

# Financial Statements

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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan Industrial Credit and Investment Corporation Limited ("the Corporation") as at 31 December 2004 and the related profit and loss account, cash flow statement and statement of changes in equity 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.

It is the responsibility of the Corporation's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Corporation 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 except for the changes stated in notes 5.3 and 5.14 with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Corporation's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Corporation;
- 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, 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 Corporation's affairs as at 31 December 2004 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 ( XVIII of 1980) was deducted by the Corporation and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of the Corporation for the eighteen months period ended 31 December 2003 were audited by A.F. Ferguson & Co., Chartered Accountants and Ford Rhodes Sidat Hyder & Co., Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated 24 February 2004.

**TASEER HADI KHALID & CO.**  
Chartered Accountants  
Karachi: February 28, 2005

**FORD RHODES SIDAT HYDER & CO.**  
Chartered Accountants  
Karachi

## PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LIMITED

**BALANCE SHEET as at 31 December 2004**  
(Amount in Rupees '000)

	Note	2004	2003
<b>ASSETS</b>			
Cash and balances with treasury banks	6	150,228	88,188
Balances with other banks	7	1,679,398	1,342,902
Lendings to financial institutions	8	375,000	–
Investments	9	13,694,157	11,137,758
Advances	10	13,468,532	8,194,717
Other assets	11	1,486,294	2,549,932
Operating fixed assets	12	222,327	176,628
Deferred tax asset	13	678,479	879,198
		<b>31,754,415</b>	<b>24,369,323</b>
<b>LIABILITIES</b>			
Bills payable		–	–
Borrowings from financial institutions	14	6,742,375	6,330,681
Deposits and other accounts	15	16,251,580	11,150,825
Sub-ordinated loans		–	–
Liabilities against assets subject to finance lease		–	–
Other liabilities	16	1,021,830	1,376,402
Deferred tax liabilities		–	–
		<b>24,015,785</b>	<b>18,857,908</b>
<b>NET ASSETS</b>			
		<b>7,738,630</b>	<b>5,511,415</b>
<b>REPRESENTED BY:</b>			
Share Capital	17	2,104,348	1,154,649
Reserves		4,584,986	2,885,949
Unappropriated profit / (accumulated loss)		12,512	(767,652)
		<b>6,701,846</b>	<b>3,272,946</b>
Surplus on revaluation of securities - net of tax	18	1,036,784	2,238,469
		<b>7,738,630</b>	<b>5,511,415</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes 1 to 42 form an integral part of these financial statements.			

**Khursheed K. Marker**  
Chairman

**Mohammed Basheer Janmohammed**  
Deputy Chairman

**Muhammad Ali Khoja**  
Managing Director

**Tariq Iqbal Khan**  
Director

## PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LIMITED

### PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

(Amount in Rupees '000)

	Note	Year ended 31 December 2004	Eighteen months period ended 31 December 2003
Mark-up / return / interest earned	20	1,401,890	1,718,040
Mark-up / return / interest expensed	21	683,932	1,271,658
<b>Net mark-up / interest income</b>		<b>717,958</b>	<b>446,382</b>
(Reversal) / Provision against non-performing loans and advances - net	10.5	(8,045)	218,659
(Reversal) of Provision against diminution in the value of investments - net	9.3	(1,849)	(5,229)
Bad debts written off directly	10.6	1,780	2,838
		<b>(8,114)</b>	<b>216,268</b>
<b>NET MARK-UP/INTEREST INCOME AFTER PROVISION NON MARK-UP / INTEREST INCOME</b>		<b>726,072</b>	<b>230,114</b>
Fee, commission and brokerage income		173,470	157,759
Dividend income		553,379	448,632
(Loss) / Profit from trading in government securities - net		(130,619)	188,221
Income from trading in listed securities - net		893,010	751,866
Income from dealing in foreign currencies		-	-
Other income	22	219,094	52,364
Total non-mark-up / interest income		1,708,334	1,598,842
		<b>2,434,406</b>	<b>1,828,956</b>
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	23	474,562	529,828
Other write offs / reversal / (provisions)	24	12,602	(228,642)
Other charges	25	45,563	85,132
Total non-mark-up / interest expenses		532,727	386,318
Extra-ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		<b>1,901,679</b>	<b>1,442,638</b>
Taxation:			
- Current		38,293	34,946
- Prior years		-	33,344
- Deferred		227,079	21,164
	26	265,372	89,454
<b>PROFIT AFTER TAXATION</b>		<b>1,636,307</b>	<b>1,353,184</b>
Accumulated loss brought forward		(767,652)	(910,303)
Profit available for appropriation		868,655	442,881
<b>APPROPRIATIONS:</b>			
Transfer (to) / from:			
- Statutory reserve		(327,261)	(270,637)
- Capital general reserve		500,000	-
- Capital general reserve		(510,541)	(259,658)
- Statutory special reserve		187,005	-
- 1st Interim cash dividend Rs. 1.25/- per ordinary share (2003: Rs. 1.25 per share)		(194,847)	(125,505)
- 2nd Interim cash dividend Rs. 1.25/- per ordinary share (2003: Nil)		(194,847)	-
- Reserve for proposed bonus issue		(315,652)	(554,733)
- Others		-	-
		<b>(856,143)</b>	<b>(1,210,533)</b>
<b>UNAPPROPRIATED PROFIT / (LOSS) CARRIED FORWARD</b>		<b>12,512</b>	<b>(767,652)</b>
<b>BASIC/ DILUTED EARNINGS PER SHARE</b>	27	<b>8.83</b>	<b>7.75</b>

The annexed notes 1 to 42 form an integral part of these financial statements.

**Khursheed K. Marker**  
Chairman

**Mohammed Basheer Janmohammed**  
Deputy Chairman

**Muhammad Ali Khoja**  
Managing Director

**Tariq Iqbal Khan**  
Director

## PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LIMITED

### CASH FLOW STATEMENT

For the year ended 31 December 2004

(Amount in Rupees '000)

Note	Year ended 31 December 2004	Eighteen months period ended 31 December 2003
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,901,679	1,442,638
Dividend income	(553,379)	(448,632)
	<u>1,348,300</u>	<u>994,006</u>
Adjustments for non-cash charges		
Depreciation	32,992	34,195
Amortization	134,344	131,345
Bad debts written off	1,780	2,838
Investments written off	-	4,784
Reversal of provision against diminution in the value of unquoted investments	(1,849)	(5,229)
Finance charges on leased assets	-	-
Other provisions/write offs	-	-
Provision for diminution in the value of investments	2,578	-
Loss / (Gain) on sale of investments	-	-
(Gain) on sale of fixed assets	(1,682)	(3,041)
(Reversal) / Provision against non-performing advances - net	(8,045)	218,659
	<u>160,118</u>	<u>383,551</u>
	<u>1,508,418</u>	<u>1,377,557</u>
(Increase)/decrease in operating assets		
Lendings to financial institutions	(375,000)	-
Advances	(5,267,550)	447,240
Other assets	1,015,266	(1,227,215)
	<u>(4,627,284)</u>	<u>(779,975)</u>
Increase/(decrease) in operating liabilities		
Bills payable	-	-
Borrowings from financial institutions	411,694	(420,138)
Deposits & other accounts	5,100,755	4,435,460
Other liabilities	(379,658)	506,262
	<u>5,132,791</u>	<u>4,521,584</u>
Cash inflow before taxation	2,013,925	5,119,166
Income tax paid	(40,701)	(57,540)
Net cash flow from operating activities	<u>1,973,224</u>	<u>5,061,626</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in available for sale securities	(3,867,754)	(4,566,004)
Dividend received	558,596	429,260
Investment in operating fixed assets	(55,128)	(44,180)
Sale proceeds of property and equipment disposed-off	2,222	3,240
Net cash flow from investing activities	<u>(3,362,064)</u>	<u>(4,177,684)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share capital including share premium	2,182,287	-
Dividend paid	(394,911)	(250,418)
Payments of lease obligations	-	-
Net cash flow from financing activities	<u>1,787,376</u>	<u>(250,418)</u>
Increase in cash and cash equivalents for the year / period	398,536	633,524
Cash and cash equivalents at beginning of the year / period	1,431,090	797,566
Cash and cash equivalents at end of the year / period	<u>1,829,626</u>	<u>1,431,090</u>
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The annexed notes 1 to 42 form an integral part of these financial statements.		

**Khursheed K. Marker**  
Chairman

**Mohammed Basheer Janmohammed**  
Deputy Chairman

**Muhammad Ali Khoja**  
Managing Director

**Tariq Iqbal Khan**  
Director

## PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2004

(Amounts in Rupees '000)

	Share Capital	Reserves									Total	Share-holders' equity	
		Capital			Statutory			Revenue	(Accumulated loss)/ Unappropriated Profit				
		Government loan redemption	Reserve for issue of bonus shares	Share Premium	General	Sub-total	Special	Reserve fund (a)		Sub-total			General
<b>Balance as at 1 July 2002</b>	847,292	6,100	156,751	-	968,475	1,131,326	187,005	429,947	616,952	360,000	(910,303)	1,197,975	2,045,267
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,353,184	1,353,184	1,353,184
Bonus shares issued	156,751	-	(156,751)	-	-	(156,751)	-	-	-	-	-	(156,751)	-
Interim dividend	-	-	-	-	-	-	-	-	-	-	(125,505)	(125,505)	(125,505)
Transfer to reserve for issue of bonus shares	-	-	150,606	-	-	150,606	-	-	-	-	(150,606)	-	-
Bonus shares issued	150,606	-	(150,606)	-	-	(150,606)	-	-	-	-	-	(150,606)	-
Transfer to reserve for issue of bonus shares	-	-	404,127	-	-	404,127	-	-	-	-	(404,127)	-	-
Transfer to reserve fund	-	-	-	-	-	-	270,637	270,637	-	-	(270,637)	-	-
Transfer to capital reserve fund	-	-	-	-	259,658	259,658	-	-	-	-	(259,658)	-	-
<b>Balance as at 1 January 2004</b>	<b>1,154,649</b>	<b>6,100</b>	<b>404,127</b>	<b>-</b>	<b>1,228,133</b>	<b>1,638,360</b>	<b>187,005</b>	<b>700,584</b>	<b>887,589</b>	<b>360,000</b>	<b>(767,652)</b>	<b>2,118,297</b>	<b>3,272,946</b>
Profit for the year	-	-	-	-	-	-	-	-	-	-	1,636,307	1,636,307	1,636,307
Bonus shares issued	404,127	-	(404,127)	-	-	(404,127)	-	-	-	-	-	(404,127)	-
1st Interim Dividend @ 12.5%	-	-	-	-	-	-	-	-	-	-	(194,847)	(194,847)	(194,847)
2nd Interim Dividend @ 12.5%	-	-	-	-	-	-	-	-	-	-	(194,847)	(194,847)	(194,847)
Transfer to unappropriated profit	-	-	-	-	(500,000)	(500,000)	(187,005)	-	(187,005)	-	687,005	-	-
Transfer to reserve fund	-	-	-	-	-	-	327,261	327,261	-	-	(327,261)	-	-
Right shares issued	545,572	-	-	1,636,715	-	1,636,715	-	-	-	-	-	1,636,715	2,182,287
* Transfer to reserve for issue of bonus shares	-	-	315,652	(315,652)	-	-	-	-	-	-	-	-	-
* Transfer to reserve for issue of bonus shares	-	-	315,652	-	-	315,652	-	-	-	-	(315,652)	-	-
Transfer to capital general reserve	-	-	-	-	510,541	510,541	-	-	-	-	(510,541)	-	-
<b>Balance as at 31 December 2004</b>	<b>2,104,348</b>	<b>6,100</b>	<b>631,304</b>	<b>1,321,063</b>	<b>1,238,674</b>	<b>3,197,141</b>	<b>-</b>	<b>1,027,845</b>	<b>1,027,845</b>	<b>360,000</b>	<b>12,512</b>	<b>4,597,498</b>	<b>6,701,846</b>

(a) This represents reserve created under BPD Circular No. 15 of 2004

\* Transfer to reserve for proposed issue of bonus shares @ 30% (2003: interim 15%, final 35%)

The annexed notes 1 to 42 form an integral part of these financial statements.

**Khursheed K. Marker**  
Chairman

**Mohammed Basheer Janmohammed**  
Deputy Chairman

**Muhammad Ali Khoja**  
Managing Director

**Tariq Iqbal Khan**  
Director

## PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

#### 1. STATUS AND NATURE OF BUSINESS

Pakistan Industrial Credit and Investment Corporation Limited ("the Corporation") is a Public Limited Company incorporated in Pakistan and is listed on all the stock exchanges in Pakistan. The Corporation is currently engaged in term financing for industrial and commercial activities, merchant banking, capital market operations, funds management, leasing and consumer financing.

Its registered office is situated at State Life Building No. 1, I.I. Chundrigar Road, Karachi, with a network of 31 (2003: 21) branches operating all over Pakistan.

During the year, the Corporation announced a scheme of arrangement for the ICP Mutual Funds - Lot 'B' and Lot 'C', acquired through the Privatization Commission. Funds under Lot 'B' were consolidated to form "PICIC Investment Fund" and Lot 'C' was renamed as "PICIC Growth Fund". Further, in order to manage these funds, the Corporation incorporated an Asset Management Company namely, "PICIC Asset Management Company Limited" as its wholly owned subsidiary and transferred to it, the management rights of these funds at a consideration equivalent to carrying amount of cost paid to acquire these rights from the Investment Corporation of Pakistan (ICP).

Furthermore, as a part of the long term strategy of the Corporation, it has also incorporated an insurance company for carrying out general insurance business under the name of "PICIC Insurance Limited". The company started its business on 23 April 2004.

The Board of Directors of the Corporation in its meeting has approved, in principle, the merger of PICIC Commercial Bank Limited ("PCBL") and the Corporation subject to the terms and conditions to be finalised between PCBL & the Corporation approval of State Bank of Pakistan (SBP) and shareholders of both the companies. However, neither the structure of the merger, nor the terms of the merger (including the swap ratio) have been agreed upon at present.

## **2. BASIS OF PRESENTATION**

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the DFIs from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

## **3. STATEMENT OF COMPLIANCE**

These accounts have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. In addition, the Corporation has substantially adopted the requirements of BSD Circular No. 36 dated 10 October 2001 in the preparation of these financial statements. Approved Accounting Standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

The SBP as per BSD Circular No. 11 dated 11 September 2002, has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for DFIs till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified in accordance with the categories prescribed by the SBP vide BSD Circular No. 10 dated 13 July 2004.

## **4. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except that certain investments which have been included at revalued amounts as at the balance sheet date and certain retirement benefit schemes at present value.



## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Cash and cash equivalents

Cash and cash equivalents represent cash and balances with treasury banks, balances with other banks in current and deposit accounts.

### 5.2 Lendings to / borrowings from financial institutions

The Corporation enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

a) Sale under repurchase obligations

Securities sold subject to a re-purchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued over the period of the agreement and recorded as an expense.

b) Purchase under resale obligations

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortised over the period of the agreement and recorded as income.

### 5.3 Investments

The Corporation classifies its investments as follows:

a) Held for trading

These are securities, which are either acquired for generating a profit from short-term fluctuation in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit making exists.

b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Corporation has the positive intent and ability to hold to maturity.

c) Available for sale

These are investments that do not fall under the held for trading or held to maturity categories.

In accordance with the requirements of the SBP quoted securities other than those classified under held to maturity portfolio and investments in subsidiaries and associates are stated at market value.

During the year, the Corporation has changed its accounting policy in respect of accounting for unrealized surplus / (deficit) arising on revaluation of held for trading investment portfolio. As per the new policy, surplus / (deficit) arising on revaluation of the Corporation's held for trading investment portfolio is taken to the profit and loss account. This change has been made to comply with the requirements laid down in BSD Circular No. 10 dated 13 July 2004, issued by the SBP. Previously, this surplus / (deficit) was being shown in the balance sheet below equity as required by the SBP BSD Circular No. 20 dated 4 August 2000. The change in accounting policy has no effect on the profit for the current year and prior periods.

During the current year, the Corporation has also changed its accounting policy in respect of valuation of investments classified as held to maturity. According to the new policy, these investments are carried at amortized cost. Previously, these investments were marked to market as per the requirements of SBP's BSD Circular No. 20 dated 4 August 2000 and the related surplus / (deficit) was shown in the balance sheet below equity. This change has been made to comply with the requirements laid down in BSD Circular No. 14 dated 24 September 2004, issued by the SBP. The change in accounting policy did not have any impact on the profit and loss account for the current year and the prior period. Had the accounting policy not been changed, the value of these investments and surplus on revaluation of securities as at 31 December 2004 would have been lower by Rs. 137.076 million.

The surplus / (deficit) arising on quoted securities classified as available for sale is kept in a separate account shown in the balance sheet below equity.

Unquoted equity securities are valued at the lower of cost and break-up value.

Subsequent increases or decreases in the carrying value are credited/charged to income. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses.

Investments in subsidiaries and associates are stated at cost.

During the current year, the Corporation has also changed its accounting policy in respect of valuation of investments in subsidiaries and associates. According to the new policy, these investments are carried at cost. Previously, these investments were marked to market as per the requirements of SBP's BSD Circular No. 20 dated 4 August 2000 and the related surplus / (deficit) was shown in the balance sheet below equity. This change has been made

to comply with the requirements laid down in BSD Circular No. 14 dated 24 September 2004, issued by the SBP. The change in accounting policy did not have any effect on the profit and loss account for the current year and the prior period. Had the accounting policy not been changed, the investments and surplus on revaluation of securities as at 31 December 2004 would have been higher by Rs. 3,338.978 million.

Provision for diminution in the value of investments is made for permanent impairment, if any, in their value.

Profit and loss on sale of investments is included in income currently.

#### **5.4 Advances**

a) Loans and advances

Advances are stated net of general and specific provisions.

Provisions for advances are made in accordance with the requirements of Prudential Regulations issued by the SBP and charged to the profit and loss account.

b) Net investment in finance lease

Net investment in finance leases is stated net of provisions against non-performing leases. Leases where the Corporation transfers substantially all risks and rewards incidental to ownership of an asset, are classified as finance leases. A receivable is recognized at an amount equal to the present value of lease payments including any guaranteed residual value.

#### **5.5 Fixed assets**

##### **Tangible**

##### **Owned**

Operating fixed assets except land and capital work in progress, are stated at cost less accumulated depreciation. Land and capital work in progress are stated at cost.

Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life.

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

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets, are included in income.

#### **Leased - Operating**

Operating lease assets are stated at cost less accumulated depreciation. Maintenance and repairs are charged to income as and when incurred.

Depreciation is charged to income applying the straight line method, whereby cost less estimated residual value, if any, of asset is written off over its estimated useful life.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are included in income.

## **5.6 Taxation**

### **Current**

Current tax is expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date and any adjustments to tax payable in respect of previous years.

### **Deferred**

Deferred tax is accounted for using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is possible that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Corporation also recognises deferred tax asset / liability on surplus / (deficit) on revaluation of securities which is adjusted against the related surplus / (deficit) in accordance with the requirements of the revised International Accounting Standard (IAS) 12 dealing with Income Taxes.

## 5.7 Foreign currencies

Foreign currency transactions are translated into rupees at the exchange rates prevailing on the date of the transaction. Assets, liabilities, commitments and contingent liabilities in the foreign currencies are translated into Pakistan Rupees at the exchange rates prevailing at the balance sheet date except:

- i) assets against which the constituents have exercised their option to transfer exchange risk to the Corporation and liabilities for which the Corporation has exercised its option to transfer exchange risk to the Government, which are translated at the rates of exchange guaranteed by the Corporation and the Government, respectively;
- ii) assets, liabilities, commitments and contingent liabilities in respect of Bangladesh which are translated at parity rates approximating to those prevailing prior to August 15, 1971; and
- iii) where forward exchange contracts have been entered into for repayment of liabilities in which case the rates contracted for are used.

Foreign currency transactions during the year are recorded at the rates prevailing at the end of preceding month except disbursement against those credit lines where the liability of the Corporation as well as of the sub-borrowers are to be determined in Pakistan Rupees, which are recorded at the rates prevailing on the dates of disbursements / opening of letters of credit.

Exchange gains and losses are included in income except net unrealised exchange gain on long-term monetary items, which as a matter of prudence, are carried forward as unrealised gain in view of uncertainty associated with its realization.

## 5.8 Staff retirement benefits

### Defined contribution plan

The Corporation operates approved funded contributory provident fund and funded contributory benevolent fund for all its regular employees. Equal monthly contributions are made both by the Corporation and the employees at the rate of 12.5 percent per annum of the basic salary in case of provident fund. In addition, the employees have the option to further contribute upto a maximum of 12.5 percent per annum with no matching contribution by the Corporation. In case of benevolent fund, contributions are made by the employees at the rate of 5 per cent per annum of the basic pay whereas the Corporation contributes 3.5 percent per annum.

### **Defined benefit plan**

The Corporation operates approved funded gratuity scheme and funded leave encashment scheme for all its regular employees who have completed the minimum qualifying period of service as defined under the respective scheme. Contributions are made to cover the obligations under the schemes on the basis of actuarial valuation and are charged to income. The most recent valuation was carried out as at 31 December 2004 using the “Project Unit Credit Cost Method”.

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

Cumulative net unrecognized actuarial gains and losses at the end of previous period which exceeds 10% of the greater of present value of the Corporation's gratuity and leave encashment obligations are amortised over the average expected remaining working lives of the employees.

### **5.9 Revenue recognition**

Markup income and expense are recognized on a time proportion basis taking into account effective yield on the instrument. Fees, commission and brokerage is recognised on receipt basis. However, income from guarantees is recognized over the period of the document. Mark-up / return on non-performing advances is suspended in accordance with the requirements of prudential regulations and recognized on receipt basis.

Dividend income is recognized at the time of book closure of the company declaring dividend when the Corporation's right to receive has been established.

Financing method is used in accounting for income from lease financing. Under this method, the unrealized lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in lease.

Unrealized lease income is suspended, where necessary, in accordance with the requirements of the prudential regulations of the SBP. Gains / losses on termination of leased contracts, documentation charges, front end fee and other lease income are recognized as income on receipt basis.

Rental income from assets given on operating lease is recognised on accrual basis over the lease period.

#### **5.10 Grants and assistance**

In terms of Kreditanstalt für Wiederaufbau (KfW) loan relented by the Government of Pakistan (GoP), the Corporation is required to bear interest at 11 percent per annum and pay to GoP interest at 10 percent per annum and transfer the remaining 1 percent per annum margin to a counter part fund to be used by the Corporation for financing feasibility surveys, market surveys and similar investigations destined for the preparation of projects.

Future benefits comprising of funds available for utilisation is presented in the balance sheet as Deferred Income. Benefits availed to the extent of matching expenses charged to the income have been recognised in the profit and loss account as miscellaneous income.

#### **5.11 Impairment**

The carrying amount of the Corporation's assets other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

#### **5.12 Off setting**

Financial assets and financial liabilities are only offset and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognized amount and the Corporation intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

#### **5.13 Provisions**

Provisions are recognised when the Corporation has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed quarterly and adjusted to reflect current best estimate.

#### **5.14 Proposed dividend**

During the current year the Corporation has changed its accounting policy pertaining to recognition of dividends declared subsequent to the year end. The change has been made

(Amounts in Rupees '000)

consequent to the amendment made by the SECP in the Fourth Schedule to the Companies Ordinance, 1984 and the new policy is in accordance with the requirements of IAS 10 Events after the Balance Sheet Date. As per the new policy dividend declared subsequent to the balance sheet date is considered as a non-adjusting event and is not recognised in the financial statements as liability. Previously such dividend declarations were being treated as adjusting events in the financial statements of the Corporation and were recorded as liability. The change in accounting policy has no effect on the comparative information.

### 5.15 Related party transactions

All transactions undertaken between the Corporation and a related party or between/amongst two or more segments of the Corporation are measured at arms' length prices determined in accordance with the methods for determining arms' length prices as prescribed by the SECP.

<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>		<b>2004</b>	2003
In hand			
Local currency		–	–
Foreign currency		–	–
In current account with:			
State Bank of Pakistan in local currency	6.1	<b>15,228</b>	3,188
In deposit account with:			
State Bank of Pakistan in local currency	6.1	<b>135,000</b>	85,000
		<u><b>150,228</b></u>	<u>88,188</u>

**6.1** Deposits with the SBP are maintained to comply with its requirements issued from time to time.



(Amounts in Rupees '000)

## 7. BALANCES WITH OTHER BANKS

		2004	2003
In Pakistan:			
On current accounts	7.1	285,604	130,727
On deposit accounts	7.2	1,379,299	1,198,628
Outside Pakistan:			
On current account	7.3	13,500	12,659
On deposit account		995	888
		1,679,398	1,342,902

**7.1** This includes Rs. 281.631 million ( 2003: Rs. 75.751 million) deposited in the current account of the Corporation's subsidiary.

**7.2** This includes Rs. 628.775 million ( 2003: Rs. 288.384 million) maintained in deposit account of the Corporation's subsidiary carrying mark up at the rate of mark up ranging between 1.25% to 3% per annum.

**7.3** This includes Rs.10.487 million (2003: Rs. 9.783 million) which at the year end were held in automated investment plans. This balance is current by nature and on increase in the balance to specified amounts, interest is received from the correspondent banks at interest rates ranging between 1.15% per annum to 1.30% per annum.

## 8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings		-	-
Repurchase agreement lendings (Reverse Repo)	8.1	375,000	-
		375,000	-

**8.1** These are short term lendings to financial institutions against government securities at rates ranging from 4.30 % p.a to 4.70 % p.a.

Securities held as collateral against lendings to financial institutions:

	2004			2003		
	Held by the Corporation	Further given as collateral	Total	Held by the Corporation	Further given as collateral	Total
Pakistan Investment Bonds	375,000	-	375,000	-	-	-
	375,000	-	375,000	-	-	-

(Amounts in Rupees '000)

## 9. INVESTMENTS

### 9.1 Investments by types:

	2004			2003		
	Held by the Corporation	Given as collateral	Total	Held by the Corporation	Given as collateral	Total
<b>Held for trading</b>	—	—	—	—	—	—
<b>Available for sale</b>						
Pakistan Investment Bonds	—	131,520	131,520	826,495	3,431,419	4,257,914
Ordinary shares of listed companies	1,645,144	884,663	2,529,807	1,866,513	447,480	2,313,993
Ordinary shares of unlisted companies	28,664	—	28,664	5,628	—	5,628
Units of mutual funds	485,803	—	485,803	437,167	125,924	563,091
	<b>2,159,611</b>	<b>1,016,183</b>	<b>3,175,794</b>	<b>3,135,803</b>	<b>4,004,823</b>	<b>7,140,626</b>
<b>Held to maturity</b>						
Pakistan Investment Bonds	1,932,480	1,809,131	3,741,611	—	—	—
Term Finance Certificates	57,891	229,346	287,237	359,179	324,883	684,062
	<b>1,990,371</b>	<b>2,038,477</b>	<b>4,028,848</b>	<b>359,179</b>	<b>324,883</b>	<b>684,062</b>
<b>Associates</b>	<b>652,122</b>	<b>170,414</b>	<b>822,536</b>	<b>270,156</b>	<b>—</b>	<b>270,156</b>
<b>Subsidiaries</b>	<b>4,637,474</b>	<b>—</b>	<b>4,637,474</b>	<b>793,413</b>	<b>—</b>	<b>793,413</b>
	<b>9,439,578</b>	<b>3,225,074</b>	<b>12,664,652</b>	<b>4,558,551</b>	<b>4,329,706</b>	<b>8,888,257</b>
Less: Provision for diminution in value of investments	(3,017)	—	(3,017)	(4,866)	—	(4,866)
Surplus / (deficit) on revaluation of available for sale investments	700,894	331,628	1,032,522	2,143,737	110,630	2,254,367
Surplus / (deficit) on revaluation of held for trading investments	—	—	—	—	—	—
<b>Investments net of provision</b>	<b>10,137,455</b>	<b>3,556,702</b>	<b>13,694,157</b>	<b>6,697,422</b>	<b>4,440,336</b>	<b>11,137,758</b>

(Amounts in Rupees '000)

<b>9.2 Investments by segments:</b>		<b>2004</b>	<b>2003</b>
<b>Federal Government Securities:</b>			
- Pakistan Investment Bonds		<b>3,873,131</b>	4,257,914
<b>Fully paid up ordinary shares</b>			
- Listed companies	9.6	<b>2,529,807</b>	2,313,993
- Unlisted companies	9.7	<b>28,664</b>	5,628
<b>Term Finance Certificates</b>			
- Listed	9.8	<b>287,237</b>	684,062
- Unlisted		-	-
<b>Investments in mutual funds (listed)</b>	9.9	<b>485,803</b>	563,091
<b>Investments in subsidiaries and associates</b>	9.10	<b>5,460,010</b>	1,063,569
		<b>12,664,652</b>	8,888,257
Provision for diminution in value of investments	9.3	<b>(3,017)</b>	(4,866)
Surplus / (deficit) on revaluation of available for sale investments		<b>1,032,522</b>	2,254,367
Surplus / (deficit) on revaluation of held for trading investments		-	-
		<b>13,694,157</b>	11,137,758

### 9.3 Particulars of provision for diminution in value of investments

Opening balance	<b>4,866</b>	10,095
Movement during the year / period - net	<b>(1,849)</b>	(5,229)
Closing balance	<b>3,017</b>	4,866

(Amounts in Rupees '000)

**9.4** Pakistan Investment Bonds are eligible for discounting with the SBP.

**9.5 Principal terms of investments**

Name of investment	Maturity	Principal payment	Coupon rate	Coupon payment
Pakistan Investment Bonds	December 2010 to April 2014	On maturity	8% - 14%	Semi-annually
Term Finance Certificates	April 2005 to November 2008	Semi-annually	9% - 16%	Semi-annually

**9.6 Particulars of listed shares available for sale**

2004 (Shares)	2003		2004	2003
570,112	475,094	Abbott Laboratories Pakistan Limited	32,075	32,075
345,000	—	Adamjee Insurance Company Limited	23,556	—
—	299,475	Al-Noor Sugar Mills Limited	—	5,391
—	452,000	Askari Commercial Bank Limited	—	21,772
802,000	659,014	Attock Refinery Limited	57,473	37,171
25,000	25,000	Aventis Pharma (Pakistan) Limited	3,000	3,000
89,343	—	Azgard Nine Limited (Preference shares)	893	—
1,015,250	1,015,250	B.R.R. International Modaraba	11,818	11,818
685,625	—	Bank Al-Falah Limited	28,659	—
130,500	—	Bank Al-Habib Limited	5,490	—
100,000	100,000	Bata Pakistan Limited	5,700	5,700
319,440	212,960	Berger Paints (Pakistan) Limited	8,286	8,286
—	198,000	Biafo Industries Limited	—	3,135
—	471,500	Bolan Bank Limited	—	1,156
—	30,000	Cherat Cement Company Limited	—	1,332
194,085	194,085	Clariant Pakistan Limited	4,537	4,537
—	64,560	Colony Thal Textile Mills Limited	—	1,033
—	124,000	Crescent Spinning Mills Limited	—	1,116
—	972,833	D.G.Khan Cement Company Limited	—	44,507
6,800	—	Dawood Hercules Limited	1,259	—
2,094,225	—	Dewan Farooq Motors Limited	66,945	—
1,458,125	2,000,000	Dewan Salman Fibre Limited	29,994	41,226
—	202,640	Dewan Sugar Mills Limited	—	6,559
2,481,500	2,671,887	Engro Chemicals Pakistan Limited	222,966	226,990
35	35	Fateh Industries Limited	—	—
—	8,500	Fateh Sport Wear Limited	—	—
2,576,115	3,284,000	Fauji Fertilizer Company Limited	234,117	229,478
1,122,500	880,000	Faysal Bank Limited	37,178	29,860
1,094,750	1,316,750	First Equity Modaraba	8,349	10,042
—	436,590	First Grindlays Modaraba	—	9,096
146,507	146,507	First Habib Bank Modaraba	1,468	1,468

(Amounts in Rupees '000)

2004 (Shares)	2003		2004	2003
419,175	264,500	First International Investment Bank Limited	4,625	3,625
1,950,000	3,230,500	First National Bank Moadaraba	19,500	32,305
446,774	446,774	First Tawakkal Modaraba	—	1,340
841,000	841,000	General Tyres and Rubber Limited	46,155	46,155
394,200	343,937	GlaxoSmithKline Pakistan Limited	32,872	34,412
—	226,884	Golden Arrow Selected Stocks Fund Limited	—	861
86,925	129,925	Gulshan Spinning Mills Limited	1,869	2,793
*495,510	*381,162	Habib Insurance Company Limited	4,277	4,277
*232,067	*232,067	Habib Sugar Mills Limited	3,627	3,627
8,942,000	8,232,500	Hub Power Company Limited	324,933	302,116
—	610,749	Ibrahim Fibre Limited	—	4,667
496,880	627,380	Ibrahim Leasing Company Limited	3,398	4,291
161,472	161,472	K.S.B. Pumps Limited	7,939	7,939
320,000	320,000	Karam Ceramics Limited	3,200	3,200
50	846,796	Kohinoor Industries Limited	1	13,633
151,500	150,000	Kohinoor Power Company Limited	3,758	5,025
150,950	194,450	Kohinoor Sugar Mills Limited	1,841	2,372
—	1,000,000	Kohinoor Textile Mills Limited	—	14,430
—	200,000	Lucky Cement Company Limited	—	4,500
—	1,239,564	Mashreq Bank Limited	—	18,395
247,825	605,774	Meezan Investment Bank Limited	2,222	6,870
140,575	145,475	Merit Packaging Limited	1,025	1,065
365,694	264,196	Millat Tractors Limited	15,603	16,909
—	271,700	Mirpurkhas Sugar Mills Limited	—	8,762
933,300	1,475,003	Muslim Commercial Bank Limited	43,732	70,733
290,600	290,600	Nagina Cotton Mills Limited	2,961	2,961
—	350,000	National Bank of Pakistan Limited	—	15,089
314,900	581,000	National Refinery Limited	23,460	43,285
—	500,340	Nishat Mills Limited	—	12,950
2,250,000	301,608	Oil and Gas Development Company Limited	144,038	9,654
772,435	782,435	Orix Leasing Company Limited	23,310	23,612
4,100,000	6,200,000	Pakistan Telecommunication Company Limited	150,662	177,732
103,769	133,169	Packages Limited	7,625	9,785
1,200,100	563,089	Pakistan Oil Fields Limited	256,505	124,959
2,404,000	609,900	Pakistan PTA Limited	47,384	19,033

(Amounts in Rupees '000)

2004 (Shares)	2003		2004	2003
92,800	100,000	Pakistan Refinery Limited	8,074	8,700
804,900	572,700	Pakistan State Oil Company Limited	217,416	156,957
268,000	126,650	Pakistan Tobacco Company Limited	10,588	6,158
406,700	406,700	Dawood Capital Management (Formerly Pakistan Venture Capital Limited)	4,067	4,067
—	1,877,891	Pioneer Cement Company Limited	—	26,365
1,493,262	500,000	Prime Commercial Bank Limited	22,774	8,462
116,200	116,200	Prosperity Weaving Mills	—	—
594,500	594,500	Reliance Cotton Spinning Mills Limited	6,848	6,848
170,500	100,000	Rupali Polyester Limited	8,158	5,900
—	193,500	S.E.Power Limited	—	3,544
655,625	655,625	Sapphire Fibres Limited	28,589	28,589
114,885	114,885	Sapphire Textile Mills Limited	5,036	5,036
—	505,500	Saudi Pak Commercial Bank Limited	—	5,085
391,575	256,665	Saudi Pak Leasing Company Limited	7,547	6,689
151,250	151,250	Service Industries Limited	8,800	8,800
430,646	430,646	Shahtaj Sugar Mills Limited	11,397	11,397
325,441	325,441	Shakarganj Sugar Mills Limited	6,757	6,757
44,800	45,600	Shell Pakistan Limited	19,220	20,364
102,528	102,528	Sitara Chemicals Industries Limited	5,093	5,093
1,004,000	1,004,000	Sitara Energy Limited	30,396	30,396
—	308,343	Soneri Bank Limited	—	4,400
436,590	—	Standard Chartered Modaraba	9,096	—
850,000	500,000	Sui Northern Gas Pipeline Limited	54,955	18,990
1,760,000	2,271,500	Suraj Cotton Mills Limited	15,198	19,615
875,500	875,000	Tariq Glass Limited	10,018	10,018
225,000	225,000	Tawakkal Garments Limited	1	1,238
288,000	450,000	Telecard Limited	6,233	8,175
—	1,000,000	TRG Pakistan Limited	—	10,000
515,400	536,000	Tripack Films Limited	13,228	13,757
—	605,744	Trust Investment Bank Limited	—	4,818
1,079,046	822,876	Trust Leasing Company Limited	15,534	13,169
300,000	300,000	Trust Securities and Brokerage Limited	3,000	3,000
285,050	289,050	Umer Fabrics Limited	4,775	4,842
—	715,447	Union Bank Limited	—	15,435
1,242,500	1,500,125	World Call Communications Limited	18,428	22,248
302,144	300,144	Wazir Ali Industries Limited	6,339	6,303
939,000	—	World Call Broad Band Limited	11,957	—
—	717,500	Yousuf Weaving Mills Limited	—	2,870
—	1,781,463	Zahur Textile Mills Limited	—	9,798
			<b>2,529,807</b>	<b>2,313,993</b>

\* -Unless otherwise stated, holdings are in modaraba certificates and ordinary shares of Rs. 10 each.

(Amounts in Rupees '000)

### 9.7 Particulars of shares held - unlisted

2004 (Shares)	2003		Percentage shareholding		2004	2003
<b>2,974,223</b>	5,673,208	Avari Hotels Limited Chief Executive; Mr. Byram D. Avari	4%	9.7.1	<b>2,164</b>	4,128
<b>***15,000</b>	***15,000	Equity Participation Fund Limited Chief Executive; Mr. Jamal Nasim	1%	9.7.2	<b>1,500</b>	1,500
<b>2,500,000</b>	—	Pakistan Textile City (Private) Limited Chief Executive; Mr. Zafar Iqbal	2.50%	9.7.3	<b>25,000</b>	—
					<b>28,664</b>	<b>5,628</b>

**9.7.1** These shares had been acquired under buy-back agreement with Avari Hotel Ltd. As per the agreement, these shares would be bought back by Avari Hotel Ltd in future at the rate of Rs. 10 per share. Value of investment based on the net asset stated in the audited financial statements of the investee company as at 30 June 2001 amounts to Nil (2003: Nil).

**9.7.2** Value of investment based on the net assets, stated in the audited financial statements of investee company as at 30 June 2004 amounts to Rs. 6.992 million (2003: Rs. 6.540 million).

**9.7.3** Represents subscription money paid on account of investment in shares of Pakistan Textile City (Private) Limited. Value of net assets of the investee company is not available as at 31 December 2004 as their financial statements are not available.

(Amounts in Rupees '000)

### 9.8 Particulars of listed Term Finance Certificates

2004 (Certificates)	2003		2004	2003
2,000	2,000	Atlas Investment Bank Limited	3,331	6,661
–	11,439	Dewan Salman Fibre Limited-I	–	14,370
28,200	28,200	Dewan Salman Fibre Limited - II	35,194	105,581
10,000	10,000	First Oil & Gas Securitization Company Limited - Orient Petroleum	32,892	50,000
4,000	4,000	Gulistan Mills Limited - I	16,653	19,984
10,314	10,314	Gulistan Mills Limited - II	48,239	51,570
10,363	10,363	Gulshan Spinning Limited	51,815	51,815
5,500	5,500	Maple Leaf Cement Limited	18,326	27,489
–	4,000	NDLC/IFIC Bank Limited	–	6,661
2,000	2,000	Nishat Mills Limited	4,996	9,992
–	1,851	Pak Arab Refinery Limited	–	9,248
–	4,618	Pakistan PTA Limited	–	23,072
1,494	1,494	Pakistan Services Limited	7,467	7,470
–	36,900	Quetta Textile Limited	–	184,499
4,934	4,934	Reliance Weaving Mills Limited	17,621	24,670
6,000	6,000	Shakarganj Sugar Mills Limited	4,998	14,994
9,600	9,600	Securetal SPV Limited	20,000	36,000
2,194	2,194	Sitara Chemicals Limited	10,970	10,970
–	5,000	Trust Investment Bank Limited (formerly PIL Corporation Limited)	–	12,485
947	947	Trust Leasing Limited	4,605	4,711
2,356	2,365	Worldcall Communication Limited	10,130	11,820
			<b>287,237</b>	<b>684,062</b>

### 9.9 Particulars of certificates of Mutual Funds

–	280,000	21 I.C.P. Mutual Fund	–	2,870
–	142,500	23 I.C.P. Mutual Fund	–	1,270
6,389,697	–	Abamco Composite Fund	63,897	–
234,388	–	Abamco Stock Market Fund	4,142	–
1,500,000	–	Atlas Fund of Funds	15,000	–
***510,122	***500,000	Crosby Dragon Fund	51,014	50,000
***250,000	–	Faisal Balanced Growth Fund	25,000	–
**568,219	**500,000	Meezan Islamic Fund	28,750	25,000
1,000,000	–	Pakistan Capital Market Fund	10,435	–
5,000,000	–	Pakistan Strategic Allocation Fund	50,000	–
5,754,987	14,141,939	PICIC Growth Fund	218,272	468,633
@ 3,212	@ 2,652	Unit Trust of Pakistan	19,293	15,318
			<b>485,803</b>	<b>563,091</b>



(Amounts in Rupees '000)

### 9.10 Associates

2004		2003		2004	2003
		(Shares)			
<b>Listed</b>					
<b>250,000</b>	471,500		Bank of Punjab Limited	<b>16,601</b>	5,649
<b>1,956,595</b>	—		Crescent Commercial Bank Limited	<b>30,961</b>	—
<b>195,523</b>	177,749		Crescent Steel & Allied Products Limited	<b>7,969</b>	7,969
—	128,600		ICI Pakistan Limited	—	10,647
—	218,000		Pacific Leasing Company Limited	—	2,180
<b>*77,321</b>	*105,821		Premier Insurance Company Limited	<b>775</b>	1,061
—	299,550		Fidelity Investment Bank Limited	—	8,313
<b>2,442,000</b>	1,375,000		Sui Southern Gas Company Limited	<b>81,047</b>	34,207
				<b>137,353</b>	70,026

Unlisted			Percentage Shareholding	2004	2003
<b>100,000</b>	100,000	Crescent Capital Management (Private) Limited Chief Executive; Mr. Khawaja Zia Abbas	4.9%	<b>1,000</b>	1,000
<b>500,000</b>	500,000	Central Depository Company of Pakistan Limited Chief Executive; Mr. Muhammad Hanif Jakhura	5%	<b>5,000</b>	5,000
<b>10,000</b>	—	Sunbiz (Private) Limited Chief Executive; Mr. Haroon Askari	22%	<b>1,000</b>	—
<b>***52,800</b>	***26,400	National Investment Trust Limited Chief Executive; Mr. Tariq Iqbal Khan	16.66%	<b>100</b>	100
				<b>7,100</b>	6,100

(Amounts in Rupees '000)

**Listed Term Finance Certificates**

2004 (Certificates)	2003		2004	2003
4,301	4,301	Paramount Spinning Mills Limited	26,280	26,280
—	5,000	Paramount Leasing Limited - I	—	5,376
—	5,256	Paramount Leasing Limited -II	—	24,995
			<b>26,280</b>	<b>56,651</b>

**Unlisted Term Finance Certificates**

—	20	ICI Pakistan Limited	—	6,667
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**Certificates of Mutual Funds**

			Percentage holding		
42,392,149	14,326,892	PICIC Investment Fund	14.92%	651,803	130,712

**Subsidiaries**

300,000,000	—	PICIC Asset Management Company Limited	100%	3,000,000	—
109,395,000	64,350,000	PICIC Commercial Bank Limited	60%	1,436,749	793,250
19,999,996	—	PICIC Insurance Company Limited	99.99%	200,000	—
***88,850	—	Financial and Management Services (Private) Limited	95.89%	725	163
				<b>4,637,474</b>	<b>793,413</b>
				<b>5,460,010</b>	<b>1,063,569</b>

\* = Shares of Face Value of Rs. 5 each

\*\* = Shares of Face Value of Rs. 50 each

\*\*\* = Shares of Face Value of Rs. 100 each

@ = Shares of Face Value of Rs. 5,000 each

(Amounts in Rupees '000)

## 10. ADVANCES

		2004	2003
Loans, cash credits, running finances, etc.			
In Pakistan	10.1	<b>9,817,853</b>	6,545,569
Outside Pakistan		–	–
Net investment in finance lease			
In Pakistan	10.2	<b>2,891,414</b>	1,514,556
Outside Pakistan		–	–
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		–	–
Payable outside Pakistan		–	–
Financing in respect of Carry Over Transactions (COT)		<b>1,620,730</b>	1,174,318
		<hr/>	<hr/>
		<b>14,329,997</b>	9,234,443
Provision for non-performing advances -specific	10.5	<b>(837,201)</b>	(1,039,726)
Provision for consumer and lease financing - general	10.5	<b>(24,264)</b>	–
		<hr/>	<hr/>
		<b>13,468,532</b>	8,194,717
		<hr/> <hr/>	<hr/> <hr/>

**10.1** This includes a sum of Rs. 359.052 million (2003 : Rs. 340.659 million) representing unrealized exchange gain, which has not been recognised as income and deferred in the financial statements, in accordance with the policy of the Corporation, as stated in note 5.7.

(Amounts in Rupees '000)

## 10.2 Net investment in finance lease

	Not later than one year	From one to five years	Over five years	Total 2004	Total 2003
Lease rentals receivable	846,622	1,875,982	–	<b>2,722,604</b>	1,528,753
Residual value	48,256	410,158	–	<b>458,414</b>	239,336
Minimum lease payments	894,878	2,286,140	–	<b>3,181,018</b>	1,768,089
Financial charges for future periods	(134,466)	(155,138)	–	<b>(289,604)</b>	(253,533)
Present value of minimum lease payments	760,412	2,131,002	–	<b>2,891,414</b>	1,514,556

**10.2.1** Minimum lease payments receivable includes a sum of Rs. 28.057 million (2003 : Rs. 23.581 million) due from an associated undertaking.

## 10.3 Particulars of advances

	2004	2003
In local currency	<b>13,468,532</b>	8,194,717
In foreign currency	–	–
	<b>13,468,532</b>	8,194,717
Short Term (for upto one year)	<b>4,044,925</b>	3,296,026
Long Term (for over one year)	<b>9,423,607</b>	4,898,691
	<b>13,468,532</b>	8,194,717

(Amounts in Rupees '000)

Advances include Rs. 2,264.612 million (2003: Rs. 3,333.218 million) which have been placed under non-performing status as detailed below:

#### 10.4 Category of classification

	Domestic	Overseas	Total	Specific provision required	Specific provision held
Other assets especially mentioned	208,748	—	208,748	—	5,591
Substandard	1,270	—	1,270	254	254
Doubtful	300	—	300	150	150
Loss	2,054,294	—	2,054,294	831,206	831,206
	2,264,612	—	2,264,612	831,610	837,201

#### 10.5 Particulars of provision against non-performing advances

	2004			2003		
	Specific	General	Total	Specific	General	Total
Opening balance	1,039,726	—	1,039,726	828,103	—	828,103
Net Charge / (reversal) for the period	(32,309)	24,264	(8,045)	218,659	—	218,659
Remission allowed	(248,038)	—	(248,038)	(7,036)	—	(7,036)
Transfer from provision against other assets	77,822	—	77,822	—	—	—
Closing balance	837,201	24,264	861,465	1,039,726	—	1,039,726

(Amounts in Rupees '000)

**10.6 Particulars of write offs**

		<b>2004</b>	2003
Against provisions		<b>248,038</b>	7,036
Directly charged to Profit and Loss Account		<b>1,780</b>	2,838
		<u><b>249,818</b></u>	<u>9,874</u>
Write offs of Rs. 500,000/- and above	10.7	<b>249,818</b>	9,874
Write offs of below Rs. 500,000/-		-	-
		<u><b>249,818</b></u>	<u>9,874</u>

**10.7** The statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above as required under sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 is given as "Annexure -1" to these financial statements.

**10.8 Particulars of loans and advances to directors, associated companies, etc.**

	<b>Balance outstanding as at 31 December 2004</b>	<b>*Maximum total amount of advances including temporary advances granted during the year</b>
- Debts due by directors, executives or officers of the Corporation or any of them either severally or jointly with any other persons	<b>177,069</b>	204,855
- Debts due by companies or firms in which the directors of the Corporation are interested as directors, partners or in the case of private companies, as members	-	-
- Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	<b>28,057</b>	276,782

\* The maximum amount has been calculated by reference to month end balances.

(Amounts in Rupees '000)

## 11. OTHER ASSETS

		2004	2003
Income/ mark-up accrued in local currency	11.1	127,315	89,741
Advances, deposits, advance rent and other prepayments		83,413	33,387
Advance taxation (payments less provisions)		691,305	688,897
Branch adjustment account		–	–
Security and other deposits		11,001	717
Stationery and stamps on hand		168	42
Due from SBP		–	–
Receivable from sub-borrowers		1,368,111	1,617,468
Receivable from Provident Fund		45,570	12,250
Receivable from Leave Encashment Fund	30	10,555	2,067
Receivable from Benevolent Fund		4,791	1,154
Receivable from Gratuity Fund	30	10,099	2,632
Receivable from IBRD-Managed Fund		1,173	–
Management rights of ICP Mutual Funds	1	–	1,015,563
ICP management fee		–	100,322
Dividend receivable		18,522	23,739
Assets in respect of Bangladesh	11.3	425,409	425,409
Other receivable		35,233	1,405
		<b>2,832,665</b>	<b>4,014,793</b>
Liabilities in respect of Bangladesh	11.3	<b>(342,416)</b>	<b>(342,416)</b>
Rupee borrowings from GoP in respect of Bangladesh	11.3	<b>(82,993)</b>	<b>(82,993)</b>
Provision held against other assets	11.2	<b>(920,962)</b>	<b>(1,039,452)</b>
		<b>1,486,294</b>	<b>2,549,932</b>

**11.1** Includes Rs. 1.172 million (2003: Rs. 4.457 million) in respect of associated undertakings.

(Amounts in Rupees '000)

### 11.2 Provision held against other assets

	2004	2003
Opening balance	1,039,452	1,360,011
Charge / (reversal) for the period	10,024	(284,768)
Remission allowed	(50,692)	(35,791)
Transfer to specific provision against non - performing advances	(77,822)	-
Closing balance	<u>920,962</u>	<u>1,039,452</u>

It includes a sum of Rs. 80.288 million (2003: Rs. 114.785 million) representing unrealised exchange gain, the recognition of which has been deferred in the financial statements, in accordance with the policy of the Corporation, as stated in note 5.7.

**11.3** All the assets and liabilities as of 30 November 1971 clearly identifiable as being in or in respect of the areas now under Bangladesh and referred to above were segregated as of that date and in such segregation, for purposes of conversion of foreign currency amounts, generally speaking, the parity rates ruling prior to 15 August 1971 were used, and all income accrued or due in 1971 but not received in that year and interest accrued but not due on borrowings was accrued or due in 1971 but not received in that year and interest accrued but not due on borrowings was eliminated. Subsequently, consequent to the assuming by Bangladesh of certain foreign currency loan obligations as of 1 July 1974, including amounts previously identified by the Corporation as its foreign currency liabilities in respect of Bangladesh, such amounts were eliminated from the books of the Corporation by reducing an equivalent sum from its related foreign assets in that area.

Arising from advices received from the lenders and as a result of diversion of shipments and of the meeting of certain contingent liabilities, there have been certain modifications to the foreign currency advances relating to Bangladesh. Furthermore, the difference between the actual amount of rupees required to remit maturities of foreign currency borrowings in respect of Bangladesh and the figures at which they appeared in the books and the interest paid to foreign lenders has been treated as increasing the rupee assets in that area.

The GoP while initially agreeing to provide the rupee finance required for discharging current maturities of foreign currency borrowings and interest related to Bangladesh did not accept any responsibility for the Corporation's assets in that area. However, following an agreement reached between the Corporation and the GoP during 1976, the Government has agreed



(Amounts in Rupees '000)

that it would continue to provide the funds for servicing the Corporation's foreign currency liabilities relating to Bangladesh and has further agreed that an amount equivalent to the rupee assets in Bangladesh financed from the Corporation's own funds not exceeding Rs. 82 million would be deemed to have been allocated out of the rupee loans by the GoP and that such allocated amount together with the rupee finance being provided by the GoP including any interest thereon would not be recovered from the Corporation until such time as the Corporation recovers the related assets from Bangladesh and only to the extent of such recovery.

Accordingly, such allocated amounts together with the rupee finance being provided by the GoP for discharging the current maturities of foreign currency borrowings (including the interest and charges thereon and any exchange difference between the final rupee payment and the amount at which the liability, commitment or contingent liability as appearing in the books relating to Bangladesh) have been treated as liabilities in respect of Bangladesh. Further, in view of the aforesaid agreement no interest is being accrued on the allocated amount of rupee loans or in respect of the rupee finance provided by the Government related to the Corporation's assets in Bangladesh nor is it considered necessary to provide for any loss that may arise in respect of the Corporation's assets in Bangladesh.

## 12. OPERATING FIXED ASSETS

		<b>2004</b>	2003
Capital work in progress	12.1	<b>33,965</b>	9,862
Property and equipment	12.2	<b>188,362</b>	166,766
		<u><b>222,327</b></u>	<u>176,628</u>

**12.1** This includes payments in respect of renovation of branches.

(Amounts in Rupees '000)

## 12.2 Operating fixed assets

	C O S T				D E P R E C I A T I O N				Book value as at 31 December 2004	Rate %
	At 1 January 2004	Additions / transfers	*Disposals / adjustments	At 31 December 2004	At 1 January 2004	Charge / transfers	*Disposals / adjustments	At 31 December 2004		
<b>Tangible</b>										
Owned										
Land-freehold	8,680	-	-	8,680	-	-	-	-	8,680	-
Buildings on freehold land	87,754	1,322	-	89,076	27,999	4,454	-	32,453	56,623	5
Furniture and equipment	131,687	50,697	(3,277)	179,107	94,708	19,598	(2,827)	111,479	67,628	15 to 20
Vehicles	19,065	3,109	(1,198)	20,976	10,408	3,659	(1,108)	12,959	8,017	20
Land-lease hold (note 12.3)	10,987	-	-	10,987	-	-	-	-	10,987	-
Buildings on leasehold land	47,285	-	-	47,285	18,256	2,352	-	20,608	26,677	5
	<u>305,458</u>	<u>55,128</u>	<u>(4,475)</u>	<u>356,111</u>	<u>151,371</u>	<u>30,063</u>	<u>(3,935)</u>	<u>177,499</u>	<u>178,612</u>	
Operating Lease										
Plant and machinery	20,000	-	-	20,000	7,321	2,929	-	10,250	9,750	20
<b>2004</b>	<u>325,458</u>	<u>55,128</u>	<u>(4,475)</u>	<u>376,111</u>	<u>158,692</u>	<u>32,992</u>	<u>(3,935)</u>	<u>187,749</u>	<u>188,362</u>	
2003	297,115	35,591	(7,248)	325,458	131,546	34,195	7,049	158,692	166,766	

\*The particulars in respect of disposal of fixed assets are given in "Annexure 2".

**12.3** This includes a plot of land costing Rs 9.240 million in Block-6, KDA Scheme-5, Clifton, Karachi possession of which was taken over by the Corporation in April, 1983 from Karachi Development Authority (KDA) against payment of entire lawful dues including non-utilization fee. On 22 July 2000 the Karachi Port Trust (KPT) served a notice that the Corporation has occupied the KPT land and constructed boundary wall without lawful authority. The Corporation had filed a suit in the Sindh High Court. The Honourable Court through an interim order on 31 July 2000 had interalia directed the parties concerned to maintain status quo in respect of the plot in question. Through a subsequent order KPT has been restrained from resorting to coercive measures in relation to possession of the plot. On 14 September 2000 KDA's governing body reportedly resolved to cancel allotment of the subject plot and offered to the Corporation an alternate plot which action has been questioned through another suit before the Sindh High Court. The Honourable Court has directed KDA through an order dated 18 September 2000 to maintain status quo. Subsequent to the balance sheet date, the Honourable High Court of Sindh has awarded a decree in favour of the Corporation in the above matter.

(Amounts in Rupees '000)

### 13. DEFERRED TAX ASSETS / (LIABILITIES)

	2004	2003
Debit balances arising in respect of:		
- Tax depreciation	1,119	1,179
- Provision for leave encashment	9,256	9,777
- Deferred interest on borrowings	719,702	851,968
- Irrecoverable advances	365,078	320,843
- Deficit on revaluation of securities	4,262	-
Credit balances arising in respect of:		
- Unrealized exchange gains	(120,164)	(126,365)
- Surplus on revaluation of securities	-	(15,898)
- Unrealized exchange losses	(33,040)	(33,040)
- Leasing operation	(267,734)	(129,266)
	<b>678,479</b>	<b>879,198</b>
	<b>678,479</b>	<b>879,198</b>

The aggregate unassessed tax losses available for carry forward based on the tax returns as at 31 December 2004 amounted to Rs. 525 million (2003: Rs. 729 million). The Deferred tax effect of the above losses has not been recognised in view of uncertainty relating to the realization of the same.

In 1987 and 1989, the Corporation exercised its option to avail the exchange risk coverage offered by the GoP Ministry of Finance and Economic Affairs (Economic Affairs Division), through Office Memo 1(16)/50/DM/86 dated 8 July 1987 and 1(12)/50/DM/89 dated 1 June 1989 respectively and, in turn the Corporation offered the risk coverage to its constituents.

Unrealised exchange losses as on 21 April 1987 the effective date of exercise of both the options arising on related borrowings as reduced by gains arising on related advances was claimed as loss for tax purposes.

(Amounts in Rupees '000)

		2004	2003
<b>14. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>			
In Pakistan	14.1	6,742,375	6,330,681
Outside Pakistan		-	-
		<u>6,742,375</u>	<u>6,330,681</u>
<b>14.1</b>	<b>Particulars of borrowings from financial institutions</b>		
In local currency		6,742,375	6,330,681
In foreign currencies		-	-
		<u>6,742,375</u>	<u>6,330,681</u>
<b>14.2 Details of borrowings from financial institutions</b>			
		2004	2003
<b>In Pakistan - Local Currency</b>			
Secured			
SPB - Locally Manufactured			
Machinery	14.2.1	23,798	58,201
Repurchase agreement borrowings	14.2.2	850,000	2,576,000
Syndicated borrowing	14.2.3	1,000,000	1,000,000
Long term borrowings			
- Habib Bank Limited	14.2.4	1,000,000	-
- United Bank Limited	14.2.5	1,000,000	-
Un-Secured			
Money at call and short notice	14.2.6	650,000	100,000
Foreign borrowing payable in local currency	14.2.7	2,218,577	2,596,480
<b>Outside Pakistan - Foreign Currencies</b>			
		-	-
		<u>6,742,375</u>	<u>6,330,681</u>

(Amounts in Rupees '000)

#### 14.2.1 Borrowings from the State Bank of Pakistan

Following PLS financial limits have been taken under the scheme of the SBP for financing the purchase of locally manufactured machinery:

Loans repayable in equal half - yearly installments commencing:	No. of installments	Maximum rate (per annum)	Limit	Amounts disbursed	Amounts outstanding	
					2004	2003
(iv) 09 April 1996	17	4%	62,284	62,284	–	3,664
(vii) 13 January 1997	17	4%	6,264	6,264	<b>368</b>	1,106
(xi) 30 September 1997	17	4%	98,683	98,683	<b>11,610</b>	23,219
(xiii) 30 September 1997	17	4%	100,467	100,467	<b>11,820</b>	23,639
(xvi) 14 May 1998	17	4%	22,349	22,349	–	6,573
					<b>23,798</b>	<b>58,201</b>

Interest / mark-up on loans are on PLS basis payable at the end of each quarter provisionally subject to maximum rate mentioned above against each loan. These are secured against demand promissory notes.

**14.2.2** These are funds borrowed in the local inter bank market against pledge of Government Securities at rates ranging from 2.25 % to 4.25 % per annum (2003: 1.25 % to 5.5% per annum) for the periods ranging from 2 days to 2 months.

**14.2.3** This represents long term syndicate financing, carrying variable mark-up rate of six months treasury bills plus 1.05 per cent net of prompt payment bonus. The loan is repayable in 5 half yearly installments, commencing November 12, 2006 and is secured against pledge of shares, TFCs and PIBs.

**14.2.4** This represents long term financing, carrying variable mark-up rate of six months average offer KIBOR rate plus 0.90 per cent net of prompt payment bonus. The loan is repayable in 5 half yearly installments, commencing April 12, 2007 and is secured against pledge of shares, PIB's and hypothecation over specific lease receivables and related lease assets.

(Amounts in Rupees '000)

**14.2.5** This represents long term financing, carrying variable mark-up rate of six months average offer KIBOR rate plus 0.90 per cent net of prompt payment bonus. The loan is repayable in 5 half yearly installments, commencing 29 July 2007 and is secured against pledge of shares, TFCs and PIBs.

**14.2.6** Money at call and short notice carries mark-up at 5.2 % to 6.5 % per annum (2003: 3% per annum).

**14.2.7** Finance Division, GoP through its letter No.F.1 (13) CF-III/98-1071 dated December 29,1999 approved rescheduling of foreign loans, except for the German credit, relent to the Corporation along with waiver of interest on overdue principal of Rs 2,018.87 million. It includes unrealized exchange loss of Rs. 96.011 million (2003 : Rs. 96.011 million) which has been netted off against unrealized exchange gain (note 16) as it is payable when recovered from sub-borrowers, who have availed the related German credit.

Further, it includes the amount of outstanding interest on foreign loans relent to the Corporation which has been rescheduled by Finance Division, GoP through its letter No. F.1(13) CF-III/98-1071 dated 29 December 1999, repayment of which has commenced from the current year.

## 15. DEPOSITS AND OTHER ACCOUNTS

	2004	2003
<b>Customers</b>		
Fixed maturity	10,247,104	5,957,938
Open maturity	3,335,794	2,276,356
<b>Financial Institutions</b>		
Fixed maturity	2,668,682	2,916,531
	<u>16,251,580</u>	<u>11,150,825</u>

### 15.1 Particulars of deposits and other accounts

In local currency	16,251,380	11,150,635
In foreign currency	200	190
	<u>16,251,580</u>	<u>11,150,825</u>

(Amounts in Rupees '000)

## 16. OTHER LIABILITIES

	2004	2003
Mark-up/interest on borrowings	35,120	150,108
Profit payable on PLS deposits and other accounts	160,888	155,964
Accrued expenses	26,429	26,562
Subscription money	–	307,219
Unrealized exchange gain	223,375	234,891
Security and other deposits	49,994	188,740
Unclaimed dividend	10,559	4,213
Borrowing from GOP	2,095	2,095
Security deposit against lease	458,414	239,336
Others	54,956	67,274
	<u>1,021,830</u>	<u>1,376,402</u>

## 17. SHARE CAPITAL

2004	2003		2004	2003
(Shares)	(Shares)			
		Authorized		
210,434,766	115,464,893	Ordinary shares of Rs. 10 each	2,104,348	1,154,649
<u>89,565,234</u>	<u>84,535,107</u>	Unclassified shares of Rs. 10 each	<u>895,652</u>	<u>845,351</u>
<u>300,000,000</u>	<u>200,000,000</u>		<u>3,000,000</u>	<u>2,000,000</u>
		Issued, subscribed and paid-up		
70,173,349	15,616,149	Ordinary shares of Rs. 10 each fully paid in cash	701,733	156,161
140,261,417	99,848,744	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	<u>1,402,615</u>	<u>998,488</u>
<u>210,434,766</u>	<u>115,464,893</u>		<u>2,104,348</u>	<u>1,154,649</u>

(Amounts in Rupees '000)

## 18. SURPLUS ON REVALUATION OF SECURITIES - NET OF TAX

	2004	2003
Federal and provincial government securities	(12,176)	45,424
Quoted shares	1,044,698	2,196,985
Redeemable capital	–	11,958
Less: Deferred tax asset / (liability) recognized	4,262	(15,898)
	1,036,784	2,238,469

## 19. CONTINGENCIES AND COMMITMENTS

### 19.1 Direct credit substitutes

Bank acceptance guarantees favouring:

Government	–	–
Financial Institutions	–	–
Others	–	–

Acceptances

Government	–	–
Financial Institutions	–	–
Others	–	–

### 19.2 Transaction related contingent liabilities

Performance bonds and bid bonds favouring

Government	–	–
Financial Institutions	–	–
Others	435	309

Advance payment guarantees favouring

Government	–	–
Financial Institutions	–	–
Others	–	–



(Amounts in Rupees '000)

	<b>2004</b>	2003
<b>19.3 Trade related contingent liabilities</b>		
Letters of Credit		
Government	–	–
Financial Institutions	–	–
Others	–	–
<b>19.4 Commitments in respect of forward lending</b>		
Commitments to extend credit	<b>7,691,853</b>	3,182,306
<b>19.5 Commitments in respect of forward sale of investments</b>	–	10,572
<b>19.6 Other commitments</b>		
Underwriting agreements	–	2,563,437
Capital expenditure	<b>10,883</b>	4,909
<b>20. MARK-UP/ RETURN/ INTEREST EARNED</b>		
	<b>Year ended 31 December 2004</b>	Eighteen months period ended 31 December 2003
On loans and advances - customers	<b>942,495</b>	1,176,828
On investments in available-for-sale securities	<b>434,711</b>	464,194
On deposits with financial institutions	<b>22,852</b>	66,308
On securities purchased under resale agreements	<b>992</b>	7,501
On call money lending	<b>840</b>	3,209
	<u><b>1,401,890</b></u>	<u>1,718,040</u>

(Amounts in Rupees '000)

## 21. MARK-UP/ RETURN/ INTEREST EXPENSED

	Year ended 31 December 2004	Eighteen months period ended 31 December 2003
Deposits	427,066	973,849
Interest / mark-up on borrowings	76,400	103,460
Securities sold under repurchase agreements	72,630	76,791
Call borrowings	16,892	38,294
On borrowings from the State Bank of Pakistan under locally manufactured machine	1,465	31,531
Amortization of premium on investments-net	88,781	46,729
Others	698	1,004
	<b>683,932</b>	<b>1,271,658</b>

## 22. OTHER INCOME

Grants and assistance	-	1,152
Rent on property	4,686	6,370
Rent from safe deposit lockers	1,134	1,575
Net profit on sale of fixed assets	1,682	3,041
Service/ incidental charges, etc.	3,319	4,127
Recovery of charges from sub-borrowers	20,519	5,409
Exchange gain	35,587	9,956
Reversal of interest on German credit	22.1 142,687	-
Others	9,480	20,734
	<b>219,094</b>	<b>52,364</b>

**22.1** Represents accrued mark up no longer payable on German lines of credit in accordance with the GoP Finance Division (Investment Wing) letter No. F.8 (1) - INV 1/2001 dated 25 September 2004.

(Amounts in Rupees '000)

### 23. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2004	Eighteen months period ended 31 December 2003
Salaries, allowances, etc.	<b>234,232</b>	306,916
(Credit) / Charge for defined benefit plan - Gratuity	<b>(7,467)</b>	3,050
Contributions to defined contribution plan	<b>3,459</b>	15,907
Non-executive directors fees, allowances and other expenses	<b>1,398</b>	3,189
Fee, brokerage and commission	<b>37,083</b>	12,074
Rent, taxes, insurance, electricity, etc.	<b>39,314</b>	49,647
Legal and professional charges	<b>21,186</b>	25,088
Communications	<b>7,038</b>	6,591
Repairs and maintenance	<b>6,190</b>	6,449
Stationery and printing	<b>5,778</b>	5,295
Advertisement and publicity	<b>50,174</b>	21,208
Donations	23.1 <b>10,767</b>	6,818
Security service charges	<b>4,526</b>	5,644
Auditors' remuneration	23.2 <b>1,923</b>	6,637
Depreciation	<b>32,992</b>	34,195
Grants and assistance availed	-	1,152
Traveling, conveyance and vehicles' running	<b>8,001</b>	8,973
Others	<b>17,968</b>	10,995
	<b>474,562</b>	529,828

(Amounts in Rupees '000)

**23.1** Donation in excess of Rs. 100,000 each were charged to the profit and loss account during the year ended 31 December 2004 in respect of the following donees:

	<b>2004</b>
Name of donee	
Kashmir Education Foundation (KEF)	<b>750</b>
Sindh Institute of Urology and Transplantation (SUIT)	<b>1,000</b>
The Layton Rehmatullah Benevolent Trust (LRBT)	<b>1,000</b>
Shaukat Khanum Memorial Cancer Hospital and Research Centre (SKMCH & RC)	<b>1,000</b>
Aid to Leprosy Patient (ALP)	<b>250</b>
Marie Adelaide Leprosy Centre (MALC)	<b>500</b>
The Book Group	<b>384</b>
The Citizen Foundation (TCF)	<b>1,000</b>
Shalamar Hospital, Lahore	<b>500</b>
The Kidney Centre	<b>500</b>
Al-Shifa Trust	<b>500</b>
Aga Khan University and Medical College Foundation	<b>3,383</b>
Total amount of donation made during the year	<u><b>10,767</b></u>

Donations were not made to any donee in which a director of the Corporation, or his spouse had any interest at the time during the year, except one of the donees listed above "The Layton Rehmatullah Benevolent Trust (LRBT)" in which the chairman of the Corporation, Mr. Khursheed K. Marker is the trustee.

(Amounts in Rupees '000)

### 23.2 Auditors' remuneration

	2004				2003		
	A.F. Ferguson Co.	Ford Rhodes Sidat Hyder & Co.	Taseer Hadi Khalid & Co.	Total	A.F. Ferguson & Co.	Ford Rhodes sidat Hyder & Co.	Total
Audit fee	–	460	460	920	425	425	850
Fee for the half yearly review of financial statements	–	75	75	150	–	–	–
Tax services	–	–	–	–	4,422	350	4,772
Examination of consolidated financial statement	–	75	75	150	75	75	150
Special reports and certifications	–	160	350	510	567	155	722
Fee for the audit of Benevolent fund, graduity fund, leave encashment fund and provident fund	–	45	–	45	–	45	45
Out-of-pocket expenses	79	52	17	148	66	32	98
	<b>79</b>	<b>867</b>	<b>977</b>	<b>1,923</b>	<b>5,555</b>	<b>1,082</b>	<b>6,637</b>

### 24. OTHER PROVISIONS / WRITE OFFS

	Year ended 31 December 2004	Eighteen months period ended 31 December 2003
Charge / (Reversal) of provision against other receivable	10,024	(284,768)
Investments written-off	2,578	4,784
Others	–	51,342
	<b>12,602</b>	<b>(228,642)</b>

### 25. OTHER CHARGES

Fine and penalties imposed by the SBP	–	516
Amortizarion of Management Rights of ICP Mutual Funds	45,563	84,616
Others	–	–
	<b>45,563</b>	<b>85,132</b>

During the year, the Commissioner (Securities Market Division) SECP vide its order dated 31 December 2004, imposed a fine of Rs 500,000 (Five hundred thousand) on the Corporation. The Corporation believes that the order is based on misconception and that there has been no violation of law. Accordingly, an appeal has been made against the order before the appellate bench of the SECP and no provision in respect of the above fine has been considered necessary in these financial statements.

(Amounts in Rupees '000)

## 26. TAXATION

	Year ended 31 December 2004	Eighteen months period ended 31 December 2003
Current		
- for the year	38,293	34,946
- for prior years / periods	-	33,344
	<u>38,293</u>	<u>68,290</u>
Deferred	227,079	21,164
	<u>265,372</u>	<u>89,454</u>

**26.1** The tax department treated net unrealized exchange gain as income for the years 1987 and 1989. This contention of the department has not been accepted by the appellate authorities. The department's appeal on the matter is pending to be heard by the High Court of Sindh.

The tax department disallowed a portion of interest on the grounds that it was allocable to capital gains exempt from tax for the accounting years 1992 to 2001. This contention of the department has not been accepted by the appellate authorities. Tax department has taken up the matter with the High Court of Sindh in the assessment years 1993-94 to 1996-97. Management and the tax advisers are of the view that this matter will be decided in favour of the Corporation and therefore, no provision for an amount equal to Rs. 78.664 million has been made in the financial statements in this respect.

## 27. EARNINGS PER SHARE - BASIC AND DILUTED

	2004	2003
Profit for the year	<u>1,636,307</u>	<u>1,353,184</u>
Average number of ordinary shares in issue during the year	<u>185,387,580</u>	<u>174,582,912</u>
Earnings per share	<u>8.83</u>	<u>7.75</u>

## 28. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	150,228	88,188
Balances with other banks	1,679,398	1,342,902
	<u>1,829,626</u>	<u>1,431,090</u>

## 29. NUMBER OF EMPLOYEES

Number of head count at the year-end	651	502
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(Amounts in Rupees '000)

### 30. DEFINED BENEFIT PLAN

#### 30.1 Principle actuarial assumption

The Corporation has carried out actuarial valuation as at 31 December 2004 under the "Projected Unit Credit Actuarial Method". The main used for actuarial valuation were as follows:

	<b>Gratuity</b>	<b>Leave encashment</b>
- Discout rate	9% p.a.	9% p.a.
- Investment return	9% p.a.	9% p.a.
- Salary increase	9% p.a.	9% p.a.
- Mortality rate	EFU 61-66 mortality table age	EFU 61-66 mortality table age
- Withdrawl rate	dependent	dependent

#### 30.2 Reconciliation of payable to defined benefit plan

	<u>Gratuity</u>		<u>Leave encashment</u>	
	2004	2003	2004	2003
Present value of defined benefit obligations	<b>149,970</b>	145,560	<b>48,588</b>	46,477
Fair value of any plan assets	<b>(251,538)</b>	(256,148)	<b>(113,636)</b>	(113,903)
Net actuarial gains or losses not recognized	<b>91,469</b>	107,956	<b>54,493</b>	65,359
	<b>(10,099)</b>	(2,632)	<b>(10,555)</b>	(2,067)

#### 30.3 Charge for defined benefit plan

Current service cost	<b>8,507</b>	8,715	<b>3,117</b>	3,791
Interest cost	<b>10,190</b>	13,993	<b>3,253</b>	5,928
Expected return on plan assets	<b>(17,930)</b>	(17,802)	<b>(7,973)</b>	(774)
Actuarial (gain) recognized	<b>(8,234)</b>	(1,856)	<b>(5,397)</b>	(8,220)
	<b>(7,467)</b>	3,050	<b>(7,000)</b>	725

#### 30.4 Actual return on plan assets

	<b>(29,358)</b>	(28,467)	<b>(11,400)</b>	(10,037)
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#### 30.5 Movement in net asset recognized

Opening net assets	<b>(2,632)</b>	6,889	<b>(2,067)</b>	(1,290)
Expense recognized	<b>(7,467)</b>	3,050	<b>(7,000)</b>	725
Contribution to the fund made during the year/period	—	(12,571)	<b>(1,488)</b>	(1,502)
Closing Net (Asset)	<b>(10,099)</b>	(2,632)	<b>(10,555)</b>	(2,067)

(Amounts in Rupees '000)

### 31. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for remuneration, including the benefits, to the Managing Director, Directors, and the Executives of the Corporation were as follows:

	Managing Director		Directors		Executives	
	Year ended 31 December 2004	Eighteen months period ended 31 December 2003	Year ended 31 December 2004	Eighteen months period ended 31 December 2003	Year ended 31 December 2004	Eighteen months period ended 31 December 2003
Fees	-	-	690	1,735	-	-
Managerial remuneration	8,264	12,936	-	-	4,428	4,759
Charge for defined benefit plan	585	1,395	-	-	279	401
Contribution to defined contribution plan	1,123	1,772	-	-	288	410
Rent and house maintenance	604	900	-	-	2,327	3,240
Conveyance	1,451	2,256	-	-	2,301	2,814
Utilities	281	371	-	-	553	749
Bonus	11,414	15,332	-	-	591	3,022
Medical & others	276	333	718	1,454	1,199	729
	<u>23,998</u>	<u>35,295</u>	<u>1,408</u>	<u>3,189</u>	<u>11,966</u>	<u>16,124</u>
Number of persons	<u>1</u>	<u>1</u>	<u>19</u>	<u>19</u>	<u>5</u>	<u>4</u>

**31.1** The Corporation also provides free use of the Corporation maintained cars to Managing Director and Executives. Executives means employees, other than Managing Director and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

### 32. MATURITIES OF ASSETS & LIABILITIES

	Amount	Upto 3 months	3 months to one year	1 Year to 5 years	Over 5 years
<b>ASSETS</b>					
Cash and balances with treasury banks	150,228	150,228	-	-	-
Balances with other banks	1,679,398	1,679,398	-	-	-
Lendings to financial institutions	375,000	375,000	-	-	-
Investments	13,694,157	186,097	4,081,361	895,322	8,531,377
Advances	13,468,532	2,003,237	2,041,688	4,305,243	5,118,364
Other assets	1,486,294	626,690	761,879	55,139	42,586
Operating fixed assets	222,327	38,875	14,733	78,575	90,144
Deferred tax asset	678,479	-	-	678,479	-
	<u>31,754,415</u>	<u>5,059,525</u>	<u>6,899,661</u>	<u>6,012,758</u>	<u>13,782,471</u>
<b>LIABILITIES</b>					
Bills payable	-	-	-	-	-
Borrowings from financial institutions	6,742,375	1,512,083	306,266	4,761,741	162,285
Deposits and other accounts	16,251,580	7,496,551	6,020,193	2,734,631	205
Sub-ordinated loans	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-
Other liabilities	1,021,830	48,834	208,696	762,205	2,095
	<u>24,015,785</u>	<u>9,057,468</u>	<u>6,535,155</u>	<u>8,258,577</u>	<u>164,585</u>
<b>NET ASSETS</b>	<u>7,738,630</u>	<u>(3,997,943)</u>	<u>364,506</u>	<u>(2,245,819)</u>	<u>13,617,886</u>
Share Capital	2,104,348				
Reserves	4,584,986				
Unappropriated profit	12,512				
Surplus on revaluation of securities - net of tax	1,036,784				
<b>NET EQUITY</b>	<u>7,738,630</u>				



**32.1** The saving deposits have been classified as maturing upto three months as they do not have any contractual maturity. However, they are not expected to fall materially below their current level.

### **33. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of listed investments is based on quoted market prices. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest available audited accounts.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Corporation's accounting policy as stated in note 5.11.

The maturity, repricing and effective yield / interest rates of financial instruments are stated in notes 32 and 34 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

#### **33.1 Risk management**

The Corporation is primarily subject to interest rate, credit, market, liquidity and currency risks. The policies and procedures for managing these risks are outlined in notes 33.2 to 33.7. The Corporation has designed and implemented a framework of controls to identify, monitor and manage these risks which are as follows:

#### **33.2 Concentration of credit, deposits and borrowing risks**

Out of the total financial assets of Rs. 30,123.678 million the financial assets subject to credit risk amounted to Rs. 13,468.532 million. The Corporation's major credit risk is concentrated in the textile sector. To manage credit risk the Corporation applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 3,860.955 million are guaranteed by the GoP. Out of deposits of Rs. 16,251.580 million and borrowings of Rs. 6,742.375 million, Rs. 2,668.684 million deposits and Rs. 4,500.00 million in borrowings, have been obtained from financial institutions.

### **33.3 Interest rate risk management**

Interest rate risk arises where the value of the financial instrument will fluctuate due to changes in the market interest rates. The Corporation manages its exposure to interest rate risk by entering into floating rate agreements with its customers, and further minimizes the interest rate risk exposure by fixing minimum and maximum interest rates on its loan agreements. In addition, the Corporation has also entered into short-term borrowings and deposits at prevailing market interest rates, whereby reducing interest rate exposure against its lending operations.

### **33.4 Credit risk management**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. The Corporation maintains a well defined credit policy approved by the Board of Directors. Its credit evaluation system comprises of well designed credit approval, sanctioning and review procedures. To manage exposure to credit risk, the Corporation obtains securities/collateral as well as diversification of the loan portfolio. In addition, provisions against non-performing advances are made in accordance with the requirements of Prudential Regulations issued by the SBP.

### **33.5 Currency risk management**

Currency risk arises where the value of financial instruments changes due to change in foreign currency exchange rates. The borrowings exposed to foreign exchange risk are covered through exchange risk coverage option availed by the Corporation offered by GoP. In turn, the Corporation offered the risk coverage to its borrowers. The deposits exposed to foreign exchange risk are covered through forward foreign exchange contracts.

### **33.6 Liquidity risk management**

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. Management closely monitors the Corporation's liquidity and cash flow positions. This includes maintenance of balance sheet liquidity ratios, depositor's concentration both in terms of the over all funding mix and avoidance of undue reliance on large individual deposits and liquidity contingency plan.

### **33.7 Market risk management**

Market risk arises where the value of financial instruments fluctuate due to changes in market prices. The Corporation's market risk exposure comprises of investment in government securities, equity instruments (shares) and term finance certificates of various listed companies. The Corporation manages its market risk exposure by diversifying its investment portfolio.

(Amounts in Rupees '000)

### 34. YIELD / INTEREST RATE RISK

The Corporation is exposed to yield / interest rate risk as result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Corporation manages this risk by matching the re-pricing of assets and liabilities and off-balance sheet instruments.

The Corporation's yield / interest rate sensitivity position, based on the earlier of contractual re-pricing or maturity date, is as follows:

31 December 2004						
Exposed to yield / interest rate risk						
Effective yield/ interest rate (%)	Amount	Upto three months	Over 3 months to one year	Over one year to five years	Over five years	Not exposed to yield/ interest rate risk
<b>On-balance sheet financial instruments</b>						
<b>Assets</b>						
Cash and balances with treasury banks	-	150,228	-	-	-	150,228
Balances with other banks	1.75%	1,679,398	1,380,294	-	-	299,104
Lendings to financial institutions	4.50%	375,000	375,000	-	-	-
Investments	7.50%	13,694,157	169,496	74,046	69,975	3,860,955
Advances	8.51%	13,468,532	2,003,237	2,041,688	4,305,243	5,118,364
Other assets	-	756,363	-	-	-	756,363
		30,123,678	3,928,027	2,115,734	4,375,218	8,979,319
						10,725,380
<b>Liabilities</b>						
Bills payable		-	-	-	-	-
Borrowings from financial institutions	3.90%	6,742,375	1,512,083	11,715	3,000,000	2,218,577
Deposits and other accounts	3.12%	16,251,580	7,496,551	6,020,193	2,734,631	205
Sub-ordinated Loans		-	-	-	-	-
Liabilities against assets subject to finances lease		-	-	-	-	-
Other liabilities	6.00%	776,119	61,549	160,888	-	2,095
		23,770,074	9,070,183	6,192,796	5,734,631	2,300
						2,770,164
<b>On-balance sheet gap</b>		<u>6,353,604</u>	<u>(5,142,156)</u>	<u>(4,077,062)</u>	<u>(1,359,413)</u>	<u>8,977,019</u>
<b>Cumulative yield / interest rate sensitivity gap</b>			<u>(5,142,156)</u>	<u>(9,219,218)</u>	<u>(10,578,631)</u>	<u>(1,601,612)</u>
						<u>6,353,604</u>

(Amounts in Rupees '000)

### 35. CURRENCY RISK

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupee	30,109,183	23,769,874	-	6,339,309
United States Dollar	13,500	200	-	13,300
Great Britain Pound	995	-	-	995
Japanese Yen	-	-	-	-
Euro	-	-	-	-
Arab Emirates Dirham	-	-	-	-
Other currencies	-	-	-	-
	<u>30,123,678</u>	<u>23,770,074</u>	<u>-</u>	<u>6,353,604</u>

### 36. FAIR VALUE OF FINANCIAL INSTRUMENTS

	2004		2003	
	Book value	Fair value	Book value	Fair value
<b>ASSETS</b>				
Cash and balances with treasury banks	150,228	150,228	88,188	88,188
Balances with other banks	1,679,398	1,679,398	1,342,902	1,342,902
Lendings to financial institutions	375,000	375,000	-	-
Investments	13,694,157	16,896,059	11,137,758	11,137,758
Advances	13,468,532	13,468,532	8,194,717	8,194,717
Other assets	756,363	756,363	1,836,187	1,836,187
	<u>30,123,678</u>	<u>33,325,580</u>	<u>22,599,752</u>	<u>22,599,752</u>
<b>LIABILITIES</b>				
Bills payable	-	-	-	-
Borrowings from financial institutions	6,742,375	6,742,375	6,330,681	6,330,681
Deposits and other accounts	16,251,580	16,251,580	11,150,825	11,150,825
Sub-ordinated loans	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-
Other liabilities	776,119	776,119	827,610	827,610
	<u>23,770,074</u>	<u>23,770,074</u>	<u>18,309,116</u>	<u>18,309,116</u>
	<u>6,353,604</u>	<u>9,555,506</u>	<u>4,290,636</u>	<u>4,290,636</u>
<b>Off-balance sheet financial instrument</b>				
Forward purchase of foreign exchange	-	-	-	-
Forward sale of foreign exchange	-	-	-	-

(Amounts in Rupees '000)

### 37. CONCENTRATION OF CREDIT AND DEPOSIT

#### 37.1 Segment by class of business

	Advances		Deposits		Off-Balance Sheet	
		%		%		%
Chemical	782,757	5.81	31	0.00	237,360	3.08
Agribusiness	502	0.00	-	-	-	-
Textile Spinning	2,890,333	21.46	26,012	0.16	1,577,610	20.48
Textile Weaving	514,142	3.82	517	0.00	3,350	0.04
Textile Composite	480,280	3.57	1,500	0.01	132,174	1.72
Textile Others	127,546	0.95	-	-	160,885	2.09
Cement	213,014	1.58	15,203	0.09	-	-
Sugar	1,164,941	8.65	2,429	0.01	450,409	5.85
Shoes and leather garments	6,139	0.05	-	-	-	-
Automobile and transportation equipment	548,280	4.07	80	0.00	275,500	3.58
Financial	-	-	2,668,684	16.42	-	-
Insurance	14,355	0.11	379,200	2.33	-	-
Electronics and electrical appliances	31,291	0.23	2,000	0.01	-	-
Production and transmission of energy	4,090	0.03	1,226,726	7.55	60,326	0.78
Individuals	4,372,649	32.47	2,483,861	15.28	4,003,877	51.98
Others	2,318,213	17.21	9,445,337	58.12	801,680	10.41
	<b>13,468,532</b>	<b>100.00</b>	<b>16,251,580</b>	<b>100.00</b>	<b>7,703,171</b>	<b>100.00</b>

#### 37.2 Segment by sector

	Advances		Deposits		Contingencies and commitments	
		%		%		%
Public / Government	-	-	11,581,324	71.26	-	-
Private	13,468,532	100.00	4,670,256	28.74	7,703,171	100.00
	<b>13,468,532</b>	<b>100.00</b>	<b>16,251,580</b>	<b>100.00</b>	<b>7,703,171</b>	<b>100.00</b>

### 38. GEOGRAPHICAL SEGMENT ANALYSIS

	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	1,901,679	31,754,415	7,738,630	7,703,171
	<b>1,901,679</b>	<b>31,754,415</b>	<b>7,738,630</b>	<b>7,703,171</b>

(Amounts in Rupees '000)

### 39. TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include subsidiary companies, associated companies with or without common directors, retirement benefit funds, directors and key management personnel.

Transactions with the related parties are executed substantially on the same terms, including mark up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e. under the comparable uncontrolled price method).

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

Details of loans and advances to the companies or firms in which the directors of the Corporation are interested as directors, partners or in the case of private companies as members are given in note 10.8 to these financial statements.

The Corporation also provides advances for housing and other products of the Corporation to staff and executives at reduced rates. These rates are laid down in staff rules and are in accordance with the terms of employment.

Details of transactions with related parties and balances with them excluding those entered into with directors/ executives as per their terms of employment, transaction relating to the transfer of management rights of ICP Mutual Funds Lot 'B' and Lot 'C' to PICIC Assets Management Company Limited, undertaken with the approval of SECP, as at the year end were as follows:

	Directors		Other related parties	
	2004	2003	2004	2003
<b>Advances</b>				
At the beginning of the year/period	–	–	–	–
Given during the year/period	–	–	–	–
Repaid during the year/period	–	–	–	–
At the end of the year/period	–	–	–	–
Mark-up earned during the year/period	–	–	–	–

(Amounts in Rupees '000)

	Directors		Other related parties	
	2004	2003	2004	2003
<b>Net investment in lease finance</b>				
At the beginning of the year / period	–	–	19,590	25,270
Given during the year / period	–	–	14,620	–
Repaid during the year / period	–	–	(6,153)	(5,680)
At the end of the year / period	–	–	28,057	19,590
Finance income on leases	–	–	2,251	2,858
Lease key money	–	–	4,322	2,860
Commitments	–	–	–	–
<b>Deposits</b>				
At the beginning of the year / period	–	–	556,877	785,698
Received during the year / period	–	–	501,000	945,455
Withdrawn during the year / period	–	–	(790,877)	(1,174,276)
At the end of the year / period	–	–	267,000	556,877
Mark-up expensed	–	–	4,207	24,054
<b>Investment in shares / mutual funds</b>				
At the beginning of the year / period	–	–	4,060,794	826,159
Investments made during the year / period	–	–	2,921,081	58,940
Investments sold during the year / period	–	–	(1,568,274)	(15,609)
At the end of the year / period	–	–	5,413,601	869,490
Capital gain from shares / mutual funds / COT	–	–	339,525	21,548
Dividend income from shares / mutual funds	–	–	282,756	200,791

(Amounts in Rupees '000)

	Directors		Other related parties	
	2004	2003	2004	2003
<b>Investment in Term Finance Certificates</b>				
At the beginning of the year/period	–	–	63,318	32,258
Investment made during the year/period	–	–	–	31,060
Redemption during the year/period	–	–	(37,038)	–
At the end of the year/period	–	–	26,280	63,318
<b>Income from investments in TFC's</b>			6,399	11,507
<b>Lendings to Financial Institutions</b>				
Settled during the year/period			3,175,000	2,097,000
Outstanding at the end of the year/period			–	–
Income from lendings to financial institutions			1,059	3,609
<b>Borrowings from Financial Institutions</b>				
Settled during the year/period			96,467,000	32,449,301
Outstanding at the end of the year/period			150,000	–
Expense on borrowings from financial institutions			15,878	4,491
<b>Outright sale of PIBs</b>			–	150,000
<b>Bank deposits</b>			917,917	364,175
<b>Income from bank deposits</b>			4,765	20,542
<b>Training income</b>			384	–
<b>Rent income</b>			715	715
<b>Management rights</b>			–	1,015,563
<b>Income from management rights</b>			155,829	139,471
<b>Right shares received from PCBL</b>			643,500	–



#### **40. CORRESPONDING FIGURES**

The Corporation has largely adopted the format of financial statements for banks prescribed by BSD Circular No. 36 dated 10 October 2001, therefore corresponding figures have been rearranged / reclassified.

#### **41. DATE OF AUTHORIZATION**

These financial statements were authorized for issue in the Board of Directors meeting held on 28 February 2005.

#### **42. GENERAL**

**42.1** Figures have been rounded-off to the nearest thousand Rupees except stated otherwise.

**42.2** Captions, as prescribed by BSD Circular No. 36 dated 10 October 2001 issued by the SBP, in respect of which there are no amounts have not been reproduced in these financial statements except for in the balance sheet and profit and loss account.

**Khursheed K. Marker**  
Chairman

**Mohammed Basheer Janmohammed**  
Deputy Chairman

**Muhammad Ali Khoja**  
Managing Director

**Tariq Iqbal Khan**  
Director

**STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2004**  
(Amounts in Rupees '000)

**ANNEXURE - 1**

S. No.	Name and address of the borrower	Name of individuals/partners/directors	NIC No.	Father's / Husband's Name	Outstanding Liabilities at beginning of year			Total	Interest/ Markup written-off	Principal written-off	Interest/ Markup written-off	Other financial relief provided	Total (10+11+12)
					Principal	Interest/ Markup	Others						
1	ARAIN FIBRES LIMITED 7-BANK SQUARE, LAHORE 47-QASIM ROAD, MULTAN CANTT.	3	4	5	6	7	8	9	10	11	12	13	
1	ARAIN FIBRES LIMITED 7-BANK SQUARE, LAHORE 47-QASIM ROAD, MULTAN CANTT.	MR. MUNEER AHMED MR. ABDUL WAHEED MR. KHALID MAHMOOD MR. RASHID AHMED MR. SAEED AHMED MRS. ZAKARIA BEGUM MR. TANVEER AHMED	36602-0930881-7 36602-0930877-3 36602-0927116-1 36602-1700981-3 36602-0927163-1 36602-093425-0 36602-0945927-5	MR. SHABIB MUHAMMAD MR. ABDUL MAJEED MR. BASHIR AHMED MR. MUHAMMAD SIDDIQ MR. BASHIR AHMED W/O ABDUL MAJEED MR. SHABIB MUHAMMAD	148,400	52,146	-	200,546	-	22,921	-	22,921	
2	ATTA STEEL MILLS KATAR BUND ROAD, THOKAR NIAZ BAIG, OFF: MULTAN ROAD, LAHORE.	MR. AQEEL AHMED MR. SHAKEEL AHMED MR. HAFIZ AZIZ AHMED	271-60-008152 271-85-008153 271-38-008151	MR. HAFIZ AZIZ AHMED SH. ATTA MUHAMMAD	8,220	13,234	211	21,665	32,337	12,190	211	44,738	
3	BAKEM TECH 39, KABIR STREET, NEW ANARKALI, LAHORE	MR. MUHAMMAD ASHRAF CHAUDHRY MR. MUHAMMAD SHAFI MIAN MR. ASGHAR ALI MS. NASREEN AKHTAR MS. SOBIA FARZANA NAZ	- - - - -	BARKAT ALI CHAUDHRY RAHMAT ALI CHAUDHRY MR. MUHAMMAD SALEEM D/O ALI MUHAMMAD D/O KHAIR DIN MIAN	4,450	2,445	-	6,895	3,175	2,445	-	5,620	
4	GUNJ GLASS WORKS LTD. KARACHI HOUSE, 1ST FLOOR, I.I. CHUNDRIGAR ROAD, KARACHI	MR. MUHAMMAD ASLAM MRS. ZAINAB MUHAMMAD ALI SHEIKH MUHAMMAD IQBAL MR. MUHAMMAD ASHRAF SHAIKH FAZAL AHMED MRS. SHEHLA ASHRAF MR. AAMIR IQBAL SHAIKH	42201-9746664-5 42000-0352599-2 61101-0812192-1 61101-4247822-7 42201-3091925-7 61101-0523157-0 61101-0813047-1	W/O LATE HAJI MUHAMMAD ALI W/O LATE HAJI MUHAMMAD ALI LATE HAJI KHUDABAKHSH LATE HAJI MUHAMMAD ALI LATE HAJI MUHAMMAD ALI W/O MUHAMMAD ASHRAF SHEIKH MUHAMMAD IQBAL	-	34,437	-	34,437	1,734	-	-	1,734	
5	IDEAL METALS PLOT NO. 152, STREET NO.9, I-10/3, ISLAMABAD.	MR. HAFIZ MUHAMMAD ILYAS CHAUDHRY MR. HAFIZ MUHAMMAD ISHAQ CHAUDHRY MR. ABDUS SALAM CHAUDHRY MR. ABDUS SATTAR CHAUDHRY MR. ABDUL WAHEED CHAUDHRY MR. ABDUL MAJEED MR. MUHAMMAD IMRAN CH. MR. MUHAMMAD Faisal CH.	01-91-459942 101-50-445204 - - - - 101-72-445206 101-74-445207	MR. MOHAMMAD YASIN MR. MUHAMMAD YASIN MR. MUHAMMAD YASIN MR. MUHAMMAD YASIN MR. FEROUZUDDIN MR. HAFIZ MUHAMMAD ISHAQ CH. MR. HAFIZ MUHAMMAD ISHAQ CH.	9,459	10,042	8	19,509	-	9,963	-	9,963	
6	JHANG TEXTILE CHAK NO.268/JB, GOJRA ROAD, JHANG.	MR. MOHAMMAD ZAHOOR CHOUHAN MR. FIDA HUSSAIN MST. ROBINA MUSHTAQ MR. MOHAMMAD ZAIGHAM IQBAL MR. ANWAR ALI MR. GHULAM HUSSAIN MR. NIGAH HUSSAIN MR. AZIZ-UD-DIN MR. MOHAMMAD HUSSAIN	259-41-006739 260-49-574958 280-63-352132 355-63-352132 449-40-119552 260-87-494391 - 259-40-044582 -	MR. SIKANDER KHAN MR. M. FAZAL KARIM W/O MR. MUSHTAQ AHMED MR. IQBAL HUSSAIN MR. MUHAMMAD IQBAL MR. FAOIR HUSSAIN MR. FAOIR HUSSAIN MR. MUHAMMAD ABDULLAH MR. FAOIR HUSSAIN	9,122	3,591	145	12,858	9,022	3,591	145	12,758	
7	KHAIRPUR SUGAR JUMANI ARCADE, ST-10-D/14, MAIN UNIVERSITY ROAD, KARACHI	MR. MUHAMMAD MUBEEN JUMANI (C.E) MR. MUHAMMAD BUX JUMANI MRS. AFROZE MR. GHULAM ALI MR. FAHAD MUBEEN JUMANI MR. GHULAM HUSSAIN MRS. YASMEEN MR. AHMED ALI JUMANI MR. SYED MUZAFAR ALI SHAH	501-45-571540 441-91-149655 501-58-571542 501-85-745035 501-82-971415 441-30-044221 501-86-767952 441-92-044224 518-40-018126	MR. ALLAHWARAYO JUMANI MR. IMAM BUX JUMANI (LATE) W/O MUHAMMAD MUBEEN JUMANI MR. MUHAMMAD YOUSUF JUMANI MR. MUHAMMAD MUBEEN JUMANI MR. NABI BUX KHAN JUMANI W/O MUHAMMAD MUBEEN JUMANI MR. GHULAM HUSSAIN JUMANI MR. SYED QALANDAR ALI SHAH	108,854	186,444	-	295,298	-	4,206	-	4,206	

**STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2004**  
(Amounts in Rupees '000)

**ANNEXURE - 1**

S. No.	Name and address of the borrower	Name of individuals/partners/directors	NIC No.	Father's / Husband's Name	Outstanding Liabilities at beginning of year					Total (10+11+12)		
					Principal	Interest/ Markup	Others	Total	Principal written-off		Interest/ Markup written-off	Other financial relief provided
1	2	3	4	5	6	7	8	9	10	11	12	13
8	<b>MULTIWHITE BLOCKS</b> ROOM NO. 606-608, 6TH FLOOR, CLIFTON CENTRE, CLIFTON, KARACHI.	MR. FAROOQ IQBAL AHMED SIDDIQUI MR. ARIF SIDDIQUI MR. ASFAR SULTANA DR. MRS. SAMINA SIRAJ MR. HUMAYUN QAZI DR. MR. M. IQBAL SIDDIQUI MR. NASEEM A. KHAN	502-41-255974 502-91-776253 502-34-602891 502-89-732509 405-62-126043 502-34-051516	MR. MUMTAZ AHMED SIDDIQUI MR. FAROOQ IQBAL AHMED SIDDIQUI MR. MUMTAZ AHMED SIDDIQUI W/O MASOOD SIRAJ MR. MUHAMMAD SIDDIQUE MR. ALLAUDDIN KHAN	13,801	14,566	-	28,367	13,801	13,815	-	27,616
9	<b>MULTIPOLE INDUSTRIES</b> ROOM NO. 606-608, 6TH FLOOR, CLIFTON CENTRE, CLIFTON, KARACHI.	MR. FAROOQ IQBAL AHMED SIDDIQUI MR. JAVED ARIF MR. SYED MASOOD SIRAJ MRS. SAMINA SIRAJ MR. MANSOOR YOUSUF CAPT. (R)	502-41-255974 501-63-595483 502-89-732509	MR. MUMTAZ AHMED SIDDIQUI KHAWAJA MUHAMMAD ARIF SYED SIRAJ HUSSAIN SYED MASOOD SIRAJ MR. MUHAMMAD YOUSUF	88,503	157,333	7	245,843	60,865	151,072	9	211,947
10	<b>SHAHDIN LIMITED</b> 30-NICHOLSON ROAD, LAHORE.	MRS. SALEHA BUKHARI MR. QAMAR JAVID BOKHARI MR. SALAHUDDIN AHMED SAHAF MR. WAHEEDUDDIN MEHMOOD SAHAF MST. ZAKRIA KHANUM MRS. SAJIDA WAHEED MRS. PERVAIZ ASGHAR	- - - - - -	MR. SYED NOOR SHAH MR. QAMAR UDDIN SAHAF MR. QAMAR UDDIN SAHAF MR. WAHEEDUDDIN MEHMOOD SAHAF W/O SALAHUDDIN AHMED SAHAF	786	-	-	786	786	-	-	786
11	<b>SILVER LAND TEXTILE</b> HOTEL SILVERLAND BUILDING, RAILWAY ROAD, MULTAN.	MR. TANVEER IFTIKHAR MR. HAJI MUHAMMAD BOOTA MR. TARIQ FAZULLAH KHAN MRS. KAUSER IFTIKHAR MST. SALMA TANVEER DR. MR. ARSHAD MAHMOOD	322-53-000010 322-36-005280 322-43-284336 322-60-724533 322-86-137437	MR. IFTIKHAR AHMED CH. MR. NOOR MUHAMMAD W/O IFTIKHAR AHMED KHAN MR. HAJI MUHAMMAD BOOTA	15,363	7,743	350	23,456	12,960	4,096	350	17,405
12	<b>SINDH TECH INDUSTRIES</b> F-3371, BLOCK-9, NEAR ISLAMIC CHAMBERS, CLIFTON, KARACHI.	MRS. HAMIDA A. AZHER NAQVI MR. ABDULAZIZ MR. SHOAIB S. USMANI MR. ILU KHAN MR. SHAFARAZ A. KHAN MR. SYED ALI AZHER NAQVI	518-46-332606 - - - 502-32-026450	MR. SYED ALI AZHER NAQVI (LATE) MR. HAFIZ RAHIMATULLAH MR. SALAHUDDIN USMANI MR. ILI SHAI KHAN MR. MUMTAZ KHAN SYED SHARBEF HUSSAIN NAQVI	63,974	193,132	3,202	260,308	56,286	193,132	90	249,508
13	<b>SINDH TEXTILE</b> F-3551, BLOCK-9, NEAR ISLAMIC CHAMBERS, CLIFTON, KARACHI.	MR. SYED ALI AZHER NAQVI (LATE) MRS. HAMIDA A. AZHER NAQVI MR. SYED ALI KAUSER NAQVI MST. SAMANA A. NAQVI MRS. SULTANA A. ZADI MR. ALI AHMER MEHDI MR. KHAWAR A. MEHDI	518-46-332606 - - - - -	MR. SYED SHARBEF HUSSAIN NAQVI W/O SYED ALI AZHER NAQVI D/O SYED ALI AZHER NAQVI	110,462	303,188	113	413,753	54,235	303,188	113	357,537
14	<b>WAH DAT CHEMICALS</b> 7, CHOWK BARDARDIN, MOZANG, LAHORE.	MR. TANVEER AHMED CHAUDHRY DR. MR. NAEEM ABBAS MR. NASIM IQBAL MALIK MR. SHAHID PERVAIZ MISS YASMIN KAUSER MRS. NUZHAT CHAUDHRY	- - - - -	MR. MUHAMMAD IKRAMUL-JUL-HAQUE4,718 MR. KAREEM BUKHSH MALIK BASHIR AHMED MIAN GHULAM NABI D/O MUHAMMAD SAFAED W/O DR. TANVEER A. CHAUDHRY	4,618	3,840	104	8,662	4,618	3,839	104	8,561
15	<b>ZAHUR TEXTILE</b> 199 - UPPER MALL, LAHORE.	MR. ARIF ZAHUR MRS. MUKAMILA JAVED MR. EJAZ-UL-HAQUE MR. M. RASHID CHAUDHRY MR. JAVED ZAHUR MR. MOHSIN ZAHUR MRS. SEPHRARA ZAHUR MRS. SABHA ZAHUR MR. MOIN A. HAROON MR. AMJAD MAHMOOD MR. RAZAARIF MRS. RUBEENA MOHSIN	270-51-030196 270-53-149867 270-91-325731 270-91-325739 270-46-498690 235-46-004589 270-76-498690	MR. ZAHUR-UL-HAQUE W/O JAVED ZAHUR MR. ISRAR UL-HAQUE MIAN ZAHURUL-HAQUE MIAN ZAHURUL-HAQUE W/O MIAN ZAHURUL-HAQUE W/O ARIF ZAHUR MR. ALI MUHAMMAD HAROON MIAN MAHMOOD ALI MR. ARIF ZAHUR W/O MOHSIN ZAHUR	120,000	119,016	-	239,016	-	112,427	-	112,427
<b>Total</b>					<b>706,102</b>	<b>1,101,157</b>	<b>4,140</b>	<b>1,811,399</b>	<b>249,818</b>	<b>836,886</b>	<b>1,022</b>	<b>1,087,727</b>

**STATEMENT SHOWING PARTICULARS OF DISPOSAL OF FIXED ASSETS  
DURING THE YEAR ENDED 31 DECEMBER 2004**  
(Amounts in Rupees '000)

**ANNEXURE - 2**

Description	Cost	Accumulated depreciation	Book Value	Sales Proceed	Purchaser	Mode of disposal
Vehicles						
- Suzuki Khyber # AC - 2883	315	315	-	187	Mr. Nasarullah Khan (Karachi)	Tender
- Suzuki Khyber # ABU - 064	368	368	-	324	Mr. S. Zahid Shah (Karachi)	Tender
- Suzuki Khyber # ABU - 522	129	64	64	306	Mr. Wasim Mirza (Karachi)	Tender
- Suzuki Khyber # ABU - 307	338	338	-	206	Mr. Iqbal Ahmed (Karachi)	Tender
- Suzuki Mehran # ABP - 880	49	23	25	167	Mr. Nasarullah Khan (Karachi)	Tender
Mobile Phone Nokia	18	9	9	9	Mr. Saleem Akhtar (employee)	Company policy
Mobile Phone Nokia	5	5	1	5	Stolen	Insurance claim
Computer Compaq D - 51C	300	90	210	278	Mr. Muhammad Naeem (Karachi)	Tender
Furniture and equipment	2,954	2,723	232	740	Various	Tender
	<u>4,475</u>	<u>3,935</u>	<u>541</u>	<u>2,222</u>		