

First Fidelity Leasing Modaraba

(Annual Report 1996)

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COMPANY INFORMATION

Board of Directors

Mian Mohammad Mansha Yahya
(Chairman)

Mr. Rashid Mansur
(Chief Executive)

Mr. Shafiq A. Khan
Mrs. Naz Mansha
Mr. Shahzad Saleem

Corporate Secretary

Mr. Wasim-ul-Haq Osmani

Auditors

Riaz Ahmad & Company
Chartered Accountants

Legal Advisor

Cornelius, Lane & Mufti
Advocate & Solicitors

Bankers

Muslim Commercial Bank Limited
Union Bank Limited

Modaraba Company

Fidelity Capital Management
(Private) Limited

Principal Place of Business

97-A, Aziz Avenue, Canal Bank,
Lahore.

Registrars

Hameed Majeed Associates
7-Bank Square, H.M. House
The Mall, Lahore.

DIRECTORS' REPORT

AND CHIEF EXECUTIVE'S REVIEW

The Directors have pleasure in submitting the 5th Annual Report of the Modaraba together with the Audited Accounts and Auditors' Report thereon for the year ended June 30, 1996.

During the year under review the Stock Markets continued to perform badly. Although the KSE-100 index had improved from 1611 level as of June 30, 1995 to 1703 level as at June 30, 1996, the increase was because of certain High Cap shares whereas prices of all other shares had further slid down. The investors sentiment had turned so negative that prices of many inherently sound and fundamentally strong shares have gone below their break-up values. The persistent negative sentiment resulted in minimal income accruing from Capital Market Investments and also necessitated dis-investment of certain shares where chances of recovery were remote. Such dis-investment resulted in realization of a net capital loss of Rs.11.11 million.

The Modaraba has earned a net profit of Rs.14.89 million before tax for the year. The lower net profit is because of the non-performance of Capital Market Portfolio and realization of capital loss on sale of shares of Rs.11.11 million as referred above. Taking a prudent and conservative view of the Capital Markets the Modaraba has also retained a provision of Rs.14.20 million for diminution in value of investments made in the previous years. In the event of any upturn in the capital markets, this provision may be converted into additional reserves for the Modaraba.

It is now common knowledge that Modarabas as a sector are caught-up in a vicious circle due to over regulation which has become counter productive. The stock market valuations have dropped sharply due to perceived instability. This perception is a direct result of the negative signals sent out by different regulatory bodies from time to time. The Modaraba Association of Pakistan has been and is making representations for rationalization of regulations, facilitation of Modaraba transactions/business, restoration of tax exemption, removal of un-due constraints vis-a-vis competition from Leasing Companies & Investment Banks which are allowed to issue Certificate of Investments and finally, for a visible expression of confidence and support from the regulatory bodies.

Your Modaraba is one of the few Modarabas which has qualified for permission to issue Certificates of Musharika. As soon as the market conditions become conducive, we shall start issuance of said Certificates. The process of diversification of the business transactions has been pursued further. The Leasing Portfolio of the Modaraba has been enhanced. The appraisal of credit proposals has been managed in a manner so as to ensure the highest quality of assets.

FUTURE OUTLOOK:

Restructuring of the Capital Market Portfolio including switching to better growth shares is the main priority of the management. Special emphasis is being placed for resource mobilization on long term basis from banks and other institutions under Musharika Arrangements. Proceeds from sale of shares and additional resources are planned to be invested in leasing transactions.

APPROPRIATION:

The Directors have made the following appropriation:-

	Rupees
Net profit for the year	9,393,528
Un-appropriated profit brought forward	5,853,883

	15,247,411
Transfer to special reserve as per requirement of Rule 3 (a) of NBFICircular No.1 dated December 5, 1991	1,878,706

Un-appropriated profit carried forward	13,368,705
	=====

The Directors keeping in view the prudent approach and to give Modaraba more strength have decided to carry forward the balance of Rs.13,368,705 as Un-appropriated profit.

AUDITORS:

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

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

for and on behalf of
the Board of Directors

Lahore
Dated: 24 December, 1996

RASHID MANSUR
Chief Executive

**AUDITORS' REPORT TO THE
CERTIFICATE HOLDERS**

We have audited the annexed balance sheet as at 30 June 1996 and the related profit and loss account and Statement of sources and application of funds together with the notes to the accounts for the year ended 30 June 1996 of FIRST FIDELITY LEASING MODARABA which are modaraba company's [Fidelity Capital Management (Private) Limited] representation and we state that we have obtained all the information and explanations which we required and, after due verification thereof, we report that:

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

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

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

i) the balance sheet and the related profit and loss account and statement of sources and application of funds, which are in agreement with the books of account, exhibit respectively a true and fair view of the state of the modaraba's affairs as at 30 June 1996 and the profit and the changes in the sources and application of funds for the year ended on that date;

ii) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980; and

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

LAHORE:- 24 December

RIAZ AHMAD AND COMPANY
Chartered Accountants

**FINANCIAL
STATEMENTS**

**BALANCE SHEET
AS AT 30 JUNE 1996**

NOTE	30 June 1996	30 June 1995
	Rupees	Rupees

CAPITAL AND RESERVES

Authorised capital
30,000,000 modaraba certificates
of Rupees 10 each

300,000,000	300,000,000
=====	=====

Issued, subscribed and paidup capital

20,633,399 modaraba certificates of Rupee 10 each	3	206,333,990	206,333,990
Reserves	4	13,640,440	11,761,734
Unappropriated profit		13,368,705	5,853,883
		-----	-----
		233,343,135	223,949,607
LONG TERM DEPOSITS	5	12,083,355	9,727,248
DEFERRED TAXATION		1,800,000	-
CURRENT LIABILITIES			
Short term finances	6	-	40,000,000I
Creditors, accrued and other liabilities	7	3,580,760	3,167,755
Provision for taxation		3,700,000	-
Dividend payable		-	41,269,998
		-----	-----
		7,280,760	84,437,753
CONTINGENCIES AND COMMITMENTS		-	-
		-----	-----
		254,507,250	318,114,608
		=====	=====

The annexed notes form an integral part of these accounts.

TANGIBLE FIXED ASSETS

Operating assets in own use	8	1,750,340	2,125,698
Operating assets given on lease	9	102,153,590	91,015,676
		-----	-----
		103,903,930	93,141,374
DEFERRED COST	10	191,204	573,616
INVESTMENTS	11	74,326,511	96,907,212
LONG TERM MUSHARIKA FINANCE	12	-	5,999,479

CURRENT ASSETS

Current portion of long term musharika finance		5,999,479	10 487,715
Musharika finances	13	-	21,000,000
Morabaha finances	14	10,500,000	40,084,574
Other receivables	15	23,433,325	13,270,653
Cash in hand and bank balances	16	36,152,801	36,649,985
		-----	-----
		76,085,605	121,492,927
		-----	-----
		254,507,250	318,114,608
		=====	=====

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1996

	NOTE	30 June 1996 Rupees	30 June 1995 Rupees
OPERATING INCOME	17	40,455,291	20,401,385
OPERATING EXPENSES	18	17,720,596	5,512,581
FINANCIAL AND OTHER CHARGES	19	11,910,577	12,783,546
		-----	-----
		29,631,173	18,296,127

		-----	-----
		10,824,118	2,105,258
OTHER INCOME	20	5,558,763	5,120,071
		-----	-----
		16,382,881	7,225,329
MODARABA COMPANY'S MANAGEMENT FEE		1,489,353	656,848
		-----	-----
PROFIT FOR THE YEAR		14,893,528	6,568,481
PROVISION FOR TAXATION	21	5,500,000	-
		-----	-----
PROFIT AFTER TAXATION		9,393,528	6,568,481
UNAPPROPRIATED PROFIT BROUGHT FORWARD		5,853,883	599,098
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		15,247,411	7,167,579
APPROPRIATION			
Special reserve		1,878,706	1,313,696
		-----	-----
UNAPPROPRIATED PROFIT		13,368,705	5,853,883
		=====	=====

The annexed notes form an integral part of these accounts.

STATEMENT OF SOURCES AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30 JUNE 1996

	30 June 1996 Rupees	30 June 1995 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated/used by from Operations	13,258,069	54,402,825
Long term advances and deposits - Net	10,487,715	4,574,048
Lease rentals	19,748,102	2,615,451
Profit paid on musharika finances	(1,221,721)	(6,210,697)
Profit received on morabaha/ musharika finances	7,972,255	12,633,778
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	50,244,420	68,015,405
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	695,848	279,360
Gain/(loss) on sale of shares	(11,116,676)	1,616,788
Investment sold	22,580,701	(37,822,610)
Lessees security deposits	2,356,107	9,012,666
Sale proceeds of leased assets sold	498,175	-
Fixed assets acquired-Own use	(81,768)	(836,495)
Fixed assets -Leased out	(25,194,400)	(89,070,661)
	-----	-----
NET CASH FLOWS FROM INVESTING ACTIVITIES	(10,262,013)	(116,820,952)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(40,479,591)	-
Issue of share capital	-	37,960
	-----	-----
NET CASH FLOWS FROM FINANCING ACTIVITIES	(40,479,591)	37,960
	-----	-----
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT	(497,184)	(48,767,587)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	36,649,985	85,417,572

CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	----- 36,152,801 =====	----- 36,649,985 =====
CASH GENERATED FROM OPERATIONS		
Profit before taxation	14,893,528	6,568,481
Adjustment for non-cash charges and other items:		
Provision for diminution in the value of investments	-	6,633,291
Depreciation	14,015,439	3,161,498
Amortization of deferred costs	382,412	191,206
Profit on morabaha/musharika finances	405,556	3,533,437
Dividend income	(695,848)	(279,360)
Profit on morabaha/musharika finances	(5,395,856)	(10,504,135)
(Gain)/loss on sale of investments	11,116,676	(1,616,788)
Lease rentals	(33,784,898)	(6,488,460)
Working capital changes	12,321,060	53,203,655
	-----	-----
	13,258,069	54,402,825
	=====	=====
WORKING CAPITAL CHANGES		
(Increase)/decrease in operating assets		
Morabaha finances	29,584,574	83,465,305
Musharika finances	21,000,000	(21,000,000)
Other receivables	1,297,724	(4,608,051)
	-----	-----
	51,882,298	57,857,254
Increase/(decrease) in operating liabilities		
Short term finances	(40,000,000)	-
Creditors, accrued and other liabilities	819,200	189,982
Management company fee	(380,438)	(4,843,581)
	-----	-----
	(39,561,238)	(4,653,599)
	-----	-----
	12,321,060	53,203,655
	=====	=====

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 1996

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

These accounts have been prepared under the historical cost convention.

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

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

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

2.2.2 Assets given on lease and depreciation

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

2.3 Investments

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

2.4 Revenue recognition

Profit on morabaha and musharika finances is recognized on accrual basis, calculated on number of days funds were utilized.

Lease rentals are recognized as income when due on a systematic basis over the lease period.

Profit or loss on sale of investments is accounted for in the year in which it arises. Dividend income is recognized on receipt basis.

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 1996

2.5 Deferred taxation

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

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

2.6 Deferred cost

Deferred costs are amortized over a period of five years.

	30 June 1996	30 June 1995
	Rupees	Rupees

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

16,656,491 modaraba certificates of Rupees 10 each	166,564,910	166,564,910
3,976,908 modaraba certificates of Rupees 10 each issued as bonus	39,769,080	39,769,080
	-----	-----
	206,333,990	206,333,990
	=====	=====

4. RESERVES

Reserve for issue of bonus certificates

Opening balance	-	41,269,998
Less: Converted into cash dividend	-	41,269,998
	-----	-----
	-	-
Special reserve (Note 4.1)		
Opening balance	11,761,734	10,448,038
Transferred from profit and loss account	1,878,706	1,313,696
	-----	-----
	13,640,440	11,761,734
	-----	-----
	13,640,440	11,761,734

4.1 This represents the reserve created to comply with the prudential regulations issued by the State Bank of Pakistan.

5. LONG TERM DEPOSITS

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

6. SHORT TERM FINANCES

These represent the unsecured musharika finances obtained from The Bank of Punjab under musharika arrangements on profit and loss sharing basis.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 1996

7. CREDITORS, ACCRUED AND

OTHER LIABILITIES

	30 June 1996 Rupees	30 June 1995 Rupees
Profit accrued on musharika finances obtained	-	816,165
Rental received in advance	76,889	692,517
Due to management company	-	380,438
Accrued and other payables	2,713,463	1,278,635
Unclaimed dividend	790,408	-
	-----	-----
	3,580,760	3,167,755
	=====	=====

8. OPERATING ASSETS IN OWN USE

DESCRIPTION	C O S T			ACCUMULATED DEPRECIATION AS AT 30 JUNE 1996	B O O K V A L U E D E P R E C I A T I O N		
	As at 01 July 1995	Additions/ (Deletions)	As at 30 June 1996		AS AT 30 JUNE 1996	Charge for the year	Rate %
Vehicles	2,673,800	2,300 (2,300)	2,673,800	1,155,896	1,517,904	379,476	20
Computer and other office equipments	292,460	41,768	334,228	200,944	133,284	66,633	33.33
Furniture and fixture	77,900	40,000	117,900	18,748	99,152	11,017	10
1996 Rupees	3,044,160	84,068 (2,300)	3,125,928	1,375,588	1,750,340	457,126	
	-----	-----	-----	-----	-----	-----	
1995 Rupees	2,207,665	836,495	3,044,160	918,462	2,125,698	246,139	
	=====	=====	=====	=====	=====	=====	

9. OPERATING ASSETS GIVEN ON LEASE

DESCRIPTION	C O S T		As at 30 June 1996	ACCUMULATED AMORTIZATION AS AT 30 JUNE 1996	BOOK VALUE AS AT 30 JUNE 1996	AMORTIZATION CHARGE FOR THE YEAR
	As at 01 July 1995	Additions/ (Disposals) during the year				
Plant and machinery	78,200,000	20,000,000	98 200,000	11,369,520	86,830,480	9,459,800
Vehicles	15,636,876	3,043,700 (577,325)	18,103,251	4,805,788	13,297,463	3,761,034
Office equipments	252,000	2,150,700	2,402,700	377,053	2,025,647	337,479
1996 Rupees	94,088,876	25,194,400 (577,325)	118,705,951	16,552,361	102,153,590	13,558,313
1995 Rupees	5,018,215	89,070,661	94,088,876	3,073,200	91,015,676	2,915,359

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

DESCRIPTION OF ASSETS	C O S T Rupees	ACCUMULATED DEPRECIATION Rupees	NET BOOK VALUE Rupees	SALE PROCEED Rupees	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
Suzuki Khyber	313,325	66,438	246,887	313,325	Insurance claim	EFU General Insurance Company Limited
Suzuki Alto	264,000	12,714	251,286	251,286	Lease termination	Miss Uzma Saleem, Lahore

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 1996

	30 June 1996 Rupees	30 June 1995 Rupees
10. DEFERRED COST		
Modaraba floatation expenses (Note 10.1)	1,912,058	1,912,058
Amortized to-date	1,720,854	1,338,442
	-----	-----
	191,204	573,616
	=====	=====

10.1 Preliminary expenses incurred in connection with the floatation of the modaraba are being amortized over a period of five years.

11. INVESTMENTS

	30 June 1996		30 June 1995	
	C o s t Rupees	Market Value Rupees	C o s t Rupees	Market Value Rupees
Shares of listed companies (Note 11.1)	70,670,655	39,601,176	69,664,320	35,740,328
Modaraba and other certificates (Note 11.2)	2,891,536	2,400,790	5,443,572	3 290 524
	-----	-----	-----	-----
	73,562,191	42,001,966	75,107,892	39,030,852
Less: Provision for diminution in the value of investments	14,200,680	-	14,200,680	-
	-----	-----	-----	-----
	59,361,511	42,001,966	60,907,212	39,030,852
Add: Shares of unlisted		=====		=====

company and funds (Note 11.3)	14,965,000	36,000,000
	-----	-----
	74,326,511	96,907,212
	=====	=====

11.1 Shares of Listed Companies

	30 June 1996		AVERAGE COST	30 June 1995	
	Cost Rupees	Market Value Rupees	PER SHARE Rupees	C o s t Rupees	Market Value Rupees
Associated undertakings					
D.G.Khan Cement Company Limited 82,005 (1995:169 627) fully paid ordinary shares of Rs 10 each	4,912,815	1,148,070	59.90	11,198,045	7,378,775
Nishat Mills Limited 70,500(1995:83,153) fully paid ordinary shares of Rs 10 each	5,586,890	987,000	79.24	7,650,509	2,390,649
Raza Textile Mills Limited (1995:1,386) fully paid ordinary shares of Rupees 10 each	-	-	-	13,987	8,316
Umer Fabrics Limited (1995:9,186) fully paid ordinary shares of Rupees 10 each	-	-	-	187,454	58,790
Fidelity Investment Bank Limited 65,000 (1995:162,500) fully paid ordinary shares of Rs 10 each	2,537,676	448,500	39.04	6,581,346	2,518,750
Trust Leasing Corporation Limited 147,000 (1995:288,700) fully paid ordinary shares of Rs 10 each	6,671,746	955,500	45.38	14,701,158	4,402,675
Muslim Commercial Bank Limited 465,600 (1995:189,000) fully paid ordinary shares of Rs 10 each	15,782,393	17,227,200	33.89	8,798,444	7,890,750
Others					
Nishat Tek Limited (1995:22,443) fully paid ordinary shares of Rupees 10 each	-	-	-	1,506,190	650,847
First Leasing Corporation Limited 152,600 (1995:109,000) fully paid ordinary shares of Rs 10 each	2,574,695	1,678,600	16.87	2,746,695	1,662,250
Union Bank Limited 5,000 (1995:37,687) fully paid ordinary shares of Rs 10 each	168,260	65,500	33.65	1,544,220	847,958
American Life Insurance Company Limited (1995:15,000) fully paid ordinary shares of Rupees 10 each	-	-	-	353,850	358,500
Pakistan Industrial Credit and Investment Corporation Limited (1995:6,667) fully paid ordinary shares of Rupees 10 each	-	-	-	404,460	146,652

Karachi Electric Supply Corporation						
4,000 fully paid ordinary shares of Rupees 10 each	147,470	147,000	36.86	-	-	
Sui Southern Gas Pipelines Limited						
5,000 (1995:27,000) fully paid ordinary shares of Rs 10 each	181,000	161,250	36.20	1,048,890	1,069,200	
Kohinoor Power Limited						
34,500 (1995:28,750) fully paid ordinary shares of Rs 10 each	1,884,513	431,250	54.62	1,884,513	920,000	
Tristar Polyester Limited (1995:33) fully paid ordinary shares of Rupees 10 each						
	-	-	-	819	231	
ICI Pakistan Limited						
136,000(1995:10,000) fully paid ordinary shares of Rs 10 each	3,475,500	2,736,320	25.55	2,215,500	815,000	
Saif Textile Mills Limited						
1,399 (1995:2,800) fully paid ordinary shares of Rs 10 each	49,522	19,236	35.39	127,867	75,600	
Fauji Fertilizer Company Limited						
5,000 (1995: 33,000) fully paid ordinary shares of Rupees 10 each	431,240	452,500	86.24	2,846,800	2,013,000	
Maple Leaf Electric Company Limited						
1,000,000 fully paid ordinary shares of Rupees 10 each	20,000,000	9,250,000	20.00	-	-	
Pak Synthetic Limited (1995:15,000) fully paid ordinary shares of Rupees 10 each						
	-	-	-	865,500	438,750	
Askari Leasing Company Limited (1995:5,000) fully paid ordinary shares of Rupees 10 each						
	-	-	-	173,330	217,500	
Al-Faysal Investment Bank Limited (1995:5,000) fully paid ordinary shares of Rupees 10 each						
	-	-	-	137,105	157,500	
Adamjee Insurance Company Limited						
10,250 (1995:6,600) fully paid ordinary shares of Rupees '10 each	2,455,726	1,332,500	239.58	2,470,700	745,800	
Faysal Bank Limited						
11,000 (1995:10,000) fully paid ordinary shares of Rupees 10 each	424,000	349,250	38.54	424,000	252,000	
Hub Power Company Limited						
60,000 (1995: 10,000) fully paid ordinary shares of Rs 10 each	2,224,250	2,058,000	37.07	131,210	181,000	
Kohinoor Weaving Mills Limited						
10,000 (1995:12,000) fully paid ordinary shares of Rupees 10 each	205,505	50,000	2055	246,605	103,200	
Kohinoor Industries Limited						
23,000 (1995:23,287) fully paid ordinary shares of Rs 10 each	957,454	103,500	41.62	969,400	215,405	

Pakistan International Airlines Corporation

(1995:22,123) fully paid ordinary shares of Rupees 10 each	-	-	-	435,723	221,230
	-----	-----		-----	-----
	70,670,655	39,601,176		69,664,320	35,740,328
	=====	=====		=====	=====

11.2 Modaraba and Other Certificates

First Punjab Modaraba

(1995::51,215) certificates of Rs 10 each (Managed by Punjab Modaraba Services (Private) Limited)	-	-	-	915,905	345,701
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Trust Modaraba

(1995: 34,040) certificates of Rupees 10 each (Managed by Trust Management Services (Private) Limited)	-	-	-	690,981	340,400
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ICP (S.E.M.E) Mutual Fund

(1995: 20, 500) certificates of Rupees 10 each	1,929,570	1,517,000	94.12	1,929,570	1,050,625
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22ND ICP Mutual Fund

(1995:10,000) certificates of Rupees 10 each	-	-	-	307,500	129,000
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NIT Units

6,675 (1995:6,675) certificates of Rupees 10 each	99,966	98,790	14.97	99,966	104,798
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Pakistan Telecommunication Company Limited

20,000 (1995:40,000) vouchers of Rupees 10 each	862,000	785,000	43.10	1,499,650	1,320,000
	-----	-----		-----	-----
	2,891,536	2,400,790		5,443,572	3,290,524
	=====	=====		=====	=====

11.3 Shares of Unlisted Company and Funds

Fidelity Mutual Fund

1,496,500 (1995:1,250,000) certificates of Rupees 10 each	14,965,000	-	10.00	12,500,000	-
Break up value per certificate is Rupees 10 as per unaudited accounts Messrs A.E. Ferguson and Company are the auditors of the fund.					

K.A.S.B. Mutual Fund

(1995: 350,000) certificates of Rupees 10 each	-	-	-	3,500,000	-
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D.G.Khan Electric Company Limited

(1995:2,000,000) ordinary shares of Rupees 10 each	-	-	-	20,000,000	-
	-----	-----		-----	-----
	14,965,000	-		36,000,000	-
	=====	=====		=====	=====

	30 June	30 June
	1996	1995
	Rupees	Rupees

12. LONG TERM MUSHARIKA FINANCE- CONSIDERED GOOD

Balance as at 01 July	5,999,479	16,487,194
Less: Current portion	5,999,479	10,487,715
	-----	-----
	-	5,999,479
	=====	=====

12.1 This finance is provided on profit and loss sharing basis and is secured against hypothecation/ mortgage of machinery and demand promissory notes.

13. MUSHARIKA FINANCE-CONSIDERED GOOD

This finance is provided on profit and loss sharing basis and is secured against hypothecation of stocks and demand promissory note.

14. MORABAHA FINANCES-CONSIDERED GOOD

These represent the morabaha finances provided under morabaha arrangements at specified profit margin. These finances are secured by pledge of shares and demand promissory note.

15. OTHER RECEIVABLES

Profit on musharika finances	261,512	1,535,990
Profit on morabaha finances	454,521	1,756,442
Profit accrued on bank deposits	513,491	1,179,645
Lease rentals receivable	17,909,804	3,873,009
Income tax refundable	1,496,641	215,163
Sundry debtors (Note 15.1)	2,638,946	4,574,138
Short term prepayments	77,892	98,716
Advances to staff-Considered good	80,518	37,550
	-----	-----
	23,433,325	13,270,653
	=====	=====

15.1 Included therein an amount of Rupees 629,907 due from management company as on 30 June 1996.

16. CASH IN HAND AND BANK BALANCES

Balances with banks		
On current accounts	200,901	4,901
On PLS-Saving accounts	1,226,421	4,364,747
On deposit accounts	34,724,639	32,150,063
	-----	-----
	36,151,961	36,519,711
Cash in hand	840	130,274
	-----	-----
	36,152,801	36,649,985
	=====	=====

17. OPERATING INCOME

Profit from musharika finances	2,135,859	3,578,939
Profit from morabaha finances	3,259,997	6,925,196
Lease rentals	33,784,897	6,488,460
Gain on sale of shares/certificates	-	1,616,788
Dividend income	695,848	279,360
Other fees and charges	578,690	1,512,642
	-----	-----

	40,455,291	20,401,385
	=====	=====

18. OPERATING EXPENSES

Salaries and other benefits (Note 18.1)	1,028,526	657,406
Legal and professional	871,312	433,968
Printing and stationery	641,584	497,215
Travelling and vehicle running	447,504	92,492
Fee, subscription and taxes	230,477	147,685
Postage, telephone and telexes	129,402	43,359
Advertisement	124,520	426,250
Auditors' remuneration(Note 18.2)	81,320	25,000
Zakat	9,169	250
Miscellaneous	141,343	27,458
Depreciation	14,015,439	3,161,498
	-----	-----
	17,720,596	5,512,581
	=====	=====

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

Remuneration	552,135	355,779
House rent	248,575	162,941
Other allowances and perquisites	227,816	138,686
	-----	-----
	1,028,526	657,406
	=====	=====

18.2 Auditor's remuneration

Audit fee	30,000	25,000
Fee for special audit under the instructions of State Bank of Pakistan	51,320	-
	-----	-----
	81,320	25,000
	=====	=====

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

19. FINANCIAL AND OTHER CHARGES**Financial**

Profit on musharika finances	405,556	3,533,437
Bank charges and commission	3,633	637

Others

Amortization of deferred cost	382,412	191,206
Loss on sale of fixed assets	2,300	-
Loss on sale of shares/certificates (1995: Provision for diminution in the value of shares/certificates)	11,116,676	9,058,266
	-----	-----
	11,910,577	12,783,546
	=====	=====

20. OTHER INCOME

Profit on bank deposits	5,444,189	5,037,226
Miscellaneous income	114,574	82,845
	-----	-----
	5,558,763	5,120,071

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 =====

21. PROVISION FOR TAXATION

For the year		
Current	3,700,000	-
Deferred tax	1,800,000	-
	-----	-----
	5,500,000	-
	===== =====	

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

22. LEASE RENTALS RECEIVABLE WITHIN NEXT TWELVE MONTHS

Lease rentals receivable during the next twelve months ending on 30 June 1997 on the basis of lease agreements executed upto 30 June 1996, aggregate to approximately Rupees 39.047 million (1995: Rupees 34.674 million).

23. COMPARATIVE FIGURES

- i) Comparative figures of profit and loss account are for six months ended 30 June 1995.
- ii) Previous period's figures have been re-arranged, wherever necessary for the purpose of comparison.

PATTERN OF CERTIFICATE HOLDINGS

Number of Certificate Holders	From Certificate	To Certificate	Total Certificate Held
886	1	100	65,878
1,055	101	500	272,649
1,155	501	1,000	913,596
2,128	1,001	5,000	4,304,146
296	5,001	10,000	2,120,037
96	10,001	15,000	1,126,075
40	15,001	20,000	715,712
33	20,001	25,000	717,653
17	25,001	30,000	469,852
11	30,001	35,000	354,679
10	35,001	40,000	369,361
12	40,001	45,000	506,328
4	45,001	50,000	188,540
5	50,001	55,000	263,900
2	55,001	60,000	116,180
2	60,001	65,000	125,820
4	65,001	70,000	271,478
1	70,001	75,000	71,040
0	75,001	80,000	0
2	80,001	85,000	167,700
2	85,001	90,000	173,497
0	90,001	95,000	0
1	95,001	100,000	96,700
1	100,001	105,000	104,850
0	105,001	120,000	0
1	120,001	125,000	120,800
1	125,001	130,000	125,090
0	130,001	155,000	0
1	155,001	160,000	158,322
0	160,001	175,000	0
1	175,001	180,000	178,840
0	180,001	230,000	0
1	230,001	235,000	231,660

0	235,001	390,000	0
1	390,001	395,000	393,186
0	395,001	845,000	0
1	845,001	850,000	849,899
0	850,001	875,000	0
1	875,001	880,000	875,431
0	880,001	2,085,000	0
1	2,085,001	2,090,000	2,087,500
0	2,090,001	2,095,000	0
1	2,095,001	2,100,000	2,097,000
5,773	TOTAL		20,633,399

CATEGORIES OF CERTIFICATE HOLDERS

Category Code	Description	Number of Certificate holders	Certificates Held	Percentage of T. Capital.
1	Individuals	5,707	12,256,027	59.40
2	Investment Companies	10	1,068,721	5.18
3	Insurance Companies	3	1,038,253	5.03
4	Joint Stock Companies	8	591,229	2.87
5	Financial Institutions	5	2,381,660	11.54
6	Modaraba Companies	5	201,030	0.97
7	Foreign Investors	1	178,840	0.87
8	Others	11	51,395	0.25
9	Sponsors	23	2,866,244	13.89
	-----	-----	-----	
	Total	5,773	20,633,399	100.00