG TERM DEPOSITS

Balance at the end of the year (Note 9.1)	371,590,517	327,459,590
Less: Current portion (Note 10)	53,814,787	48,398,451
	-----	-----
	317,775,730	279,061,139
	=====	=====

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

10. CURRENT PORTION OF LONG TERM LIABILITIES

Redeemable capital (Note 6)	6,327,353	11,310,690
Long term loans (Note 7)	335,113,960	222,858,768
Long term deposits (Note 9)	53,814,787	48,398,451
	-----	-----
	395,256,100	282,567,909
	=====	=====

11. SHORT TERM FINANCES**Under Musharika Arrangements**

From financial institutions (Note 11.1)	79,000,000	193,850,000
From banking company (Note 11.1)	40,000,000	
From others (Note 1 t.2)	86,295,890	25,000,000
	-----	-----
	205,295,890	218,850,000
Running finance facility (Note 11.3)	20,052,886	--
	-----	-----
	225,348,776	218,850,000
	=====	=====

11.1 These facilities carry mark-up at the rates ranging from 48 to 54 paisas per Rupees thousand per day and are secured against demand promissory notes.

11.2 These facilities have been obtained from corporate companies and individuals and carry mark up at the rates ranging from 48 to 60 paisas per Rupees thousand per day. These are secured against demand promissory notes.

11.3 The running finance facility of Rupees 50 million is available from Standard Chartered Bank. It is secured against floating charge ranking pari passu with other lenders over company's assets. The mark-up is charged at the rate of 53.42 paisas per Rupees thousand per day.

	1997	1996
	Rupees	Rupees

12. CREDITORS, ACCRUED AND OTHER LIABILITIES

Interest accrued on secured loans	44,636,374	24,060,653
Mark-up on redeemable capital		2,635,259
Mark-up on credit facilities availed (Notes 19 and 22)	59,654,087	22,753,509
Less: Profit accrued on foreign currency deposits (Notes 19 and 22)	27,737,395	9,614,918
	31,916,692	13,138,591
Profit on deposits of fixed maturity	23,063,730	22,568,771
Exchange risk fee payable	147,881,501	117,905,486
Advance lease rentals	36,180,028	5,584
Accrued liabilities	6,477,260	10,484,074
Other amounts due to lessees	6,897,929	3,416,144
	-----	-----
	297,053,514	194,214,562
	=====	=====

13. DIVIDEND PAYABLE

Proposed	36,315,510	36,315,510
----------	------------	------------

Unclaimed	657,236	478,006
	-----	-----
	36,972,746	36,793,516
	=====	=====

14. CONTINGENCIES AND COMMITMENTS

Letters of credit for import of machinery to be leased Rupees 108.861 million as on 30 June 1997 (1996: Rupees 215.125 million).

Lease contracts approved but not disbursed amounting to Rupees 20.782 million as on 30 June 1997 (1996: Rupees 605.167 million).

15. TANGIBLE FIXED ASSETS

DESCRIPTION	C	O	S	T	ACCUMULATED		BOOK	DEPRECIATION	
					As at	DEPRECIATION		VALUE	Charge
		As at		Additions/	As at	AS AT	AS AT	for the	%
		01 July		(Deletions)	30 June	AS AT	AS AT	year	
		1996			1997	1997	30 JUNE		
							1997		
Buildings (Note 15.1)		3,213,340		--	3,213,340	781,003	2,432,337	128,018	--
Furniture and fixtures		2,265,780		555,528	2,821,308	980,630	1,840,678	204,520	10
Vehicles (Note 15.2)		11,452,081		3,292,083	14,705,814	6,494,895	8,210,919	2,052,730	20
				(38,350)					
Office and electric									
equipments		1,500,722		265,630	1,766,352	585,775	1,180,577	131,175	10
Computers		4,625,406		1,448,990	6,074,396	2,865,298	3,209,098	802,274	20
Air-conditioning plant		1,434,324		325,600	1,759,924	641,166	1,118,758	124,306	10
Electric and other									
Installations		4,936,995		2,235,879	7,172,874	4,425,294	2,747,580	1,353,286	33
		-----		-----	-----	-----	-----	-----	-----
30 June 1997 Rupees		29,428,648		8,123,710	37,514,008	16,774,061	20,739,947	4,796,309	
				(38,350)					
		-----		-----	-----	-----	-----	-----	-----
30 June 1996 Rupees		26,136,245		4,017,703	29,428,648	11,998,429	17,430,219	3,796,152	
				(725,300)					
		=====		=====	=====	=====	=====	=====	=====

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

15.2 Deletion represents the company's motor cycle stolen during the year under reference. Insurance claim of Rupees 35,000 was received from Premier Insurance Company Limited against book valuing Rupees 17,672.

	1997	1996
	Rupees	Rupees
16. NET INVESTMENT IN FINANCE LEASES		
Lease rentals receivables	3,753,394,901	3,025,473,744
Guaranteed residual value of leased assets	396,488,018	320,804,272
	-----	-----
Gross investment in leases	4,149,882,919	3,346,278,016
Less: Unearned finance income	1,052,542,755	861,219,326
	-----	-----
Net investment in lease finances	3,097,340,164	2,485,058,690
Less: Current portion (Note 16.1)	848,888,798	747,800,887
· Provision for doubtful receivables	90,219,485	53,071,241
	939,108,283	800,872,128
	-----	-----
	2,158,231,881	1,684,186,562
	=====	=====

16.1 This represents the principal portion of lease rentals amounting to Rupees 1,037.95 million (1996: Rupees 944.646 million) receivable within next twelve months.

	1997 Rupees	1996 Rupees
17. EQUITY INVESTMENTS		
Quoted		
Associated undertakings		
Shakarganj Mills Limited		
201 313 (1996:183 012) ordinary shares of Rupees 10 each	4,730,000	4,730,000
Crescent Steel and Allied Products Limited		
132 250 (1996:115 000) ordinary shares of Rupees 10 each	7,675,000	7,675,000
Others		
Trust Investment Bank Limited		
100 000 ordinary shares of Rupees 10 each	1,000,000	--
BSJS Balanced Funds Limited		
560 406 ordinary shares of Rupees 10 each	5,604,060	5,604,060
Sui Northern Gas Pipelines Limited		
291 744 ordinary shares of Rupees 10 each	--	8,134,390
Pakistan Industrial Credit and Investment Corporation Limited		
491 457 ordinary shares of Rupees 10 each	19,822,700	19,822,700
	-----	-----
	38,831,760	45,966,150
Unquoted		
Associated undertakings		
Crescent Powertec Limited		
250 000 ordinary shares of Rupees 10 each	2,500,000	2,500,000
Crescent Greenwood Limited		
1 000 000 ordinary shares of Rupees 10 each	10,000,000	10,000,000
Crescent Industrial Chemicals Limited		
1 000 000 ordinary shares of Rupees 10 each	10,000,000	--
Other		
International Housing Finance Limited		
312 500 ordinary certificates of Rupees 10 each (Chief Executive: Mr. Nesar Ahmed)	3,125,000	3,125,000
	-----	-----
	64,456,760	61,591,150
	=====	=====

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

17.1 Market value of quoted investment is Rupees 16.241 million as on 30 June 1997 (1996: Rupees 29.451 million).

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

18. LONG TERM LOANS

Considered good

House building (note 8.1)	1,398,914	2,198,294
Vehicles loan-Staff (note 18.2)	5,774,792	4,130,925
	-----	-----
	7,173,706	6,329,219
Less: Current portion (note 21)	2,006,385	1,912,560
	-----	-----
	5,167,321	4,416,659
	=====	=====

18.1 This represents the loan given to company's chief executive at mark-up of 6.25 percent per annum. It is repayable in 87 equal monthly installments commencing from January 1992 and will be fully repaid in March 1999.

Maximum aggregate amount due from chief executive at the end of any month during the year was Rupees 2.198 million (1996: Rupees 3.588 million).

18.2 This represents the secured loan given to company's employees and repayable in 6 to 7 years. Mark-up ranges from 5.25 to 6 percent per annum. The loan includes sum of Rupees 2.799 million (1996: Rupees 2.463 million) given to executives of company. Maximum aggregate amount due from executives at the end of any month during the year was Rupees 2.463 million (1996: Rupees 3.448 million). It includes Rupees 2.246 million (1996:1.825 million) outstanding for the period exceeding three years.

19. LONG TERM DEPOSITS AND DEFERRED COST

Deferred cost (Note 19.1)	49,980,782	31,782,463
Foreign currency deposits (Note 19.2)	51,277,668	12,863,480
Security deposits	954,192	962,082
	-----	-----
	102,212,642	45,608,025
	=====	=====

19.1 DEFERRED COST

Exchange differences	58,123,903	29,768,568
Negotiation fees	16,412,908	16,412,908
Front end fees	5,244,390	5,244,390
	-----	-----
	79,781,201	51,425,866
Less: Amortization todate	29,800,419	19,643,403
	-----	-----
	49,980,782	31,782,463
	=====	=====

19.2 FOREIGN CURRENCY DEPOSITS

First International Investment Bank Limited

Deutsche Marks 7.5 million	175,896,000	1 74,086,250
----------------------------	-------------	--------------

Security Investment Bank Limited

U.S. Dollars 2.2 million	89,546,160	77,683,320
Deutsche Marks 4.4 million	104,130,432	103,059,060
	-----	-----
	193,676,592	180,742,380

1997	1996
Rupees	Rupees

Pak Libya Holding Company (Private) Limited

Deutsche Marks 6.94 million	162,762,432	--
-----------------------------	-------------	----

Pakistan Kuwait Investment Company
(Private) Limited

US Dollars 1.5 million	610,542,000	--
------------------------	-------------	----

	-----	-----
	1,142,877,024	354,828,630
Less: Credit facilities availed (note 19.4)	1,091,599,356	341,965,150
	-----	-----
	51,277,668	12,863,480
	=====	=====

19.3 The deposits stated in note 19.2 above are placed under lien for hedging against foreign currency loans mentioned in note No.7. The rate of return on above mentioned deposits is ranging from 4.6875 percent to 7.40 percent per annum. The deposits will mature from 23 November to 15 September 2003.

19.4 The total sanctioned amount from financial institutions and investment banks amounting to Rupees 1,128.89 million (1996: Rupees 379.261 million) have been availed on a matching facility basis. These facilities carry mark-up ranging from paisas 34.21 to paisas 40.41 per Rupees thousand per day and are secured against foreign currency deposits mentioned as above. The repayment will commence from 23 November 1998 to on 15 September 2003.

20. EQUITY AND OTHER INVESTMENTS

Quoted

Shares of joint stock companies

Dhan Fibres Limited

33 800 ordinary shares of Rupees 10 each	294,020	294,020
--	---------	---------

Sui Northern Gas Pipelines Limited

28 075 ordinary shares of Rupees 10 each	680,541	--
--	---------	----

Fauji Fertilizer Company Limited

15 000 ordinary shares of Rupees 10 each	1,073,145	1,073,145
--	-----------	-----------

-----	-----
2,047,706	1,367,165

Modaraba and other certificates

First Hajveri Modaraba

9 500 ordinary certificates of Rupees 10 each	43,784	43,784
---	--------	--------

First Elite Capital Modaraba

20 600 ordinary certificates of Rupees 10 each	144,769	144,769
--	---------	---------

Trust Modaraba

14 000 ordinary certificates of Rupees 10 each	152,500	152,500
--	---------	---------

22nd ICP Mutual Fund

10 000 ordinary certificates of Rupees 10 each	362,400	362,400
--	---------	---------

23rd ICP Mutual Fund

56,200 ordinary certificates of Rupees 10 each	562,000	562,000
--	---------	---------

24th ICP Mutual Fund

124 700 ordinary certificates of Rupees 10 each	1,247,000	1,247,000
---	-----------	-----------

-----	-----
2,512,453	2,512,453
-----	-----
4,560,159	3,879,618
=====	=====

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

(1,299,780)	(1,062,243)
-------------	-------------

Market value

-----	-----
3,260,379	2,817,375

Other unquoted investments

Federal Investment Bonds (Note 20.1)	50,000,000	14,000,000
--------------------------------------	------------	------------

-----	-----
53,260,379	16,817,375
=====	=====

20.1 These have been issued by the Government of Pakistan and carry profit at the rate of 12 percent per annum.

21. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Short term advances (Note 21.1)	153,789,960	101,149,392
Less: Provision against doubtful advances	1,500,000	1,500,000
	-----	-----
Considered good	152,289,960	99,649,392
Advances against assets to be leased out	9,662,962	99,139,802
Income tax in advance	2,021,616	3,255,990
Current portion of long term loans to employees (Note 18)	2,006,385	1,912,560
Profit accrued on bank deposits and advances	29,670,443	33,429,269
Short term prepayments	9,220,130	3,903,630
Exchange rate differences recoverable from State Bank of Pakistan		
Miscellaneous receivables	150,181,646	82,533,445
Less: Provision for doubtful	14,148,760	13,616,792
Considered good	8,245,809	8,245,809
	-----	-----
	5,902,951	5,370,983
	-----	-----
	360,956,093	329,195,071
	=====	=====

21.1 These represent the short term advances provided to corporate companies, financial institutions and individuals under mark-up finance arrangements. Included therein amounting to Rupees 30 million provided to an associated undertaking. These are secured against demand promissory notes, hypothecation of stocks, pledge of shares, directors personal and bank guarantees. In case of individuals, these are secured against promissory notes and lien on certificates of investment with the company. These carry mark-up from paisas 52 to paisas 60 per Rupees thousand per day.

	1997	1996
	Rupees	Rupees
22. CASH AND BANK BALANCES		
Cash in hand	369,378	189 331
Cash with banks		
On current accounts (Note 22.1)	93,314,035	90,012,084
On foreign currency accounts	561,881	463, 119
On dividend accounts	121,047	175,993
On escrow account	2,217	13,702
	-----	-----
	93,999,180	90,664,898
On deposit accounts		
Local currency (Note 22.2)	224,800,000	155,118,797
Foreign currency deposits (Note 22.3)	97,789	97,798
	-----	-----
	224,897,798	155,118,797
	-----	-----
	319,266,356	245,973,026
	=====	=====

22.1 It includes an interest free deposit of Rupees 2.392 million (1996: Rupees 2.404 million) with State Bank of Pakistan as required under Prudential Regulations for Non-Bank Financial Institutions (NBFIs).

22.2 This represents the short term placement of funds with financial institutions at profit rates

ranging from 15 to 24 percent per annum.

22.3 FOREIGN CURRENCY DEPOSITS

Foreign currency deposits (Note 22.4)	20,283,780	--
Less: Credit facilities availed (Note 22.4)	20,185,982	--
	-----	-----
	97,798	--
	=====	=====

22.4 These represent the credit facilities obtained from investment companies under mark-up arrangements on matching facility basis which are secured against foreign currency deposits. The rates of mark-up on these facilities ranging from paisas 35.62 to paisas 39.73 per Rupees thousand per day. The maturity of credit facilities and foreign currency deposits are upto 14 February 1998. The rates of return on foreign currency deposits are ranging from 3.9 to 4 percent per annum.

23. INCOME FROM LEASE FINANCING

Income on finance leases	528,883,036	396,044,159
Documentation and handling charges	628,212	687,505
Income from termination of leases	110,590	208,125
Fees, commission and other charges	5,631,311	15,795,617
	-----	-----
	535,253,149	412,735,406
	=====	=====

24. RETURN ON SHORT TERM PLACEMENTS AND OTHER ADVANCES

Profit/mark-up on bank deposits and other advances	71,185,681	67,823,582
Profit on Federal Investment Bonds	4,039,226	3,805,323
Mark-up on loans to employees	353,982	333,223
	-----	-----
	75,578,889	71,962,128
	=====	=====

25. INCOME ON INVESTMENT

Dividend income		
Crescent Steel and Allied Products Limited - Associated undertaking	172,500	322,500
Other companies	121,524	135,443
	-----	-----
	294,024	457,943
Gain on sale of investments	2,670,618	--
	-----	-----
	2,964,642	457,943
	=====	=====

26. OTHER INCOME

Gain on sale of fixed assets	17,328	112,876
Underwriting commission	-	204,398
Miscellaneous income	21,894	97,704
	-----	-----
	39,222	414,978
	=====	=====

27. FINANCIAL CHARGES

Interest on long term loans	147,737,646	115,309,079
Mark-up on credit facilities off-setted	88,910,125	31,844,216
Less: Profit on foreign currency deposits	39,679,269	9,801,447
	-----	-----
	49,230,856	22,042,769
Mark-up on short term finances	46,415,496	23,507,801

Exchange risk fee	49,215,458	60,441,634
Profit on deposits of fixed maturity	138,405,926	95,941,559
Commitment and processing fee	1,969,444	3,585,745
Bank charges and commission	1,799,539	2,276,600
Exchange loss on foreign currency deposits	728,260	581,595
Miscellaneous charges	634,795	29,084
	-----	-----
	436,137,420	323,715,866
	=====	=====

28. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Staff salaries and other benefits (Note 28.1)	21,057,654	16,786,605
Legal and professional	2,113,952	3,186,839
Rent, rates and taxes	3,164,914	2,298,609
Travelling and conveyance	1,957,090	2,073,505
Postage, telephone and telex	2,731,323	1,815,601
Insurance	2,051,529	1,703,112
Electricity	1,412,542	782,451
Stationery and other supplies	1,010,676	753,088
Advertisement	631,038	258,405
Business promotion and entertainment	711,052	622,182
Repair and maintenance	1,867,402	986,180
Fees and subscriptions	341,966	211,806
Vehicles' running	642,309	530,238
Auditors' remuneration		
Audit fee	150,000	125,000
SBP's special audit fee	112,150	67,500
Out of pocket expenses	9,500	9,230
	-----	-----
	271,650	201,730
Newspapers and periodicals	68,943	57,906
Penalties levied by State Bank of Pakistan	6,000	8,712
Zakat	284	3,945
Miscellaneous	333,869	307,503
Donation (Note 28.3)	142,155	155,300
Depreciation	4,796,309	3,796,152
	-----	-----
	45,312,657	36,539,869
	=====	=====

28.1 STAFF SALARIES AND OTHER BENEFITS

This includes the following amounts charged to income on employees' retirement benefits:

	1997	1996
	Rupees	Rupees
Provident fund	1,357,413	1,084,289
Gratuity fund	491,771	364,786
Pension fund	1,034,055	767,036
	-----	-----
	2,883,239	2,216,111
	=====	=====

28.2 Pension and gratuity expenses for the year have been recorded on the basis of actuarial valuations using the Entry Age Normal method applying the assumptions that expected rate of return on funds will be 14 percent per annum and expected increase in salary level will be 12 percent per annum. The latest valuation was carried out on 31 December 1996 by the independent consulting actuaries. The contributions are made at the rate of 15.56 percent and 7.40 percent per annum of the basic salaries for pension and gratuity fund respectively. The fair value of plans assets and liabilities for part service on last valuation date were Rupees 3.454 million and Rupees 3.991 million respectively for pension fund and Rupees 1.505 million and Rupees 2.206 million respectively for gratuity fund. The future contribution rates of these plans include allowances for deficit and surplus. The fair value of

assets and liabilities of provident fund is Rupees 4.186 million (1996: Rupees 2.060 million).

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

29. PROVISION FOR TAXATION

The provision for current taxation represents the minimum tax due under the Income Tax Ordinance, 1979. However, after considering the available tax losses, no provision for taxation except minimum tax is required. The tax losses available for carry forward are Rupees 928 million as on 30 June 1997 (1996: Rupees 576million).

30. DIRECTORS' AND EXECUTIVES' REMUNERATION

The aggregate amount charged in the accounts for the year for remuneration, including all benefits to the chief executive and executives of the company is as follows:

	CHIEF EXECUTIVE		EXECUTIVES	
	1997 Rupees	1996 Rupees	1997 Rupees	1996 Rupees
Managerial remuneration	1,680,000	1,402,500	2,349,600	1,387,000
Bonus	202,500	132,500	247,975	295,344
House allowance	756,000	631,125	1,057,320	664,050
Retirement benefits	553,728	492,894	562,964	422,377
Utilities	168,000	140,250	234,960	138,700
	-----	-----	-----	-----
	3,360,228	2,799,269	4,452,819	2,907,471
	=====	=====	=====	=====
Number of persons	1	1	18	14

30.1 In addition, the chief executive has also been provided free use of two company's vehicles and residential telephones.

30.2 The aggregate amount charged in the accounts for the year for fees to 6 directors for 6 meetings are Rupees 25,500 (1996: Rupees 28,000 to 6 directors for 11 meetings).

31. CORRESPONDING FIGURES

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

Due to change of accounting year from 31 December to 30 June in last year, the financial statements were prepared and published for eighteen months i.e. from 01 January 1995 to 30 June 1996. For the purpose of comparison, the corresponding figures are for twelve months period i.e. from 01 July 1995 to 30 June 1996.

RASHID AHMED
Chief Executive Officer &
Managing Director

MAZHAR KARIM
CHAIRMAN

FORM '34'

PATTERN OF HOLDING OF SHARES

HELD BY THE SHAREHOLDERS AS AT 30TH JUNE 1997

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
125	1	100	6799
281	101	500	80861
179	501	1000	145216
340	1001	5000	862316
64	5001	10000	503054
39	10001	15000	466545
18	15001	20000	321926
12	20001	25000	274155
9	25001	30000	249859

4	30001	35000	134036
6	35001	40000	225310
3	40001	45000	126050
2	45001	50000	99000
5	50001	55000	263950
2	70001	75000	148000
1	75001	80000	77250
1	90001	95000	94050
1	105001	110000	107250
1	120001	125000	123000
1	155001	160000	160000
1	195001	200000	200000
1	200001	205000	200020
1	205001	210000	209562
1	225001	230000	226885
1	235001	240000	236200
1	270001	275000	272410
1	420001	425000	422280
1	515001	520000	517700
1	585001	590000	585320
1	620001	625000	623750
1	740001	745000	742800
1	1020001	1025000	1022300
1	1180001	1185000	1180045
1	1655001	1660000	1657755
1	1665001	1670000	1665421
1	3925001	3930000	3926680
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1110			18157755

Categories of Shareholders

	Number	Shares Held	Percentage
Individuals	1049	3,624,624	19.96
Investment Companies	7	424,972	2.34
Insurance Companies	2	593,570	3.27
Joint Stock Companies	28	7,355,502	40.51
Financial Institutions	14	3,788,337	20.86
Others	10	2,370,750	13.06
-----			-----
TOTAL	1,110	18,157,755	100.00
-----			-----
Others			
Modarabas	5	568,095	3.13
Non-Residents	5	1,802,655	9.93
-----			-----
TOTAL	10	2,370,750	13.06
-----			-----