

Pakistan Industrial Leasing Corporation Limited

Annual Report 1998

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COMPANY INFORMATION

BOARD OF DIRECTORS

(in alphabetical order)

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

AUDITORS

M/s. Riaz Ahmad & Company
Chartered Accountants

CORPORATE SECRETARIES

Mr. Zaheer A. Shaikh
Mr. Rashid Sadiq

LEGAL ADVISORS

M/s. Hassan & Hassan Advocates

REGISTERED OFFICE

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

HEAD OFFICE

4th & 5th Floors, PAAF Building,
7 - D, Kashmir/Egerton Road, Lahore.
Tel: 92-42-111-666-333, 6311178-80
Fax: 92-42-6369272 Telex: 47154 PILC PK.
E-mail: pakind @ paknet4.ptc.pk

BANKERS

Al Faysal Investment Bank
American Express Bank
Crescent Investment Bank
Habib Bank Limited
Hongkong & Shanghai Banking Corporation Limited
National Bank of Pakistan

National Development Finance Corporation
Oman International Bank Limited
Prime Commercial Bank Limited
Standard Chartered Bank
The Bank of Punjab
Union Bank Limited

LENDERS

Asian Development Bank (ADB) Philippines
Commonwealth Development Corporation (CDC) London
German Investment and Development Company (DEG) Germany
International Finance Corporation (IFC) Washington
Netherlands Development Finance Company (FMO) Netherlands
Habib Bank Limited
Saudi Pak Industrial and Agricultural Investment Company (Pvt.) Limited

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 11th Annual General Meeting of the shareholders of Pakistan Industrial Leasing Corporation Limited will be held on Wednesday the December 02, 1998 at 11.00 a.m. at Pearl Continental Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following business:-

1. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 1998 together with Directors' and Auditors' Reports' thereon.
2. To approve, as recommended by the Directors, the issue of bonus shares @ 20% for the year ended June 30, 1998.
3. To appoint Auditors and fix their remuneration. The present Auditors M/s. Riaz Ahmad & Company, Chartered Accountant, retire and being eligible, offer themselves for re-appointment.

BOOK CLOSURE:

The share transfer books of the Company will remain closed from November 30, 1998 to December 07, 1998 (both days inclusive). Transfer received in order at the Registered Office by the close of business hours on November 28, 1998 will be treated in time for the issue of bonus shares.

REGISTERED OFFICE:

83-Babar Block, New Garden Town
LAHORE.
Telephone No. 5881974-75, 5839631
Email: Rashid.Sadiq@CresSoft. Com.pk
Dated: October 31, 1998,

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.
2. 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 attorney must be deposited at the Registered Office of the Company at least 48 hours before the meeting.
3. Shareholders are requested to immediately notify the change in address, if any.
4. Account holders and sub-account holders' holding book entry securities of the company in Central Depository System of Central Depository Company of Pakistan Limited who wish to attend the annual General Meeting are requested to please bring original I. D. Card along with copy thereof duly attested by their Bankers for identification purpose.

FINANCIAL HIGHLIGHTS - (1993 - 1998)

(Rupees in thousand)

BALANCE SHEET	Dec-93	Dec-94	Jun-96	Jun-97	Jun-98
Paid-up-Capital	110,047	121,052	181,578	181,578	181,578
Reserves & Retained Earnings	82,474	110,287	302,002	346,129	388,673
Net Worth	192,521	231,339	483,580	527,707	570,251
Long Term Loans - Foreign	967,785	1,051,075	1,287,688	1,901,954	1,740,982
Long Term Loans - Local	50,000	42,728	30,376	13,241	35,029
Long Term Deposits - Against Leases	170,201	253,633	327,459	371,591	395,810
Certificates of Investment	186,869	371,734	570,650	555,154	856,915
Current Liabilities	127,820	446,212	453,265	563,533	550,077
Total Liabilities	1,502,675	2,165,382	2,669,438	3,405,473	3,578,813
	1,695,196	2,396,721	3,153,018	3,933,180	4,149,064
Operating Fixed Assets	11,760	13,603	17,430	20,740	17,368
Long Term Investment	35,837	52,634	61,591	64,457	64,457
Net Lease Receivables	1,345,730	1,970,016	2,431,987	3,007,120	3,079,470
Long Term Loan and Deferred Cost	10,487	14,627	50,025	107,380	234,080
Non Lease Current Assets	291,382	345,841	591,985	733,483	753,689
Total Assets	1,695,196	2,396,721	3,153,018	3,933,180	4,149,064
INCOME STATEMENT					
Gross Income from Lease Financing	197,388	379,312	412,735	535,253	581,811
Return on Placements and Advances	30,129	56,893	71,962	75,579	101,931
Income from Investments and Others	2,674	2,591	873	3,004	2,570
Total Income	230,192	374,071	485,570	613,836	686,312
Financial Expenses	150,687	250,873	323,716	436,137	475,368
Operating Expenses	21,561	31,457	36,540	45,313	51,094
Profit Before Provisions	59,401	96,927	118,619	122,229	146,521
Provisions for Doubtful Receivables	1,457	5,188	38,655	37,386	98,878
Provision for Taxation	2,063	2,987	3,662	4,400	5,100
Net Income	55,881	88,752	76,302	80,443	42,543

DIRECTORS' REPORT

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, 1998.

FINANCIAL RESULTS:

The financial results of the Company for the period ended June 30, 1998 are summarized below:

(Rupees in thousands)

Revenue	686,312
Expenditure	(539,791)
Provision for doubtful receivables	(98,877)
Profit before taxation	47,644
Provision for taxation	(5,100)
Profit after taxation	42,544
Unappropriated profit brought forward	526
Profit available for appropriation	43,070
Appropriation:	

- General reserve	(33,500)
- Reserve for contingencies	(9,000)

Unappropriated profit carried forward	570
	=====

Dividend

The Board of Directors have recommended to issue bonus shares in proportion of two (2) shares for every ten (10) shares held (i.e. @ 20%) out of premium on issue of right shares account.

The Economy

The economy went through turmoil during year ended June 30, 1998 due to a number of epoch-making events. To start with, the political and constitutional crisis of extraordinary nature dampened business activity and adversely affected turnaround of the economy. Next was the East Asian economic and financial crisis which brought havoc in the economic stability of the region and as a result, foreign investors' confidence in the Asian markets as a whole eroded. The effects of the crisis were felt on Pakistan's external sector in terms of decline in exports and foreign exchange earnings.

Another major development has been the five nuclear tests conducted by India, which drastically altered the strategic and security balance and threatened our national security. This imbalance compelled Pakistan to respond and carry out its own nuclear blasts which led to all sorts of economic sanctions and stoppage of aid and funding by major donor countries and multilateral agencies. This brought further shock waves to the already shattered confidence not only of the business and industrial sectors but also of the common citizens. Due to the above factors, the growth impulse in the economy has weakened materially and the key economic indicators are pointing to the deepening of the recession.

Review of Operations:

Entering the 10th year of operations your Company has maintained its growth trends, despite depressed market conditions and sluggish economic activity.

PILCORP continues to maintain its policy of writing leases to selective clients with good management and market reputation, coupled with sound financials. In endeavoring to maintain past trends, your company has not over-looked the need to diversify its operations 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, 1998 increased by 5.5% from Rs. 3,097 million to Rs. 3,267 million. Net income before provisions for the year ended June 30, 1998 amounted to Rs. 146 million as compared to Rs. 122 million for the year ended June 30, 1997. As a policy, your company has considered it prudent to create a provision of Rs.98 million against doubtful debts and a further amount of Rs. 49 million has been allocated towards contingency reserves.

The main item of expenditure, financial expenses, increased to Rs. 475 million for the year ended June 30, 1998 from Rs.436 million for the year ended June 30, 1997. This is a consequence of higher level of borrowings required to finance the Company's business and the increase in cost of funds raised from domestic and international sources. Inflationary pressures were evident in expenditure incurred on general and administrative activities. Service cost increased to Rs.51 million for the year ended June 30, 1998 compared to Rs.45 million for the year ended June 30, 1997, an increase of 13%.

Training of company employees:

The Company puts lot of emphasis on the on-going training and development of its employees who are nominated regularly to attend various courses to update their technical and intellectual capabilities in the context of changing strategies in the financial disciplines. The results of these training programs are encouraging.

Funds mobilization:

Long-term funds have been a fundamental problem for the leasing sector. The industry faces challenge of mismatch between tenors of sources of funds and their utilization. The risk of mismatch was defused when long-term funds were obtained through multilateral agencies. Whilst State Bank of Pakistan has agreed to provide forward cover for loans from multilateral agencies, the modalities are still being negotiated to make the present procedure workable.

In our endeavors to raise long-term funds, we are also evaluating non-traditional avenues of funding available in the local market. We have requested various financial institutions for long-term lines of credit. Habib Bank Limited has already approved the following credit facilities for PILCORP:

Long-term finance:	Rs. 150.00 million
Running finance:	Rs. 50.00 million
L/C (sight):	Rs. 200.00 million

The State Bank of Pakistan has also issued its NOC for HLCORP to draw down ~ 5.00 million loan sanctioned by the Commonwealth Development Corporation [CDC]. We are pursuing The State Bank of Pakistan to approve Netherlands Development Finance Company [FMO's] Rupee denominated line of credit of US\$ 3.00 million offer, after which FMO will be approached to re-validate their offer.

The company had finalized arrangement for the issuance of Term Finance Certificates (TFC's). However, it was deferred owing to the withdrawal of fiscal incentives by the government. We have incorporated the necessary modifications and are hopeful that our TFCs will be placed in the market soon.

Future outlook:

The economy at cross roads, persistent deceleration in the rate of growth of industrial output, sluggish sales, growing inventory build up and reduced credit off-take, all reflect the extension of the recession. Your Company with its extensive branch network is well poised to meet the challenges of hard times.

The Millennium Bug:

The company has addressed the year 2000 compliance issue in relation to the computer hardware and software. Necessary steps have been taken to ensure that hardware & software in use are year 2000 compliant by June 30, 1999.

Acknowledgment:

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

The management and staff of the Company also deserve appreciation for their dedication and hard work.

Auditors:

The auditors Messrs. Riaz Ahmad & company, Chartered Accountants, retire and offer themselves for re-appointment.

Pattern of share holding:

The pattern of share holding as on June 30, 1998 is shown on page 31.

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of PAKISTAN INDUSTRIAL LEASING CORPORATION LIMITED as at 30th June 1998 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 affair as at 30th June 1998 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,

Sd/-

RIAZ AHMAD & COMPANY

Chartered Accountant

Lahore: October, 31, 1998

BALANCE SHEET AS AT 30 JUNE, 1998

	NOTE	1998 RUPEES	1997 RUPEES
SHARE CAPITAL AND RESERVES			
Authorized share capital 50,000,000 ordinary share of Rupees 10 each		500,000,000	500,000,000
Issued, subscribed and paid up share capital 18,157,755 ordinary share of Rupees 10 each 3		181,577,550	181,577,550
Reserves			
Capital reserves	4	285,303,052	236,303,052
Revenue reserves	5	103,369,965	109,826,320
		388,673,017	346,129,372
		570,250,567	527,706,922
REDEEMABLE CAPITAL	6	19,585,500	6,913,402
LONG TERM LOANS	7	1,358,145,400	1,566,839,957
CERTIFICATES OF INVESTMENT	8	452,401,833	221,011,582
LONG TERM DEPOSITS	9	315,769,021	317,775,730
CURRENT LIABILITIES			
Current portion of long term liabilities	10	478,321,239	395,256,100
Short term finances	11	299,419,378	225,348,776
Certificates of investment	8	404,512,941	334,142,240
Creditors, accrued and other liabilities	12	242,872,504	297,053,514
Provision for taxation		7,140,968	4,159,208
Dividend payable	13	645,090	36,972,746
		1,432,912,120	1,292,932,584
CONTINGENCIES AND COMMITMENTS	14	--	--
		4,149,064,441	3,933,180,177
TANGIBLE FIXED ASSETS	15	17,368,300	20,739,947
NET INVESTMENT IN FINANCE LEASES	16	2,021,947,943	2,158,231,881

EQUITY INVESTMENTS	17	64,456,760	64,456,760
LONG TERM LOANS	18	5,973,148	5,167,321
LONG TERM DEPOSITS	19	191,454,596	52,231,860
DEFERRED COST	20	36,652,214	49,980,782

CURRENT ASSETS

Current portion of net investment in finance lease	16	1,057,521,966	848,888,798
Equity and other investments	21	75,636,136	53,260,379
Advances, prepayments and other receivables	22	358,403,512	360,956,093
Cash and bank balances	23	319,649,866	319,266,356
		-----	-----
		1,811,211,480	1,582,371,626
		-----	-----
		4,149,064,441	3,933,180,177
		=====	=====

The annexed notes form an integral part of these accounts.

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE, 1998**

	NOTE	1998 RUPEES	1997 RUPEES
REVENUE			
Income from lease financing	24	581,811,132	535,253,149
Return on short term placements and other advances	25	101,931,687	75,578,889
Other income	26	2,569,680	3,003,864
		-----	-----
		686,312,499	613,835,902
EXPENDITURE			
Financial and other charges	27	475,368,046	436,143,420
Administrative and other operating expenses	28	51,094,440	45,306,657
Amortization of deferred cost		13,328,568	10,157,016
		-----	-----
		539,791,054	491,607,093
Profit before provisions		146,521,445	122,228,809
Provision for doubtful receivables		97,993,302	37,148,244
Provision for diminution in value of short term equity investments		884,498	237,537
		-----	-----
		98,877,800	37,385,781
PROFIT BEFORE TAXATION		47,643,645	84,843,028
PROVISION FOR TAXATION	29	5,100,000	4,400,000
		-----	-----
PROFIT AFTER TAXATION		42,543,645	80,443,028
UNAPPROPRIATED PROFIT BROUGHT FORWARD		526,320	398,802
		-----	-----
		43,069,965	80,841,830
APPROPRIATIONS			
Proposed dividend		--	36,315,510
General reserve		33,500,000	14,000,000
Reserve for contingencies		9,000,000	30,000,000
		-----	-----
		42,500,000	80,315,510
		-----	-----
UNAPPROPRIATED PROFIT		569,965	526,320
		=====	=====

The annexed notes form an integral part of these accounts.

**STATEMENT OF SOURCES AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30 JUNE 1998**

	1998	1997
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	47,643,645	84,843,028
Adjustments to reconcile profit with net cash provided by operating activities		
Provision for diminution in value of short term equity investments	884,498	237,537
Gain on sale of equity investments	(426,630)	(2,670,618)
Depreciation	3,981,380	4,796,309
Amortization of deferred cost	13,328,568	10,157,016
Provision for doubtful receivables	97,993,302	37,148,244
Gain on sale of fixed assets	(594,930)	(17,328)
	-----	-----
	115,166,188	49,651,160
	-----	-----
Cash flows from operating activities before adjustment of working capital	162,809,833	134,494,188
(Increase)/decrease in advances, prepayments & other receivables	5,525,889	(32,901,571)
Increase/(decrease) in creditors, accrued & other liabilities	(54,181,010)	102,838,952
	-----	-----
Cash flows from operating activities before income tax	114,154,712	204,431,569
Income tax paid	(6,498,399)	(2,413,245)
	-----	-----
Net cash flows from operating activities	107,656,313	202,018,324
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale proceeds of equity investments	2,166,375	10,805,008
Investments made	(25,000,000)	(47,680,540)
Investment in finance leases-Net	(170,342,532)	(612,281,474)
Assets purchased for own use	(2,155,965)	(8,123,710)
Loans to employees	601,024	(844,487)
Deferred cost incurred	--	(28,355,335)
Sale proceeds of fixed assets	2,141,162	35,000
Foreign currency deposits	(139,222,736)	(38,414,188)
	-----	-----
	(331,812,672)	(724,859,726)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital		
Obtained	28,115,238	--
Redeemed	(6,327,353)	(17,136,207)
Long term loans	(160,971,357)	614,266,307
Certificates of investments	301,760,952	(15,496,681)
Deposits from lessees-Net	24,219,443	44,138,817
Short term finances	74,070,602	6,498,776
Dividend paid	(36,327,656)	(36,136,280)
	-----	-----
	224,539,869	596,134,732
	-----	-----
Net increase/(decrease)in cash and cash equivalents	383,510	73,293,330
Cash and cash equivalents at the beginning of the year	319,266,356	245,973,026
	-----	-----
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	319,649,866	319,266,356
	=====	=====

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 1998

1. THE COMPANY AND ITS ACTIVITIES

The company was incorporated as a public limited company on 28 January 1987 and its

shares are quoted on all the stock exchanges of Pakistan. It is mainly engaged in the business of leasing in accordance with the permission granted by Federal Government. It is classified as a non-banking financial institution (NBFI) by the State Bank of Pakistan and is regulated by the Corporate Law Authority.

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

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 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 the 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 the current year's income.

2.4 Accounts receivables

Provision for doubtful receivables is made/adjusted after a review of the outstanding portfolio at 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 the expected remaining useful life of the asset.

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 the 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 the lower of cost and market value, determined on aggregate portfolio basis.

2.8 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet, if the company has a legal enforceable right to setoff 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 arising due to conversion of foreign currency loan receipts for acquisition of lease assets, into Rupees at the buying rates and re-conversion at the 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.

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.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

	1998 Rupees	1997 Rupees
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
	-----	-----
	<u>181,577,550</u>	<u>181,577,550</u>

4. CAPITAL RESERVES

Reserve for issue of bonus shares	36,315,510	--
Premium on issue of right shares		
Opening balance	123,292,181	123,292,181
Transferred to reserve for issue of bonus shares	(36,315,510)	--
	-----	-----
	86,976,671	123,292,181
Reserves for contingencies (Note 4.1)		
Opening balance	113,010,871	83,010,871
Transferred from profit and loss account	9,000,000	30,000,000
Transferred from revenue reserves-General	40,000,000	--
	-----	-----
	162,010,871	113,010,871
	-----	-----
	<u>285,303,052</u>	<u>236,303,052</u>

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 requirements to create a special reserve under the Prudential Regulations as applicable to leasing companies.

5. REVENUE RESERVES

General		
Opening balance	109,300,000	95,300,000
Transferred from profit and loss account	33,500,000	14,000,000

Transferred to reserves for contingencies	(40,000,000)	--
	-----	-----
	102,800,000	109,300,000
Unappropriated profit	569,965	526,320
	-----	-----
	103,369,965	109,836,320
	=====	=====

1998 **1997**
Rupees **Rupees**

6. REDEEMABLE CAPITAL

National Development Finance Corporation (Note 6.1)	6,913,402	13,240,755
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited (Note 6.2)	28,115,238	--
	-----	-----
	35,028,640	13,240,755
Less: Current portion (Note 10)	15,443,140	6,327,353
	-----	-----
	19,585,500	6,913,402
	=====	=====

6.1 The credit line of Rupees 50.00 million has been obtained 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. It is secured by way of floating and hypothecation charge on the company's present and future assets and demand promissory notes ranking pari passu with the charges created in favour of other creditors.

6.2 This represent the credit line facility of Rupees 30 million obtained under mark up arrangements for the acquisition of assets given on lease. It carries mark up rate of 20 per cent per annum and is repayable in 12 equal quarterly installments commencing from 06 May 1998. It is secured by way of First Pari Passu Charge on the company's present and future assets with the charges created in favour of other creditors.

1998 **1997**
Rupees **Rupees**

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

Swiss Francs 230,800	--	3,425,603
U.S. Dollars 2,666,672 (Note 7.2)	77,784,956	116,677,317
U.S. Dollars 15,000,000 (Note 7.3)	696,300,000	610,542,000
	-----	-----
	774,084,956	730,644,920

Commonwealth Development Corporation

Pound Sterling 214,285 (Note 7.4)	8,844,450	26,533,350
U.S. Dollars 3,806,250 (Note 7.5)	95,192,409	122,390,240
	-----	-----
	104,036,859	148,923,590

International Finance Corporation

U.S. Dollars 1,125,000 (Note 7.6)	27,841,050	41,761,575
U.S. Dollars 6,875,000 (Note 7.7)	212,702,875	251,376,125
U.S. Dollars 550,000 (Note 7.8)	25,531,000	67,159,620
	-----	-----
	266,074,925	360,297,320

German Investment and Development Company

Deutsche Marks 2, 187,500 (Note 7.9)	36,954,094	46,725,609
Deutsche Marks 2,812,500 (Note 7.10)	46,480,500	57,109,078
Deutsche Marks 7,500,000 (Note 7.11)	192,946,500	234,528,000
	-----	-----
	276,381,094	338,362,687

Netherlands Development Finance Corporation

Netherland Guilders 1,000,000 (Note 7.12)	14,827,600	29,491,300
Netherland Guilders 2,000,000 (Note 7.13)	28,855,200	44,236,950
Deutsche Marks 3,108,000 (Note 7.14)	79,957,029	93,717,389
Deutsche Marks 3,552,000 (Note 7.15)	91,379,462	104,130,432
	-----	-----
	215,019,291	271,576,071
	-----	-----
	1,635,597,125	1,849,804,588

In local currency

World Bank (Note 7.16)	105,385,435	52,149,329
	-----	-----
	1,740,982,560	1,901,953,917

Current portion (Note 10)

	382,837,160	335,113,960
	-----	-----
	1,358,145,400	1,566,839,957
	=====	=====

7.1 The loans stated in note No.7 above are secured by way of floating and hypothecation charges on all the company's assets (present and future) including assets leased by the company and demand promissory notes ranking pari passu with the charges stated in note No.6.1 and 6.2

7.2 The interest and exchange risk fee rates are 9.4 percent and 6.51 percent per annum respectively. The outstanding balance of the 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 the State Bank of Pakistan. The loan is repayable in twelve semi-annual equal installments commencing from 15 July 1994.

7.3 The interest is charged at six months LIBOR plus 2.125 percent per annum. The loan is repayable in 10 equal semi-annual instalments 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 19.1).

7.4 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 The 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.

7.5 The outstanding balance of the 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 The 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.

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

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

7.8 The interest 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 19.1).

7.9 The outstanding balance of the 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 The State Bank of Pakistan. The interest and exchange risk fee rates are 10.95 percent and 5.17 percent per annum respectively. The loan is repayable in sixteen semi-annual equal instalments commencing from 30 April 1994.

7.10 The foreign currency loan balance has been converted into Rupees at the rate of exchange ruling on 31 March 1993 i.e. the date on which the exchange risk cover was obtained from The State Bank of Pakistan, The interest and exchange risk fee rates are 10,5 percent and 5.17 percent per annum respectively. The loan is repayable in sixteen semi-annual equal instalments commencing from 30 April 1995,

7.11 The interest rate is 10,50 percent per annum. The 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 19.1).

7.12 The outstanding balance of the 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 The 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.

7.13 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 The 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.

7.14 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 19.1).

7.15 The interest is charged at the rate of 9.75 percent per annum. The loan is repayable in ten equal semi annual installments commencing from 01 November 1997. 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 19.1).

7.16 This represents the credit line obtained from the 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.

	1998	1997
	Rupees	Rupees
8. CERTIFICATES OF INVESTMENT		
Balance at the end of the year (Note 8.1)	856,914,774	555,153,822
Less: Due within one year	404,512,941	334,142,240
	-----	-----
	<u>452,401,833</u>	<u>221,011,582</u>

8.1 The company has a scheme of Registered Certificate of Investment as per permission granted by the Corporate Law Authority, 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 certificate is ranging from 15 per cent to 19 per cent.

9. LONG TERM DEPOSITS

Balance at the end of the year (Note 9.1)	395,809,960	371,590,517
Less: Current portion (Note 10)	80,040,939	53,814,787
	-----	-----
	315,769,021	317,775,730
	=====	=====

9.1 These represent the interest free security deposits received against lease contracts and are repayable/adjustable at the expiry/termination of the respective leases,

10. CURRENT PORTION OF LONG TERM LIABILITIES

Redeemable capital (Note 6)	15,443,140	6,327,353
Long term loans (Note 7)	382,837,160	335,113,960
Long term deposits (Note 9)	80,040,939	53,814,787
	-----	-----
	478,321,239	395,256,100
	=====	=====

11. SHORT TERM FINANCES

Under Musharika Arrangements		
From financial institutions (Note 11.1)	115,000,000	79,000,000
From banking company (Note 11.1)	--	40,000,000
From others (Note 11.2)	134,718,234	86,295,890
	-----	-----
	249,718,234	205,295,890
Running finance facility (Note 11.3)	49,701,144	20,052,886
	-----	-----
	299,419,378	225,348,776
	=====	=====

11.1 These facilities carry mark up at rates ranging from 44 to 66 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 37 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.

1998	1997
Rupees	Rupees

12. CREDITORS, ACCRUED AND OTHER LIABILITIES

Interest accrued on secured loans	44,638,049	44,636,374
Mark-up on redeemable capital	1,477,941	--
	-----	-----
Mark-up on credit facilities availed (Notes 19 and 23)	60,789,710	59,654,087
Less: Profit accrued on foreign currency deposits (Notes 19 and 23)	31,245,482	27,737,395
	-----	-----
	29,544,228	31,916,692
Profit on certificates of investment	34,326,595	23,063,730
Exchange risk fee payable	102,063,256	147,881,501
Advance lease rentals	16,524,954	36,180,028
Accrued liabilities	7,832,450	6,477,260
Other amounts due to lessees	6,465,031	6,897,929
	-----	-----
	242,872,504	297,053,514

13. DIVIDEND PAYABLE

Proposed dividend	--	36,315,510
Unclaimed	645,090	657,236
	645,090	36,972,746

14. CONTINGENCIES AND COMMITMENTS

Letter of credit for import of machinery to be leased amounted to Rupees NIL as on 30 June 1998 (1997: Rupees 108.861 million).

Lease of contracts approved but not disbursed amounted to Rupees 101.652 million as on 30 June 1998 (1997: Rupees 20.782 million).

15. TANGIBLE FIXED ASSETS

DESCRIPTION	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	DEPRECIATION	Rate %
	As at 01 July 1997	Additions/ (Deletions)	As at 30 June 1998	As at 01 July 1997	Adjustment	As at 30 June 1998	As at 30 June 1998	Charge for the year	
Buildings (Note 15.1)	3,213,340	--	3,213,340	781,003	--	902,620	2,310,720	121,617	5
Furniture and fixtures	2,821,308	104,900 (20,000)	2,906,208	969,664	(2,000)	1,157,759	1,748,449	190,095	10
Vehicles	14,705,814	869,568 (3,341,697)	12,233,685	6,494,895	(1,813,465)	6,191,881	6,041,804	1,510,451	20
Office and electric equipment	1,766,352	190,880	1,957,232	548,687	--	674,301	1,282,931	125,614	10
Computers	6,074,396	851,281	6,925,677	2,865,298	--	3,677,374	3,248,303	812,076	20
Air-conditioning plant	1,759,924	--	1,759,924	609,475	--	709,700	1,050,224	100,225	10
Electric and other installations	7,172,874	139,336	7,312,210	4,505,039	--	5,626,341	1,685,869	1,121,302	33
30 June 1998 Rupees	37,514,008	2,115,965 (3,361,697)	36,308,276	16,774,061	(1,815,465)	18,939,976	17,368,300	3,981,380	
30 June 1997 Rupees	29,428,648	8,123,710 (38,350)	37,514,008	11,998,429	(20,677)	16,774,061	20,739,947	4,796,309	

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

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

Description	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Purchaser
VEHICLES						
Toyota Corolla	598,088	377,609	220,479	455,000	Negotiation	Mr. Muhammad Naeem, Lhr.
Suzuki Margalla	487,180	206,565	280,615	350,000	Negotiation	Mr. Muhammad Iqbal, Fsd.
Mitsubishi Lancer	417,175	318,749	98,426	272,000	Negotiation	Mr. Zahid Hussain, Lhr.
Mazda Van	645,979	129,196	516,783	600,000	Negotiation	Mr. Freedy Paul, Lhr.
Toyota Corolla	613,505	387,343	226,162	226,162	Negotiation	Mr. Javaid Iqbal Ex. Employee
Suzuki Margala	378,820	267,131	111,689	140,000	Negotiation	Malik Amjad Mahmood, Fsd.
Suzuki Mehran	200,950	126,872	74,078	80,000	Negotiation	Mr. Tariq Mahmood, Multan
FURNITURE AND FIXTURES						
Air-conditioner	20,000	2,000	18,000	18,000	Negotiation	

1998

1997

	Rupees	Rupees
16. NET INVESTMENT IN FINANCE LEASES		
Lease rentals receivable	3,890,765,338	3,753,394,901
Guaranteed residual value of leased assets	423,762,005	396,488,018
	-----	-----
Gross investment in leases	4,314,527,343	4,149,882,919
Less: unearned finance income	1,046,844,647	1,052,542,755
	-----	-----
Net investment in lease finance	3,267,682,696	3,097,340,164
	-----	-----
Less: Current portion (Note 16.1)	1,057,521,966	848,888,798
Provision for doubtful receivables	188,212,787	90,219,485
	-----	-----
	1,245,734,753	939,108,283
	-----	-----
	2,021,947,943	2,158,231,881
	=====	=====

6.1 Lease rentals and guaranteed residual value due within next twelve months ending on 30 June 1999 are Rupees 1,529.30 million (30 June 1998: Rupees 1,299.95 million).

17. EQUITY INVESTMENTS

Quoted

Associated undertakings

Shakarganj Mills Limited

221,444 (1997: 201,313) ordinary shares of Rupees 10 each

	4,730,000	4,730,000
--	-----------	-----------

Crescent Steel and Allied Products Limited

152,087 (1996:132,250) 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	1,000,000
--	-----------	-----------

BSJS Balanced Funds Limited

560,406 ordinary certificates of Rupees 10 each

	5,604,060	5,604,060
--	-----------	-----------

Pakistan Industrial Credit and Investment Corporation Limited

491,457 ordinary shares of Rupees 10 each

	19,822,700	19,822,700
	-----	-----
	38,831,760	38,831,760

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	10,000,000
--	------------	------------

	1998 Rupees	1997 Rupees
Other		

International Housing Finance Limited

312,500 ordinary certificates of Rupees 10 each
(Chief Executive: Mr. Nessar Ahmed)

	3,125,000	3,125,000
	-----	-----
	64,456,760	64,456,760
	=====	=====

17.1 The company's holding does not exceed 10 per cent of the equity of the investee company. Aggregate market value of quoted investment was Rupees 12.282 million as on 30 June 1998 (1997: Rupees 16.241 million).

18. LONG TERM LOANS

Considered good

Housing building (Note 18.1)	599,532	1,398,914
Vehicles loan-Staff (Note 18.2)	5,973,150	5,774,792
	-----	-----
	6,572,682	7,173,706
Less: Current portion (Note 22)	599,534	2,006,385
	-----	-----
	5,973,148	5,167,321
	=====	=====

18.1 This represents the loan given to the company's Chief Executive at an interest rate of 6.25 per cent per annum. Principal amount 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 1.398 million (1997: Rupees 2.198 million).

18.2 This represent the secured loans given to the company's employees and repayable in 6 to 7 years. Rate of interest range from 5.25 to 6 per cent per annum. The loans include sum of Rupees 2.841 million (1997: Rupees 2.799 million) given to the Executive of the company. Maximum aggregate amount due from Executives at the end of any month during the year was Rupees 3.247 million (1997: Rupees 3,190 million). This includes Rupees 0.901 million (1997: Rupees 2.246 million) outstanding for the period exceeding three years.

19. LONG TERM DEPOSITS

Foreign currency deposits(Note 19.1)	190,500,404	51,277,668
Security deposits	954,192	954,192
	-----	-----
	191,454,596	52,231,860
	=====	=====

19. FOREIGN CURRENCY DEPOSITS

First International Investment Bank Limited Deutsche Marks 7,500,000	192,946,500	175,896,000
Security Investment Bank Limited U.S. Dollars 2,200,000 Deutsche Marks 4,440,000	101,431,000 113,845,640	89,546,160 104,130,432
	-----	-----
	215,276,640	193,676,592
Pak Libya Holding Company (Private) Limited Deutsche Marks 6,940,000	177,576,620	162,762,432
Pakistan Kuwait Investment Company (Private) Limited U.S. Dollars 15,000,000	696,300,000	610,542,000
	-----	-----
	1,282,099,760	1,142,877,024
Less: Credit Facilities availed (Note 19.3)	1,091,599,356	1,091,599,356

190,500,404	51,277,668
-------------	------------

19.2 The deposits stated in note 19.1 above are placed under lien for hedging against foreign currency loans mentioned in note No. 7. The rates of return on above mentioned deposits are ranging from 4.3750 percent to 7.40 per cent per annum. The deposits will mature during the period from 23 November to 15 September 2003.

19.3 The total sanctioned amount from financial institutions and investment banks of Rupees 1,133.37 million (1997: Rupees 1,128.89 million) has 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 be made during the period from 23 November 1998 to 15 September 2003.

20. DEFERRED COST

Exchange differences	58,123,903	58,123,903
Negotiation fees	16,412,908	16,412,908
Front end fees	5,244,390	5,244,390
	79,781,201	79,781,201
Less: Amortization to-date	43,128,987	29,800,419
	36,652,214	49,980,782
	1998	1997
	Rupees	Rupees

21. EQUITY AND OTHER INVESTMENTS

Quoted

Shares of joint stock companies

Dhan Fibres Limited	294,020	294,020
33,800 ordinary shares of Rupees 10 each		
Sui Northern Gas Pipelines Limited	13,941	680,541
811(1997:28,075) ordinary shares of Rupees 10 each		
Fauji Fertilizer Company Limited	--	1,073,145
NIL (1997:15,000) ordinary shares of Rupees 10 each	307,961	2,047,706
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

	2,820,414	4,560,159
Less: Provision for diminution in value of short term equity investments	(2,184,278)	(1,299,780)
Market value	636,136	3,260,379
Other unquoted investments		
Federal Investment Bonds (Note 21.1)	75,000,000	50,000,000
	75,636,136	53,260,379

21.1 These have been issued by the Government of Pakistan and carry profit at the rate ranging from 12 to 15 per cent per annum. These will also meet the Statutory Liquidity Requirements (SLR) of Prudential Regulations for non-banking financial institutions (NBFIs).

	1998	1997
	Rupees	Rupees
22. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Short term advances (Note 22.1)	140,920,071	153,789,960
Less: Provision against doubtful advances	1,500,000	1,500,000
Considered good	139,420,071	152,289,960
Advances against assets to be leased out	1,147,147	9,662,962
Income tax in advance	6,401,775	2,021,616
Current portion of long term loans to employees (Note 18)	599,534	2,006,385
Profit accrued on bank deposits and advances	27,687,209	29,670,443
Short term prepayments	9,041,047	9,220,130
Exchange rate differences recoverable from State Bank of Pakistan	166,616,728	150,181,646
Miscellaneous receivables	15,735,810	14,148,760
Less: Provision for doubtful	8,245,809	8,245,809
Considered good	7,490,001	5,902,951
	358,403,512	360,956,093

22.1 These represent the funds provided for short periods to corporate companies, financial institutions and individuals under mark up/musharika arrangements. Included therein amount of Rupees 47.275 million (1997: Rupees 42.715 million) is provided to associated undertakings. The maximum advance outstanding for associated undertakings at the end of any month during the year was Rupees 47.275 million (1997: Rupees 42.715 million). 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 44 to paisas 68 per Rupees thousand per day.

23. CASH AND BANK BALANCES

Cash in hand	99,821	369,378
Cash with banks		
On current accounts (Note 23.1)	51,426,836	93,314,035
On foreign currency accounts	551,409	561,881
On dividend accounts	121,222	121,047
On escrow account	--	2,217
	52,099,467	93,999,180
On deposit accounts		

Local currency (Note 23.2)	261,048,385	224,800,000
Foreign currency deposits (Note 23.3)	6,402,193	97,798
	-----	-----
	267,450,578	224,897,798
	-----	-----
	319,649,866	319,266,356
	=====	=====

23.1 This includes an interest free deposit of Rupees 7.207 million (1997: Rupees 3.403 million) with the State Bank of Pakistan as required under Prudential Regulations for Non-Banking Financial Institutions (NBFIs).

23.2 This represents the short term placement of funds with financial institutions at profit rates ranging from 16 to 24 per cent per annum.

23.3 FOREIGN CURRENCY DEPOSITS

Foreign currency deposits (Note 23.4)	48,174,207	20,283,780
Less: Credit facilities availed (Note 23.4)	41,772,014	20,185,982
	-----	-----
	6,402,193	97,798
	=====	=====

23.4 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 per cent per annum.

	1998	1997
	Rupees	Rupees
24. INCOME FROM LEASE FINANCING		
Income on finance leases	579,040,817	528,883,036
Documentation and handling charges	1,012,208	628,212
Income from termination of leases	453,082	110,590
Fees, commission and other charges	1,305,025	5,631,311
	-----	-----
	581,811,132	535,253,149
	=====	=====

25. RETURN ON SHORT TERM PLACEMENTS AND OTHER ADVANCES

Return on bank deposits	6,901,192	9,783,953
Profit/mark-up on short term funds provided to:		
Associated undertakings	15,379,849	22,713,870
Others	69,114,938	38,687,858
	-----	-----
	84,494,787	61,401,728
Profit on Federal Investment Bonds	10,191,014	4,039,226
Mark-up on loans to employees	344,694	353,982
	-----	-----
	101,931,687	75,578,889
	=====	=====

26. OTHER INCOME

Dividend income

Associated undertakings

Crescent Steel and Allied Products Limited	264,500	172,500
Crescent Powertech Limited	500,000	--
Other companies	741,027	121,524
	-----	-----
	1,505,527	294,024

Gain on sale of equity investments	426,630	2,670,618
Gain on sale of fixed assets	594,930	17,328
Miscellaneous income	42,593	21,894
	-----	-----
	2,569,680	3,003,864
	=====	=====

27. FINANCIAL AND OTHER CHARGES

Interest on long term loans	175,882,383	143,812,308
	-----	-----
Mark-up on credit facilities offsetted	158,220,472	88,910,125
Return including net exchange gain on foreign currency deposits	95,398,019	39,679,269
	-----	-----
	62,822,453	49,230,856
Mark-up on redeemable capital	4,167,791	3,925,338
Mark-up on short term finances	46,616,456	46,415,496
Exchange risk fee	45,975,190	49,215,458
Profit on certificates of investment	122,709,011	138,405,926
Commitment and processing fee	128,816	1,969,444
	-----	-----
Commission, bank and other financial charges	4,120,558	3,162,594
Penalties levied by State Bank of Pakistan on late payment of exchange risk fee	12,945,388	6,000
	-----	-----
	475,368,046	436,143,420
	=====	=====

28. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Staff salaries and other benefits (Note 28.1)	24,532,438	21,057,654
Legal and professional charges	3,839,975	2,113,952
Rent, rates and taxes	3,661,210	3,164,914
Travelling and conveyance	1,728,209	1,957,090
Postage, telephone and telex	2,434,579	2,731,323
Insurance	3,952,146	2,051,529
Electricity and water	1,516,565	1,412,542
Stationery and other supplies	1,051,403	1,010,676
Advertisement	438,302	631,038
Business promotion and entertainment	614,127	711,052
Repair and maintenance	1,576,964	1,867,402
Fees and subscriptions	360,197	341,966
Vehicles' running	666,306	642,309
Auditors' remuneration		
Audit fee	160,000	150,000
SBP's special audit fee	--	112,150
Out of pocket expenses	9,670	9,500
	-----	-----
	169,670	271,650
Newspapers and periodicals	91,298	68,943
Miscellaneous	281,471	334,153
Donations (Note 28.3)	198,200	142,155
Depreciation	3,981,380	4,796,309
	-----	-----
	51,094,440	45,306,657
	=====	=====

28.1 STAFF SALARIES AND OTHER BENEFITS

These include the following amounts contributed towards employees' retirement benefits during the year:

Provident fund	1,474,039	1,357,413
Gratuity fund	603,521	491,771
Pension fund	1,269,025	1,034,055
	-----	-----

3,346,585 2,883,239

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 4.726 million (1997: Rupees 4.186 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 1,098 million as on 30 June 1998 (1997: Rupees 986 million).

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	
	1998	1997	1998	1997
	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	1,860,000	1,680,000	2,906,120	2,349,600
House rent	837,000	756,000	1,307,754	1,057,320
Retirement benefits	613,056	553,728	957,857	562,964
Utilities	186,000	168,000	290,612	234,960
Bonus	465,000	202,500	576,200	247,975
	-----	-----	-----	-----
	3,961,056	3,360,228	6,038,543	4,452,819
	=====	=====	=====	=====
Number of persons	1	1	17	18

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

30.2 The aggregate amount charged in the accounts for the year for fees to 6 directors for 6 meetings are Rupees 87,000 (1997: Rupees 25,500 to 6 directors for 6 meetings).

31. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-grouped wherever necessary for the purpose of comparison.

FORM '34'

PATTERN OF HOLDING OF SHARES

HELD BY THE SHAREHOLDERS AS AT 30TH JUNE 1998

No. of Shareholders	Shareholding		Total Shares Held
	from	To	
123	1	100	6705
293	101	500	85309
194	501	1000	160235
370	1001	5000	960504
76	5001	10000	583473
41	10001	15000	494807

23	15001	20000	408763
13	20001	25000	299266
7	25001	30000	197961
4	30001	35000	129536
10	35001	40000	380585
1	40001	45000	41250
2	50001	55000	104083
1	60001	65000	62280
1	65001	70000	68000
1	70001	75000	75000
1	75001	80000	76750
1	80001	85000	85000
1	90001	95000	94050
1	105001	110000	107250
2	195001	200000	396520
1	220001	225000	222385
2	235001	240000	470762
1	270001	275000	272410
1	580001	585000	583200
1	585001	590000	585320
1	620001	625000	623750
1	1010001	1015000	1012800
1	1150001	1155000	1150045
1	1170001	1175000	1173400
1	1655001	1660000	1657755
1	1665001	1670000	1665421
1	3920001	3925000	3923180

1179-----
18157755
=====**Categories of Shareholders**

	Number	Shares Held	Percentage
Individuals	1118	4,025,684	22.17
Investment Companies	4	351,162	1.93
Insurance Companies	3	595,070	3.28
Joint Stock Companies	29	7,807,052	43.00
Financial Institutions	15	3,149,437	17.35
Others	10	2,229,350	12.28
Total	1,110	18,157,755	100.00
Others			
Modarabas	5	544,095	2.997
Non-Residents	5	1,685,255	9.28
Total	10	2,229,350	12.28

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