

Crescent Leasing Corporation Limited

ANNUAL REPORT 1997

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COMPANY INFORMATION

Board Of Directors

Mr. Aftab Ahmed Khan

Chairman

Mr. Javed A. Callea

Chief Executive

Mr. Altar M. Saleem

Mr. Rashid Ahmed

Mr. Manzur-uI-Haq

Mr. Shahid Ghaffar

Mr. Nessar Ahmed

Mr. Shams-ul-Islam

Corporate Secretary

Mr. Rashid Sadiq

Mr. Zaheer A. Sheikh

Auditors

Khalid Majid Husain Rehman & Co.

Chartered Accountants

Legal Advisors

Cornelius Lane & Mufti

Advocates & Solicitors

Registered and Share Transfer Office

83-Babar Block, New Garden Town, Lahore

Phone: 042 - 588-1974 & 75 Fax; 042 - 588-1976

Head Office

B-801 & 802, 8th Floor, Lakson Square, Bldg. # 3, Satwar Shaheed Road, Karachi.

Phone: 021 - 566-1938, 48 & 58 Fax: 021 - 566-1988

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 10th Annual General Meeting of the shareholders CRESCENT LEASING CORPORATION LIMITED will be held on Monday, December 22, 1997, at 3.30 p.m. at Registered Office, 83-Babar Block, New Garden Town, Lahore to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 1997 together with Directors' and Auditors' Reports thereon.
2. To approve, as recommended by the Directors, the payment of Cash Dividend @ 15% i.e. Rs. 1.50 per share for the year ended June 30, 1997.
3. To appoint Auditors (for the year ending June 30, 1998) and fix their remuneration. The present Auditors M/S Khalid Majid Husain Rahman, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

BOOK CLOSURE

The share transfer books of the company will remain closed from December 17, 1997 to December 23, 1997 (both days inclusive). Transfer received in order at the Registered

Office by the close of business hours on December 16, 1997 will be treated in time for the entitlement of cash dividend.

BY ORDER OF THE BOARD
Zaheer A. Shaikh
Corporate Secretary

Registered Office:

83-Babar Block, New Garden Town

LAHORE.

Telephone No. (042)5881974-75, 5839631

Fax No. (042) 5881976

Dated: August 18, 1997.

NOTE:

1. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her.
2. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be deposited at the registered office of the company at least 48 hours before the meeting. A form of proxy is enclosed.
3. Shareholders are requested to immediately notify the change in address, if any.

Your Directors have pleasure in presenting the Audited Accounts for the period July 1996 to June 1997.

The financial results of the Company for the period under review are summarized as

DIRECTORS' REPORT

	1997	For eighteen months ended June '96
	Rs. (000)	Rs. (000)
Revenue	97,363	76,907
Expenditure	59,923	32,586
Profit before taxation	37,440	44,321
Provision for taxation	1,032	653
Profit after taxation	36,408	43,669
Unappropriated profit brought forward	15,945	8,345
Profit available for appropriation	52,353	52,014
Appropriations		
Transfer to reserve under NBFBI regulat	7,282	8,734
Transfer to general reserve	2,647	4,835
Proposed Dividend @ 15%	22,500	22,500
	32,429	36,069
Unappropriated profit carried forward	19,924	15,945

OPERATING RESULTS

By the grace of Almighty Allah the company made substantial progress, during the period under review, to show an improved all round performance. The income from lease operations was Rs. 89.38 million, during the period, 1996: Rs. 61.24 million (for 18 months). With increased investment in lease finance, the Net Investment in Leases rose from Rs. 383 million to Rs. 512 million, during the last twelve months, thus improving the bottom line, and resulting in a figure of Rs. 36.4 million as profit after tax.

As a percentage, the net profit has shown an increase of around 25 percent, 1996: Rs. 43.67 million (18 months). The company has utilized a long-term loan of Rs. 5 million from Commonwealth Development Corporation. The financial charges, with increased gearing, are 49% of the total income. EPS is Rs. 2.43.

The Company's progress is attributable to the pursuit of an effective strategy which has resulted in a well diversified lease portfolio. The company pursuing a policy of judicious selection of sectors and clients has penetrated the niche market i.e., small to medium sized businesses. There is a balanced i.e exposure, with a maximum exposure of 18% in any one sector. Major concentration by type of asset is in Plant & Machinery which is 65 percent of assets financed by the company. The recovery position of the company is by the grace of Allah over ninety five percent.

REVIEW OF OPERATIONS

The nation has witnessed significant events during the last eight months. The political and economic developments have been quite swift. It has been a lacklustre year which witnessed a significant deceleration in growth and a severe strain on all major macro-economic indicators.

The immediate problems are the huge fiscal deficit, the declining foreign exchange reserves and low domestic savings. On account of inadequate domestic savings, not only investment has been constrained but the country's dependence on external resources has taken a new dimension, which is bordering on high risk.

Leasing sector in Pakistan is facing difficulty for a variety of reasons, in mobilizing long-term funds. This has and is likely to continue to impede the growth rate of leasing companies. For the medium sized lessors the issue of matching funds is more difficult. As a result of such happenings margins have fallen. The search for performing clients has accentuated. Good performers have also shrunk in numbers.

Against this backdrop lease financing activities, dependent on industrial and commercial growth, depleted due to a combination of factors of which the significant ones are the deterioration in the law and order situation and under utilized capacity of the manufacturing sector, The corporate sector performance is quite discouraging.

Majority of the listed companies have failed to reward the shareholders, and therefore left them in a state of disarray. Market capitalization, which was Rs. 355 billion in July 1996, went up to Rs. 540 billion in June 1997. This situation explicates the reasons for uneasiness resulting in lack of confidence in economic stability, and therefore hampers the investment flow from outside.

The level playing field appears to get uneven. Those leasing companies who are affiliated with large banks continue to borrow from banks on favourable terms, while other independent leasing companies have a hard task to perform. It is imperative that the critical factor for development of leasing industry i.e: right of lessor to claim the depreciation allowance is not disturbed. This has been threatened and if so will be a severe set back to the industry. Simultaneously, the present legal system for repossession of leased assets requires an immediate change, whereby lessors right to repossess the lease asset should be fully respected and enforced. The issue of tax-free transfer of assets under sale and lease back arrangement must be resolved, keeping the substance of such transactions in focus.

To top it all the confidence spurring indicators for stable macro economic environment: low inflation, currency stability and balance of payments are not encouraging, thus

hampering the revival of investment activities and in turn impacting the capital formation activities in the country. The current economic situation demands both an improved diagnosis of the key problem areas as well as articulating a set of policies designed to achieve the short and medium term objectives of growth with stabilization in an environment of highly constrained financial resources.

FUTURE OUTLOOK

The Economic Reform Package of the present government aims at boosting the industrial activities. Nevertheless, the government will have to give proper attention on removing infrastructure inadequacies. With further liberalization and efforts by the government to improve business environment, there will be increased competition. The financial sector is likely to see renewed activities and in tandem the leasing companies will have to offer new products and broaden the sources of financial instruments to access fund.

Creslease has now attained a position whereby it is reckoned among the first ten companies in the leasing sector. With improved financial strength, a respectable balance sheet footing and with a quality asset portfolio, Creslease has promising opportunities for mobilizing funds. We are in constant touch with multilateral agencies for obtaining long-term funds. The response is positive and we are quite hopeful of a positive outcome.

We are hopeful that the coming months will see a significant improvement in key economic indicators. With accelerated economic growth and a positive business environment, Creslease is poised to attain new heights, Our long-term view is to balance the interest of shareholders and clients. We are constantly endeavouring to improve shareholders' value. The Directors recommend a cash dividend of Rs. 1.50 per share for the year ended June 30, 1997. i

The Board wish to record their appreciation of the valuable contribution of Mr. Stephen Potter and Mr. A.K.M. Sayeed during their term. The board welcomes Mr. Shams-ul-Islam and Mr. Shahid Ghaffar on the Board.

ACKNOWLEDGMENT

The Board acknowledges the support of the regulatory authorities, bankers, lending institutions and Commonwealth Development Corporation. The board wishes to place on record its appreciation of the hard work and dedication shown by the company personnel.

AUDITORS

The auditors, Khalid Majid Husain Rahman, Chartered Accountants retire and being eligible, offer themselves for re-appointment.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 1997, is annexed to this report.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Crescent Leasing Corporation Limited as at June 30th, 1997 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the company as

required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon ~
 have been drawn up in conformity with the Companies Ordinance, 1984,
 and are in agreement with the books of account and are further in
 accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the
 company's business; and

(iii) the business conducted, investments made and the expenditure incurred
 during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations
 given to us, the balance sheet, profit and loss account and the statement of
 changes in financial position, together with the notes forming part thereof, give
 the information required by the Companies Ordinance, 1984, in the manner so
 required and respectively give a true and fair view of the state of the company's
 affairs as at June 30th, 1997 and of the profit and the changes in financial position 0
 for the year then ended; and ~1

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

Karachi: August 19,1997

KHALID MAJID HUSAIN RAHMAN

BALANCE SHEET AS AT JUNE 30, 1997

	Note	1997 Rupees	1996 Rupees
SHARE CAPITAL AND RESERVES			
Authorised Capital 30,000,000 ordinary shares of Rs. 10/- each (1996: 20,000,000)		300,000,000 =====	200,000,000 =====
Issued, subscribed and paid-up capital	3	150,000,000	150,000,000
Capital reserve			
Premium on issue of right shares		56,250,000	56,250,000
Revenue reserves	4	48,954,041 -----	35,045,985 -----
		255,204,041	241,295,985
LONG-TERM FINANCES	5	254,447,627	152,465,773

LIABILITIES AGAINST ASSETS SUBJECT

TO FINANCE LEASE	6	88,850	559,640
LONG-TERM DEPOSITS	7	47,676,392	33,175,109
CURRENT LIABILITIES			
Current maturity of long-term liabilities	8	61,038,525	19,490,883
Certificates of investment	9	10,000,000	-
Short-term finances	10	22,929,237	3,700,094
Creditors, accrued and other liabilities	11	36,679,210	13,418,789
Proposed dividend		22,500,000	22,500,000
		-----	-----
		153,146,972	59,109,766
COMMITMENTS	12		
		-----	-----
		710,563,882	486,606,273
		=====	=====
The annexed notes form an integral part of these financial statements.			
TANGIBLE FIXED ASSETS			
Operating assets	13	16,109,583	16,659,487
Assets subject to Finance leases	14	378,017	995,435
		-----	-----
		16,487,600	17,654,922
NET INVESTMENT IN LEASES	16	346,069,343	272,037,673
LONG TERM INVESTMENTS	17	4,125,000	-
LONG-TERM DE DEFERRED COST	18	23,418,217	17,062,436
LONG-TERM LOAN	19	1,699,990	499,994
CURRENT ASSETS			
Current maturity of net investment in leases	16.1	164,914,537	110,738,371
Investments	20	55,435,000	40,935,000
Advances, deposits, prepayments and other receivables	21	25,094,955	14,876,871
Cash and bank balances	22	73,319,240	12,801,006
		-----	-----
		318,763,732	179,351,248
		-----	-----
		710,563,882	486,606,273
		=====	=====

PROFIT AND LOSS ACCOUNT FOR THE

YEAR ENDED JUNE 30, 1997

		For the eighteen months ended	
		June	June
		1997	1996
	Note	Rupees	Rupees
Income from lease operations		89,380,983	61,236,959
Other income	23	7,982,090	15,670,487
		-----	-----
		97,363,073	76,907,446
Administrative and operating expenses	24	10,973,688	13,656,391
Financial charges	25	47,984,514	17,876,396
Provision for potential lease losses		473,187	325,232
Amortization of deferred cost		491,305	727,639
		-----	-----
		59,922,694	32,585,658
Operating profit		37,440,379	44,321,788
Taxation	27	1,032,323	652,751
Profit after taxation		-----	-----
		36,408,056	43,669,037
Unappropriated profit brought forward		15,945,174	8,344,899
		-----	-----
		52,353,230	52,013,936
Appropriations:			
Transfer to reserve under NBFBI regulations		72,816,111	8,733,807
Transfer to general reserve		2,646,892	4,834,955
Proposed Dividend		22,500,000	22,500,000
		-----	-----
		32,428,503	36,068,762
Unappropriated profit carried forward		19,924,727	15,945,174
		=====	=====

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

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 1997**

	For the months ended	
	June	June
	1997	1996
	Rupees	Rupees

Cash flows from operating activities

Operating profit before taxation	37,440,379	44,321,788
Adjustment for:		
Deferred cost amortized	491,305	727,639
Depreciation	2,077,114	2,460,683
Provision for doubtful debts	473,187	325,232
(gain)/Loss on disposal of fixed assets	(200)	159,443
	-----	-----
Operating profit before working capital changes	40,481,785	47,994,785
Increase in net investment in leases	(128,681,023)	(245,337,734)
Increase in long-term deposits from customers	12,682,157	21,020,261
Increase in creditors accrued and other liabilities	23,190,059	11,802,478
Increase in advances, deposits, prepayments and other receivables	(11,100,213)	(10,280,794)
	-----	-----
Cash used in operations	(63,427,235)	(174,801,004)
Income tax (paid) / recovered	449,806	(2,478,406)
	-----	-----
Net cash used in operating activities	(62,977,429)	(177,279,410)
Cash flows from investing activities		
Purchase of fixed assets	(1,262,760)	(19,639,433)
Long term investments	(4,125,000)	--
Proceed from sale of fixed assets	353,168	1,932,665
Long-term loans -net	(1,799,996)	(470,255)
Addition in long term deposits and deferred cost	(6,847,086)	(16,736,538)
	-----	-----
Net cash used in investing activities	(13,681,674)	(34,913,561)
Cash flows from financing activities		
Proceeds from issue of share capital	-	75,000,000
Share Premium	-	56,250,000
Proceeds from long-term finances	172,782,443	164,893,317
Repayment of long-term finances	(27,364,949)	(10,237,192)
Proceeds from certificates of investment	10,000,000	-
(Repayment)/proceeds of short-term finances	19,229,143	(31,299,906)
Proceeds from lease obligations	-	1,303,800
Repayment of lease obligations	(539,662)	(350,725)
Payment of dividend	(22,429,638)	-
	-----	-----
Net cash flows from financing activities	151,677,337	255,559,294
	-----	-----
Net increase in cash and cash equivalents	75,018,234	43,366,323
Cash and cash equivalents at beginning of the year	53,736,006	10,369,683
	-----	-----
Cash and cash equivalents at the end of the year (Note A)	128,754,240	53,736,006
	=====	=====

Note A. Cash and cash equivalents at the end of the year

Cash and bank balances	73,319,240	12,801,006
Investments	55,435,000	40,935,000
	-----	-----
	128,754,240	53,736,006
	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1997**

1. LEGAL STATUS AND NATURE OF BUSINESS

The company was incorporated in Pakistan as a public limited company on April 7, 1987. The company commenced commercial operations in August 1989, and is listed on all Stock Exchanges in Pakistan. Its prime business is leasing, and it is classified as a Non-Banking Financial Institution (NBFI) by the State Bank of Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

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

2.2 Fixed Assets and Depreciation

(a) Owned

Fixed assets are stated at cost less depreciation to date. Depreciation is charged to income by applying reducing balance method. Full year's depreciation is charged on acquisitions during the year while no depreciation is charged on fixed assets disposed off during the year.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and betterments are capitalized.

Gains and losses on disposal of fixed assets, if any, are included in income currently.

(b) Assets Subject to Finance Leases

These are stated at the lower of present value of minimum lease payments and fair value of assets acquired on lease. Assets so acquired are depreciated over the shorter of the lease term or its useful life. Financial charges is allocated to accounting periods in a manner so as to produce a constant periodic rate of charge on the outstanding liability.

2.3 Deferred Cost and Amortization

Deferred costs are written off during a period not exceeding five years commencing from the year such costs are incurred.

2.4 Investments

Long-Term Investments

Long-term Investments are stated at cost and carrying amount is reduced to recognize the decline other than temporary in the value of investments.

Short-Term Investments

Investments are valued at the lower of cost and market value determined on an aggregate portfolio basis.

2.5 Taxation

(a) Current

Provision is made on taxable income at the prevailing rates of taxation after taking into account tax credits available, if any.

(b) Deferred

The company accounts for deferred taxation on all major timing differences likely to reverse in the foreseeable future, using the liability method.

2.6 Foreign Exchange Transactions

Transactions in foreign currencies are accounted for in Rupees at the rate of exchange ruling on the date of transaction. Assets and liabilities in foreign currencies are converted into Rupees at the rate of exchange at the balance sheet date. Net exchange differences arising due to hedging mechanism are accounted for as deferred revenue/costs as the case may be and are credited/amortized to income over the term of the underlying transactions.

2.7 Off-Setting

A financial asset and a financial liability is off set and the net amount reported in the balance sheet if the Company has a legal enforceable right to set-off the transactions and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously Corresponding income on the asset and charge on the liability is also netted off.

2.8 Employees' Retirement Benefits

The company operates a contributory provident fund for all its confirmed employees and contributions are made by the company and the employees in accordance with the fund rules.

2.9 Recognition of Lease Income

The company follows the financing method in accounting for recognition of lease income. Accordingly, at the time of commencement of lease, the total unearned lease finance income consists of the excess of aggregate lease contracts receivable plus any residual value over the cost of the leased assets. This finance income is then allocated over the lease term on a pattern reflecting a constant periodic return on the company's net investment outstanding in respect of the lease.

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Front end, commitment and other fees, if any, are taken to income when realized.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rupees 10/- each, fully paid in cash.

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

7,500,000	150,000,000	At beginning of the year	150,000,000	75,000,000
		Issued during the		
7,500,000	-	year	-	75,000,000
-----	-----		-----	-----
15,000,000	15,000,000		150,000,000	150,000,000
=====	=====		=====	=====

4. REVENUE RESERVES

Reserve under NBFI regulations				
Balance at beginning of the year		11,511,141	2,777,334	
Add: Transfers during the year/period		7,281,611	8,733,807	
		-----	-----	
		18,792,752	11,511,141	
General reserve				
For doubtful debts (Note 4.1)				
Balance at beginning of the year		7,589,670	2,754,715	
Add: Transfer during the year/period		2,646,892	4,834,955	
		-----	-----	
		10,236,562	7,589,670	
		19,924,727	15,945,174	
		-----	-----	
Unappropriated profit		48,954,041	35,045,985	
		=====	=====	

4.1 As a prudent business practice, amount is set aside out of profits to meet future business losses, if any.

5. LONG-TERM FINANCES-Secured

	1997	1996
	Rupees	Rupees
Foreign currency		
From Commonwealth Development Corporation (Note 5.1)	310,991,542	164,893,317
Local currency		
From a development financial institution	-	664,739
From a modaraba	-	15,992
	-----	-----
	-	680,731
	-----	-----
	310,991,542	165,574,048
Less: Current maturity of long-term finances (Note 8)	56,543,915	13,108,275
	-----	-----
	254,447,627	152,465,773

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5.1 This represents Pounds Sterling 5.000 million loan obtained from Commonwealth Development Corporation, UK. The loan is repayable in twelve equal semi-annual installments commenced from May 1997. The rate of interest is 11.5% per annum and is secured by floating pari-passu charge, through hypothecation, over certain present assets and first floating charge over certain present and all future assets of the company.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	1997	1996
	Rupees	Rupees
Minimum lease payments (Note 6.1)	448,819	1,133,990
Less: Financial charges not yet due	35,406	180,915
	-----	-----
	413,413	953,075
Less: Current maturity of liabilities against assets subject to finance leases (Note 8)	324,563	393,435
	-----	-----
	88,850	559,640
	=====	=====

6.1 The company has entered into lease agreements with leasing companies for financing to acquire motor vehicles and office equipment. Payments under these agreements include financial charges ranging from 20% to 21.5% per annum, which are used as discounting factors. The future payments due are as follows:

Year ending	1997	1996
	Rupees	Rupees
June 30, 1997	-	526,620
June 30, 1998	358,969	439,084
June 30, 1999	89,850	168,286
	-----	-----
	448,819	1,133,990
	=====	=====

7. LONG-TERM DEPOSITS

Security deposits on leases (Note 7.1)	51,846,439	39,164,282
Less: Current maturity of long-term deposits (Note 8)	4,170,047	5,989,173
	-----	-----
	47,676,392	33,175,109
	=====	=====

7.1 These represent security deposits received against lease contracts and are repayable/adjustable at the expiry/termination of the respective leases.

8. CURRENT MATURITY OF LONG-TERM LIABILITIES

Long-term finances (Note 5)	56,543,915	13,108,275
Liabilities against assets subject to finance leases (Note 6)	324,563	393,435
Security deposits on leases (Note 7)	4,170,047	5,989,173
	-----	-----
	61,038,525	19,490,883
	=====	=====

9. CERTIFICATES OF INVESTMENT

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

10. SHORT-TERM FINANCE - Secured

From a commercial bank under mark-up arrangement (secured)	2,929,237	3,700,094
From an investment bank (un-secured)	20,000,000	-
	-----	-----
	22,929,237	3,700,094
	=====	=====

This represents finance facility sanctioned upto Rs. 10.000 million on yearly renewal basis at a mark-up rate of paisas 0.046 per day and is secured by way of deposit of Government securities included in note 20 and hypothecation of lease rentals.

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Advance lease rentals	1,044,721	1,178,265
Accrued liabilities	1,465,210	1,476,776
Mark-up payable on secured finances	32,116,934	9,505,388
Mark-up payable on un-secured finances	963,232	-
Cheques issued but not presented	-	965,015
Excise duty	203,947	-
Unclaimed dividend	70,362	-
Other liabilities	814,804	293,345
	-----	-----
	36,679,210	13,418,789
	=====	=====

12. COMMITMENTS

Lease proposals approved Rupees 31.000 million (1996: Rupees 30.000 million)

13. OPERATING ASSETS

	Cost as at July 1, 1996	Additions/ (deletions)	Cost as at June 30, 1997 Rupees	Accumulated depreciation as at June 30, 1997	Written down value as at June 30, 1997	Depreciation for the year	Depreciation rate %
Office premises	11,809,442	77,385	11,886,827	1,342,392	10,544,435	554,970	5
Furniture & fixtures	1,014,461	39,600	1,054,061	305,982	748,079	132,014	15
Motor vehicles	3,574,300	308,100 (253,500)	3,628,900	1,425,144	2,203,756	550,939	20
Office equipment	2,743,240	603,425	3,346,665	992,940	2,353,725	415,363	15
Computer software	102,500	234,250	336,750	77,162	259,588	45,810	15
1997	19,243,943	1,262,760 (253,500)	20,253,203	4,143,620	16,109,583	1,699,096	
1996	3,864,490	18,335,633 (2,956,180)	19,243,943	2,584,456	16,659,487	2,152,318	

14. ASSETS SUBJECT TO FINANCE LEASES

	Cost as at July 1, 1996	Additions/ (deletions)	Cost as at June 30, 1997 Rupees	Accumulated depreciation as at June 30, 1997	Written down value as at June 30, 1997	Depreciation for the year	Depreciation rate %
Motor vehicles	753,800	(342,000)	411,800	265,095	146,705	146,705	33.33
Office equipment	550,000	-	550,000	318,688	231,312	231,313	33.33
1997	1,303,800	(342,000)	961,800	583,783	378,017	378,018	
1996	-	1,303,800	1,303,800	308,365	995,435	308,365	

15. Disposal of Fixed Assets

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal	Said to
Rupees						
Motor Vehicles						
Suzuki Khyber	253,500	139,932	113,568	113,668	By negotiation	Syed Kaleemullah, Karachi.
Suzuki Khyber	342,000	102,600	239,400	239,500	By negotiation	Mr, Dost Mohammad, Karachi.

16. NET INVESTMENT IN LEASES

	1997 Rupees	1996 Rupees
Minimum lease payments receivable	603,824,422	465,228,372
Add: Residual value	53,006,290	46,676,472
	-----	-----
	656,830,712	511,904,844
Less: Unearned finance income	145,002,596	128,757,751
	-----	-----
Net investment in leases	511,828,116	383,147,093
Less: Current maturity of net investment in leases (Note 16.1)	65,758,773	111,109,420
	-----	-----
	346,069,343	272,037,673
	=====	=====
16.1 Current maturity of net investment in leases	165,758,773	1,109,420
Less: Provision for potential lease losses	844,236	371,049
	-----	-----
	164,914,537	10,738,371
	=====	=====

17. LONG-TERM INVESTMENTS

These represent investments in 312,500 and 100,000 ordinary shares of Rs. 10 each of International Housing Finance Ltd. and Trust Investment Bank Ltd. both are associated undertakings.

18. LONG-TERM DEPOSITS AND DEFERRED COST

Long-term deposits	106,130	140,330
Deferred cost (Note 18.1)	23,312,087	16,922,106
	-----	-----
	23,418,217	17,062,436
	=====	=====

18.1 Deferred Cost

	Opening balance	Addition	Closing balance Rupees	Amortization during 1997	Accumulated amortization	Unamortized balance
Fund						
utilization	7,015,592	9,973,473	26,989,065	3,573,453	4,621,284	22,367,781
Others	3,260,614	481,266	3,741,880	491,305	2,797,574	944,306
	-----	-----	-----	-----	-----	-----
1997	20,276,206	10,454,739	30,730,945	4,064,758	7,418,858	23,312,087
	=====	=====	=====	=====	=====	=====
1996	2,632,168	17,644,038	20,276,206	1,775,470	3,354,100	16,922,106
	=====	=====	=====	=====	=====	=====

18.2 Fund utilization represents expenses incidental to foreign currency finances.

19. LONG-TERM LOAN (un-secured)**Considered good**

	1997	1996
	Rupees	Rupees
Loan to Chief Executive	2,499,994	699,998
Less: Current maturity of long-term loan (Note 21)	800,004	200,004
	-----	-----
	1,699,990	499,994
	=====	=====
Outstanding for periods exceeding three years	-	99,984
Others	2,499,994	400,010

This represents balance outstanding on house building loan, repayable by March 1999, at graduated scale commencing from December 1997. The loan carries 2% service charges. Maximum aggregate amount due from Chief Executive at the end of any month during the period was Rupees 2,533 million (1996: Rupees 0,800 million).

20. INVESTMENTS

Certificates of investment (Note 20.1)	31,000,000	31,000,000
Government securities (Note 20.2)	24,435,000	9,935,000
	-----	-----
	55,435,000	40,935,000
	=====	=====

20.1 These represent Certificates of Investment (COI's) of different financial institutions and carry return ranging from paisas 0.051 to 0.053 per day.

20.2 These represent investments in Federal Investment Bonds, as per NBFIs regulations, issued by the State Bank of Pakistan.

21. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Current maturity of long-term loan (Note 19)	800,004	200,004
Advances - Considered good		
- to staff (Note 21.1)	181,345	178,180
- against expenses	17,947	124,733
- against leases	552,998	1,499,000
- others	9,250	9,250
Taxation	100,714	1,582,843
Prepayments	555,446	177,807
Mark-up due on certificates/securities	21,896,877	6,107,111

Other receivables	980,374	4,997,943
	-----	-----
	25,094,955	4,876,871
	=====	=====

21.1 Aggregate amount due by the executives Rupees 0.144 million (1996: Rupees 0.158 million). Maximum amount due from executives at the end of any month during the year aggregated to Rupees 0.205 million (1996: Rupees 0.198 million).

22. CASH AND BANK BALANCES

	1997	1996
	Rupees	Rupees
Cash in hand	4,014	7,999
Cash with banks on		
- Current accounts (Note 22.1)	265,426	205,722
- Deposit accounts (Note 22.2)	72,993,962	12,531,447
- Collection accounts	538	538
- Foreign currency accounts	55,300	55,300
	-----	-----
	73,319,240	12,801,006
	=====	=====

22.1 This includes Rupees 0.040 million (1996: Rupees 0.020 million) in current account maintained with State Bank of Pakistan under NBFI regulations.

	1997	1996
	Rupees	Rupees
22.2 Deposit accounts:		
- Foreign currency deposits	319,445,457	164,893,317
- Less: Credit facility availed (Note 22.3)	246,453,900	152,363,775
	72,991,557	12,529,542
- Add: Local currency deposit	2,405	1,905
	-----	-----
	72,993,962	12,531,447
	=====	=====

22.3 The total sanctioned amount from commercial bank and investment company under mark-up arrangements amounted to Rupees 308 million (1996: Rupees 129.816 million). These loans carry mark-up ranging from paisas 0.033 to 0.038 (1996: paisas 0.036 to 0.049) per day. The commercial bank borrowing is repayable in twelve semi-annual equal installments commencing from November 1997, whereas investment company borrowing is repayable in twelve equal semi-annual installment effective from May 1997. The commercial bank and investment company borrowing is secured against foreign currency deposits mentioned above.

23. OTHER INCOME

Profit/return earned	7,811,302	15,326,978
Gain / (Loss) on disposal of fixed assets	200	(159,443)
Miscellaneous	170,588	502,952
	-----	-----
	7,982,090	15,670,487
	=====	=====

24. ADMINISTRATIVE AND OPERATING EXPENSES

	1997	1996
	Rupees	Rupees
Salaries and allowances including		
Directors remuneration (Note 26)	5,433,270	6,381,207
Staff training expenses	62,411	48,792
Rent, rate and taxes	104,230	392,407
Travelling and conveyance	431,877	462,399
Vehicle running expenses	409,065	514,069
Utilities	181,052	469,363
Telephone and Fax	229,798	356,398
Insurance	619,119	421,914
Fee, subscriptions and periodicals	253,424	212,263
Printing and stationery	202,701	483,955
Postage, stamps and telegrams	99,968	141,749
Legal and professional charges	105,403	294,798
Auditors' remuneration (Note 24.1)	117,861	135,000
Repairs and maintenance	372,502	462,735
Depreciation	2,077,114	2,460,683
Advertisement	126,305	236,999
Miscellaneous	147,588	181,660
	-----	-----
	10,973,688	13,656,391
	=====	=====

24.1 Auditors' remuneration

Statutory audit fee	50,000	35,000
Half year audit fee	-	17,500
Special Audit fee	15,000	15,000
Taxation charges	45,361	60,000
Out-of-pocket expenses	7,500	7,500
	-----	-----
	117,861	135,000
	=====	=====

25. FINANCIAL CHARGES

Mark up on long-term finances	44,530,722	12,200,677
Mark up on short-term finances	3,029,606	4,727,384
Bank & other charges	424,186	948,335
	-----	-----
	47,984,514	17,876,396

=====

26. REMUNERATION OF CHIEF EXECUTIVE AND OTHER EXECUTIVESFor the eighteen months
ended June 30, 1996

	1997			For the eighteen months ended June 30, 1996		
	Chief Executive	Executive	Total	Chief Executive	Executive	Total
	Rupees			Rupees		
Managerial remuneration	780,000	921,504	1,701,504	995,000	1,123,320	2,118,320
Housing and utility	390,000	460,752	850,752	365,000	655,266	1,020,266
Company's contribution						
To provident fund	78,000	92,150	170,150	73,000	97,190	170,190
Leave fare assistance	-	60,480	60,480	662,440	116,940	779,380
	-----	-----	-----	-----	-----	-----
	1,248,000	1,534,886	2,782,886	2,095,440	1,992,716	4,088,156
	=====	=====	=====	=====	=====	=====
Number of Persons	1	5		1	5	

In addition, the Chief Executive and executives were provided with free use of company cars. Directors were paid Rupees 9,000 (1996: Rupees 7,500) for attending board meetings during the year.

27. TAXATION

Current

	1997 Rupees	1996 Rupees
For the year	988,440	652,751
For prior years	43,883	--
	-----	-----
	1,032,323	652,751
	=====	=====

Deferred

There is no liability on account of deferred taxation as at June 30, 1997.

28. CORRESPONDING FIGURES

Prior period figures are for eighteen months and have been re-arranged and re-grouped wherever necessary for the purpose of comparison.

No. of Shareholders	SHARE HOLDING			Total Shares Held
	From	To		
6	1	100		370
29	101	500		11580
49	501	1000		42710
101	1001	5000		226520
27	5001	10000		222210

8	10001	15000	91680
5	15001	20000	83000
13	20001	25000	304540
4	25001	30000	114200
2	30001	35000	60960
3	35001	40000	112000
1	50001	55000	52000
4	55001	60000	233900
1	60001	65000	63950
2	75001	80000	153700
1	90001	95000	90500
2	95001	100000	196000
1	100001	105000	104400
1	355001	360000	359000
1	420001	425000	422800
1	535001	540000	537000
1	640001	645000	644800
1	875001	880000	877000
1	1245001	1250000	1249100
1	1695001	1700000	1696880
1	1755001	1760000	1758200
1	2290001	2295000	2291000
1	2995001	3000000	3000000
-----	-----	-----	-----
269			15000000
=====	=====	=====	=====

Categories of Shareholders

	Number	Shares Held	Percentage
Individuals	237	1311920	8.746
Investment Companies	2	120140	0.801
Insurance Companies	2	71200	0.475
Joint Stock Companies	10	3564800	23.766
Financial Institutions	7	3915900	26.106
Modaraba Companies	1	644800	4.298
Others	10	5371240	35.808

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T o t a l		269	15000000	100.000
=====	=====	=====	=====	=====

Others

Modarabas	9	2371240	15.808	
Non Residents	1	3000000	20.000	
-----	-----	-----	-----	-----
T o t a l		10	5371240	35.808
=====	=====	=====	=====	=====

