

## **English Leasing Limited**

### **Annual Report 1998**

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#### **COMPANY INFORMATION**

##### **Company Secretary**

Mr. Azhar Hussain

##### **Bankers**

Allied Bank of Pakistan Limited  
Muslim Commercial Bank Limited  
The Bank of Khyber  
Prudential Commercial Bank Ltd.

##### **Auditors**

Rahim Iqbal Rafiq & Co.  
Chartered Accountants

##### **Legal Advisor**

Mr. Haq Nawaz Chattha  
International Legal Services

##### **Registrars & Share Transfer Office**

C & K Management Associates (PVT) Limited  
4th Floor, Trade Tower,  
Abdullah Haroon Road,  
Near Metropole Hotel, Karachi- 75530

##### **Registered Office**

801,8th Floor, Fortune Centre,  
45-A, Block '6', P.E.C.H.S.,  
Shahrah-e-Faisal,  
Karachi.  
Tel: 4529061-64 (4 Lines)  
Fax: 4529065

**Principal Office**

M. K. Arcade

32 - Davis Road.

Lahore.

Tel: 6303855-58, 6302803-4

Fax: 9242-6304251

E-mail: ell@pol.com.pk

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that Seventh Annual General Meeting of the shareholders of English Leasing Limited will be held at its Registered Office 801,8th Floor, Fortune Centre Shahrah-e-Faisal, Karachi on Thursday December 31, 1998 at 10:30 a.m. to transact the following business.

1. To confirm the minutes of the Sixth Annual General Meeting held on December 28, 1997.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 1998, together with the Director's and Auditor's Report there on.
3. To approve the payment of Cash Dividend of Rs. 2.00 per share (20%) for the year ended June 30, 1998, as recommended by the Board of Directors.
4. To elect seven Directors fixed by the Board of Directors for a period of 3 years in accordance with section 178 of the Companies Ordinance 1984, in place of the following retiring Directors namely:
  1. Sheikh Javaid Mahmood
  2. Sheikh Manzoor Elahi
  3. Sheikh Irshad Ahmad
  4. Mr. Zahid Ali H. Jamall
  5. Mr. Muhammad Rashid Zahir
  6. Mr. M. Saad Maniar
  7. Mrs. Taskeen Javaid

All retiring Directors shall be eligible for re-election.

5. To appoint Auditors for the year 1998-99 and fix their remuneration. The present Auditors M/s. Rahim Iqbal Rafiq & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
06. To transact any other business which may be placed before the meeting with the permission of the chair.

Karachi: December 10, 1998

By Order of the Board

**(Azhar Hussain)**  
Company Secretary

**Notes:**

1. The Share Transfer Books of the Company will remain closed from December 24, to December 31, 1998/both days inclusive)
2. A member entitled to attend and vote at this meeting is entitled to appoint another member as

his/her proxy, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.

3. Nominations from shareholders for the office of Directors must be received at least 14 clear days before the time of Meeting at the Registered Office of the Company.

4. Members are required to notify the change of address, if any immediately.

5. As per CIA Notification of May, 1991 no gift will be given to the shareholders.

#### **CHAIRMAN'S REVIEW**

I feel immense pleasure while presenting 7th Annual Accounts of your Company for the period ended June 30, 1998, from which you will also be happy to find that amidst extremely unfavourable business, industrial and economic atmosphere, your company has done exceeding well and produced best results in every area of its operations.

#### **Review of ELL Operations:**

Although poor economic conditions persisted in the country, the company has not only maintained its growth but made good overall progress. The company made Gross Lease Disbursements of Rs.106.435 million raising its total disbursement to Rs.575.765 million registering an increase of 23% over the previous year figure of Rs. 469.330 million. Net investment in leases increased by 39% from Rs. 109.393 million to Rs. 152.346 million in the year 1997. The Company generated income of Rs. 51.773 million from lease operations showing 14% increase over the previous year, earned pre-tax profit of Rs. 22.330 million, thus recorded 49% increase over the previous year figure of Rs. 15.001 million. Expenditure on the other hand, reduced to Rs. 29.443 million from Rs. 30.245 million of last year despite inflationary conditions which speaks of tight management controls. Main expenditure consist of financial charges Rs. 18.486 million which nominally increased by Rs. 0.320 million. Stock market remained poor throughout the year and company investment both long term and short term depleted further.

As a matter of policy, your management maintained diversified lease portfolio with highest exposure in Machinery 87%, Vehicles 11% and Equipment 2%. Sector-wise exposure reads Textile Processing 7%, Textile Weaving 7%, Textile Spinning 3%, Engineering 11%. Sugar 19%, Electronics 5%, Food & Allied 2%, Paper & Board 2%, Agriculture 9%, Synthetic and Fibres 5%, Knitting 8%, Dyeing & Printing 9% and Miscellaneous 13%.

The company continued its policy of accommodating small and medium enterprises and have been quite selective in picking up customers of repute, creditability and financial soundness apart from evaluating the intrinsic value of the assets to be leased.

#### **Recoveries:**

Contrary to the general deteriorating trend in the leasing sector, our company has been able to further restrict infection portfolio and brought significant reduction. The company has demonstrated

effective risk management with prudent credit evaluation and regular post disbursement monitoring. To mitigate the risk in the present adverse operating environment, policy of securing additional collateral from all its new clients has been adopted. Inspire of adverse market and economic conditions, the recovery rate improved slightly and remained at 91%.

**Resource Mobilization:**

The Company has continued its campaign for Long Term Financing from Banks and Financial Institutions and succeeded in getting fresh credit lines of Rs. 55.00 million for 3 years. Further, after having successfully qualified for ADB credit line under Financial Sector Intermediation Loan (FSIL), we have received first reimbursement of Rs. 40.00 million equivalent to US\$873,255, repayable in fifteen (15) years including two years grace period. Proposals for Long Term Facilities are also under active consideration of The Bank of Punjab, Pak-Libya and Allied Bank of Pakistan. Four more proposals of aggregate sum of Rs. 71.75 million (approx.) are also pending with ADB and we are hopeful of getting further substantial amount from them. Thus a vital break through has been achieved by the Company for its future development and progress.

With respect to funds mobilization under COIs, although due to various deposit schemes launched by different Banks and Financial Institutions procurement of funds under COIs has been quite difficult, still the company has secured Long Term and Short Term deposit to the tune of Rs. 16.757 million.

**Credit Rating**

In recognition of the alround improvements in its performance and asset quality, the Pakistan Credit Rating Agency (PACRA), while updating the Company's Credit Rating has upgraded Long Term rating from BB (Double B) to BB+ (Double B Plus) while Short Term rating at B (Single B) has been maintained, which is appreciable, under the present scenario.

**Future Outlook:**

The leasing sector may continue facing challenges like low economic activity, scarcity of long term funding, reduced margin and mounting competition, delays and even defaults in rental collection for some time in the future. Our Company is fully alive to the situation and shall meet the challenges squarely. Further with the release of economic sanctions, relief provided in electricity surcharge, increased GNP, package offered for revival of industrial sector and endeavours to augment exports, with expected bumper cash crops like Cotton, Rice and Sugar cane, present adverse conditions are more likely to improve the existing scenario to the advantage of the leasing Sector bringing much needed relief to the country's economy to rejuvenate its business and industrial activity.

**Year 2000 Issue:**

The Company has addressed the year 2000 compliance issue in relation to the computer hardware and software. Necessary steps have been taken to ensure that the hardware and software can handle the millennium bug.

**Acknowledgement:**

I express my thanks to the Ministry of Finance, Corporate Law Authority, State Bank of Pakistan, Banks

and Financial Institution, our Board of Directors, and customers for their continued support and valuable guidance for promotion and progress of the Company. I also extend appreciation to my colleagues and all the staff members for their dedicated services and hardwork which made the above results possible,

## DIRECTOR'S REPORT

Your Directors endorse the accompanying Chairman Review on the activities of the Company and feel pleasure in presenting the 7th Annual Report together with the Audited Accounts of the Company for the period ended June 30, 1998.

Financial Highlights of the Company are as follows:

<b>Financial Highlights:</b>	<b>Rupees</b>
Profit after tax	20,793,801
Unappropriated profit brought forward	366,629
Profit available for appropriation	21,160,430
Appropriations	
Transfer to Statutory Reserve	4,158,760
Transfer to General Reserve	-
Transfer to Contingencies Reserve	96,523
Proposed dividend @ 20%	16,000,000
	-----
	20,255,283
	-----
Unappropriated Profit Carried Forward	905,147
	=====

### Auditors:

The present auditors, M/s Rahim Iqbal Rafiq and Company, Chartered Accountants, retire and being eligible offer themselves for reappointment.

### Pattern of Shareholding:

Pattern of shareholding is annexed.

For and on behalf of the Board

**Sheikh Manzoor Elahi**

Chief Executive

Dated: December 10, 1998

## AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of English Leasing Limited as at June 30,1998 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 the 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 and 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 30, 1998; and of the profit and the changes in Financial Position for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

(e) Without qualifying our opinion, we draw attention to Note 13.2 whereby long term investment are carried at cost and no provision has been made for the decline by Rs. 16.609 million market value of these investments.

Karachi:

Dated: December 02, 1998

**Rahim Iqbal Rafiq & Co**

Chartered Accountants

**BALANCE SHEET AS AT JUNE 30, 1998**

	Note	1998 Rupees	1997 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised			
50,000,000 Ordinary shares of Rs.10 each		500,000,000	500,000,000
		=====	=====
Issued, subscribed and paid up			
8,000,000 Ordinary shares of			
Rs.10 each fully paid in cash		80,000,000	80,000,000
Capital reserves	3	18,029,277	13,870,517
Revenue reserves	4	26,980,260	26,883,737
Unappropriated profit		905,147	366,629
		-----	-----
		125,914,684	21,120,883

<b>LONG TERM LOANS</b>	5	41,927,005	19,036,259
<b>OBLIGATIONS UNDER FINANCE LEASE</b>	6	2,890,903	889,495
<b>LONG TERM DEPOSITS</b>	7	24,913,582	23,893,508
<b>LONG TERM CERTIFICATES OF INVESTMENT</b>	8	12,282,344	19,226,702
<b>DEFERRED LIABILITIES</b>			
Gratuity		259,991	109,800
<b>CURRENT LIABILITIES</b>			
Current portion of obligations under assets subject to lease finance		600,655	246,707
Current maturity of long term liabilities		42,068,607	40,780,582
Short term finances - secured	9	5,000,000	4,217,693
Short term certificates of investment	8	4,475,000	11,500,000
Accrued and other liabilities	10	6,770,458	7,840,465
Taxation		108,255	642,307
Unclaimed dividend		255,513	263,339
Proposed dividend		16,000,000	-
		-----	-----
		75,278,488	65,491,093
		-----	-----
		283,466,997	249,767,740
		=====	=====
<b>TANGIBLE FIXED ASSETS</b>	11	8,669,673	7,488,941
<b>NET INVESTMENT IN LEASES</b>	12	152,346,487	109,393,223
<b>LONG TERM INVESTMENTS</b>	13	18,310,875	18,310,875
<b>LONG TERM DEPOSITS AND DEFERRED COST</b>	14	577,155	248,910
<b>CURRENT ASSETS</b>			
Current portion of net investment in leases	15	71,666,492	82,013,071
Investment in quoted shares against sale purchase contract	16	4,107,022	5,239,931
Short term investments	17	386,285	884,250
Advances, prepayments and other receivables	18	14,753,820	24,531,567
Cash and bank balances	19	12,649,188	1,656,972
		-----	-----
		103,562,807	114,325,791
		-----	-----
		283,466,997	249,767,740
		=====	=====

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

**Chief Executive**

**Director**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED JUNE 30, 1998**

	Note	1998 Rupees	1997 Rupees
<b>REVENUE</b>			
Income from lease operations		48,609,552	43,186,416
Gain on sale of securities		1,094,018	844,782
Other income	21	2,070,200	1,215,679
		-----	-----
		51,773,770	45,246,877
<b>EXPENDITURE</b>			
Financial and bank charges	22	18,486,053	18,166,751
Administrative and operating expenses	23	10,459,951	9,436,594
Provision for doubtful debts		-	2,641,745
Provision for diminution in investment		497,965	-
		-----	-----
		29,443,969	30,245,090
<b>PROFIT BEFORE TAXATION</b>			
		22,329,801	15,001,787
- Current year	24	849,061	581,993
- Prior year		686,939	3,074,373
		-----	-----
		1,536,000	3,656,366
<b>PROFIT AFTER TAXATION</b>			
		20,793,801	11,345,421
<b>UNAPPROPRIATED PROFIT BROUGHT FORWARD</b>		366,629	290,292
		-----	-----
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		21,160,430	11,635,713
<b>APPROPRIATIONS</b>			
Transfer to statutory reserve		4,158,760	2,269,084
Transfer to general reserve		-	9,000,000
Transfer to contingencies reserve		96,523	-
Proposed dividend @ 20%(1997: NIL)		16,000,000	-
		-----	-----
		20,255,283	11,269,084
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>			
		905,147	366,629
		=====	=====

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

Chief Executive

Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED JUNE 30,1998**



	1997	1998
	Rupees	Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the year	22,329,801	15,001,787
Acid: Adjustment to reconcile profit to net cash provided by operating activities		
Depreciation and amortization	14,072,251	1,469,562
Provision for doubtful debts	-	2,641,745
Provision for diminution of investment	497,965	-
Provision for Gratuity	1,501,911	109,800
	-----	-----
Operating profit before working capital changes	24,385,182	19,222,894
Decrease/(Increase) in current assets	10,910,656	(12,637,694)
(Decrease)/Increase in current liabilities	(7,814,270)	(26,870,362)
	-----	-----
Net cash from operating activities before income tax	27,481,568	(20,285,162)
Income tax paid	(2,070,052)	(3,494,466)
	-----	-----
Net cash inflow/(outflow) from operating activities	25,411,516	(23,779,628)
<b>Cash flows from investing activities</b>		
Investment in leases - net	(32,606,685)	25,138,794
Long term investment	-	(1,000,000)
Capital expenditure	(2,587,957)	(4,017,243)
Advance for Capital Expenditure	-	1,857,000
	-----	-----
Net cash used in investing activities	(35,194,642)	21,978,551
<b>Cash flows from financing activities</b>		
Long term loans	29,129,114	5,700,517
Proceeds from lease obligations	23,553,561	1,136,202
Certificates of Investment	(6,944,358)	6,560,397
Deposits from lessees	(3,930,269)	(1,812,209)
Long term deposits and deferred cost	(328,245)	(118,555)
Payment of dividend	(7,826)	(13,873,790)
	-----	-----
Net cash (used)/generated from financing activities	20,273,772	(2,407,438)
Net increase/(decrease) in cash	10,992,216	(4,208,513)
Cash and bank balances at beginning of the year	1,656,972	5,865,485
	-----	-----
Cash and bank balances at the end of the year	12,649,188	1,656,972
	=====	=====

Chief Executive

Director

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

## **1. THE COMPANY AND ITS ACTIVITIES**

English Leasing Limited is a Public Limited Company incorporated in Pakistan and its shares are quoted on the Stock Exchanges of Pakistan. The company is mainly engaged in the business of Leasing.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Accounting convention**

These accounts have been prepared under the 'historical cost convention'.

### **2.2 Employee's provident fund and gratuity**

The company is in the process of establishing a provident fund scheme covering all its permanent employees and working directors. Equal monthly contributions are made both by the company and employees @ 10% of the basic salaries to the fund.

The Company operates an unfunded gratuity covering all its employees. Provision is made annually to cover the liability under the scheme.

### **2.3 Tangible operating fixed assets and depreciation.**

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

Depreciation is charged to income applying the reducing balance method to write off the cost over their expected remaining useful life. Full year's depreciation is charged on additions, while no depreciation is charged on deletion during the year.

Repairs and maintenance cost are expensed out as and when incurred, however, major betterment's are capitalized.

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

### **2.4 Investments**

Long term investments are stated at cost, provision for diminution in value of investment is made, if considered permanent.

Short term investment are stated at lower of cost and market value.

### **2.5 Deferred cost**

Deferred cost is amortized over a period of 5 (Five) years from the year of incurrence.

### **2.6 Taxation**

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

### **2.7 Revenue Recognition**

The company follows the "Finance Method" to recognize the income on lease i.e. the excess of aggregate lease rentals and the residual value over the cost of leased assets is deferred and then amortized to income over the lease term by applying the annuity method to produce a constant rate of return on the net investment in the lease.

Income on bank accounts, loans and advances is recognized on a time proportion basis taking into account the principal/net investment outstanding and applicable rate of markup/profit thereon.

Income from fees, commission, commitment charges, term deposits and investment, FIBs etc.; is recognized as and when received.

Dividend income is recognised at the time of closure of share Transfer books of the company declaring the dividend.

**2.8 Provision for Doubtful Debts**

Provision for doubtful debt is made/adjusted at the year end after review of outstanding lease and advances portfolio on the basis of State Bank of Pakistan prudential regulations as applies to leasing companies.

	1998 Rupees	1997 Rupees
<b>3. CAPITAL RESERVES</b>		
Statutory reserve		
Opening balance	13,870,517	11,601,433
Add: Appropriated from profit	4,158,760	2,269,084
	-----	-----
Closing balance	18,029,277	13,870,517
	=====	=====

Statutory reserve has been created in pursuance of NBFIs regulations, Whereby every NBFIs is required to create reserve fund with an amount not less than 20% of its after tax profit till such time the reserve equals the amount of paid up capital, thereafter, 5% of Profit after Tax will be credited to this reserve.

This reserve is not considered as free reserve for distribution of dividend.

**4. REVENUE RESERVES**

	General	Contingencies	Rupees 1998	Rupees 1997
Opening Balance	22,500,000	4,383,737	26,883,737	17,883,737
Movement during the period				
Add: Appropriated from profit	-	96,523	96,523	9,000,000
	-----	-----	-----	-----
Closing Balance	22,500,000	4,480,260	26,980,260	26,883,737
	=====	=====	=====	=====

4.1 Contingency reserve has been created to meet any potential lease losses on lease portfolio that can be reasonably anticipated.

	Note	1998 Rupees	1997 Rupees
<b>5. LONG TERM LOANS</b>			

Muslim Commercial Bank Ltd.	(5.2)	9,288,554	9,900,000
Saudi Pak Industrial & Agricultural Investment Company (Pvt) Ltd.	(5.3)	1,536,259	3,264,250
First Allied Bank Modaraba	(5.4)	40,000,000	28,333,335
Allied Bank of Pakistan Limited	(5.5)	20,000,000	1,731,404
Prudential Commercial Bank Ltd.	(5.6)	2,500,000	5,000,000
Pak Libya Holding Co. (Pvt) Ltd	(5.7)	4,033,290	-
		-----	-----
		77,358,103	48,228,989
Less: Current maturity		35,431,098	29,192,730
		-----	-----
		41,927,005	19,036,259
		=====	=====

5.1 All the above loans have been obtained for financing lease operations of the company and are secured by pari passu floating charge on the present and future leased assets, hypothecation of movable assets, demand promissory notes and personal guarantees of the directors. Muslim Commercial Bank Limited loan is further secured by assignment of lease agreements/rentals.

5.2 Loan from Muslim Commercial Bank Ltd, carries mark-up rate of 17.5% p.a. on reducing balances and is repayable in 10 equal half yearly installments commenced from June 27,1993 while mark-up is payable quarterly.

5.3 Loans from Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Ltd. carries mark-up rate of 20 % p.a. on reducing balance and is repayable in 12 quarterly installment's (Principal and Mark-up) commenced from June 20,1996.

5.4 This represent long term Mushraika finance from first Allied Bank Modaraba carries mark-up rate of 21% and 23% p.a. on reducing balance and is repayable in 12 equal half yearly installments commenced from November 18, 1996 and December 29,1997 whereas mark-up is payable on quarterly basis.

5.5 Loan from Allied Bank of Pakistan Ltd, carries mark-up rate 19% p.a on reducing balance, the principal and mark-up is repayable in 11 installments commencing from June 30, 1998 on quarterly basis.

5.6 Loan from Prudential Commercial Bank Limited is secured against first floating charge on companies lease assets, receivables and personal guarantees of directors ranking pari passu with other creditors. This facility carries mark-up @ paisa 55 per thousand per day on reducing balance and is repayable in 12 quarterly installments commencing from August 15,1996.

5.7 This represent loan from Pak Libya Holding Co. (Pvt.) Limited. It carries mark-up @22% per annum on reducing balance and is repayable in 12 equal quarterly installments commenced from October 25, 1997.

**6. OBLIGATIONS UNDER FINANCE LEASE**

	1998	1997
	Rupees	Rupees
Balance of obligation under finance lease	3,491,558	1,136,202
Less: Current portion shown under current liabilities	600,655	246,707
	-----	-----
	2,890,903	889,495
	=====	=====

The obligations under finance lease are reported at aggregate of minimum lease payments, implicitly discounted by using the rate of 22%. The future payments due are as follows:

<b>Year ended June 30,</b>	<b>Rupees</b>	<b>Rupees</b>
1998	600,655	246,707
1999	719,660	307,219
2000	612,872	326,581
2001	727,911	120,152
2002	830,460	135,543
	-----	-----
	3,491,558	1,136,202
	=====	=====
	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>

#### 7. LONG TERM DEPOSITS

Security deposit on leases	31,551,091	35,481,360
Less: Repayable/adjustable within 12 months	6,637,509	11,587,852
	-----	-----
	24,913,582	23,893,508
	=====	=====

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

#### 8. LONG TERM CERTIFICATES OF INVESTMENT

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
Preference	5,773,602	14,894,845
Rapid growth	3,998,742	3,331,857
Mahana Amdan	2,500,000	1,000,000
Shashmahi Amadn	10,000	-
	-----	-----
	12,282,344	19,226,702
	=====	=====

8.1 These represent Registered Certificates of Investment (COL's) issued according to the permission granted by the Government of Pakistan for raising funds directly from the local resources. These COL's have been issued for maturity period ranging from three months to five years. The return on COL's is payable on uniform basis ranging from 15% to 19.50% p.a.

8.2 During the year company has issued COL's to various parties against their security deposit held against leased assets.

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>9. SHORT TERM FINANCES - SECURED</b>		
First Ibrahim Modaraba (9.1)	5,000,000	-
Running Finance under mark up arrangements (9.2)	-	4,217,693

-----  
 5,000,000 4,217,693  
 =====

9.1 Financing has been acquired on Musharika Investment. It is secured against demand promissory note, hypothecation of book debts and personal guarantees of two directors. These are subject to profit @ 20.25% per annum.

9.2 This financing facility was obtained from Allied Bank of Pakistan Limited under mark -up arrangement. The rate of mark-up applicable to the facility was 19% per annum repayable periodically and secured against pari passu charge over the leased assets and personal guarantee of Directors.

	1998 Rupees	1997 Rupees
<b>10. ACCRUED AND OTHER LIABILITIES</b>		
Accrued mark-up on long term loans	1,312,409	5,013,296
Profit payable on Certificate of Investments	3,245,512	900,237
Advance lease rentals	61,567	159,867
Accrued expenses	683,515	400,903
Provident fund	635,219	211,969
Other liabilities	832,236	1,154,193
	-----	-----
	6,770,458	7,840,465
	=====	=====

**11. TANGIBLE FIXED ASSETS**

Particulars	COST			DEPRECIATION			Rate %	Depreciation for the year	Book value as at June 30, 1998	
	As on July 01, 1997	Additions/ (Deletions)	As on June 30, 1998	As on July 01, 1997	Additions/ (Deletions)	As on June 30, 1998				
<b>owned</b>										
owned building	2,794,681	-	2,794,681	139,734	-	139,734	2,654,947	5	132,747	2,522,200
Furniture & fixture	1,050,831	-	1,050,831	428,368	-	428,368	622,463	10	62,246	560,217
Vehicles	4,267,361	2,450 (1,013,750)	3,256,061	2,418,441	-	1,704,284	1,551,777	20	310,355	1,241,422
Office equipment	1,025,880	162,750	1,188,630	348,938	-	348,938	839,692	10	83,969	755,723
Air conditioners	589,160	96,000	685,160	256,029	-	256,029	429,131	10	42,913	386,218
Electric installations	193,574	-	193,574	78,365	-	78,365	115,209	10	11,521	103,688
Leasehold improvements	603,184	-	603,184	425,297	-	425,297	177,887	20	35,577	142,310
Electrical equipment	95,300	41,350 (24,400)	112,250	22,038	-	19,638	92,612	10	9,261	83,351
<b>Leased</b>										
Vehicles	1,232,725	2,607,000	3,839,725	246,545	-	246,545	3,593,180	20	718,636	2,874,544
Rupees - 1998	11,852,696	1,871,400	13,724,096	4,363,755	(716,557)	3,647,198	10,076,898		1,407,225	8,669,673
Rupees - 1997	7,962,653	3,890,043	11,852,696	3,395,641	(127,200)	3,268,441	8,584,255		1,095,314	7,488,941

**11.1 Detail of disposal of operating assets**

<b>Fixed assets</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Book Value</b>	<b>Sales Price</b>	<b>Profit/ (loss)</b>	<b>Mode of disposal</b>	<b>Sold to</b>
Toyota Crolla	455,250	320,992	134,258	134,258	-	Negotiation	Sh. Manzoor Elahi-Director Lahore.
Honda Accord	558,500	393,165	165,335	165,335	-	Negotiation	Sh. Irshad Ahmed-Director Lahore.
Mobile Telephone	24,400	2,400	22,000	22,000	-	Negotiation	M/s. EFU General Insurance Karachi.
Total - 1998	1,038,150	716,557	321,593	321,593	-		
=====							
Total - 1997	300,000	127,200	172,800	290,000	117,200		
=====							

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

**12. NET INVESTMENT IN LEASES**

Minimum lease payments receivable	268,386,470	223,132,484
Add: Residual value	36,584,412	35,481,360
	-----	-----
	304,970,882	258,613,844
Less: Unearned lease income	(76,985,858)	(63,235,505)
	-----	-----
	227,985,024	195,378,339
	-----	-----
Less: Current portion shown under current maturity	(71,666,492)	(82,013,071)
Provision for doubtful debts	(3,972,045)	(3,972,045)
	-----	-----
	(75,638,537)	(85,985,116)
	-----	-----
	152,346,487	109,393,223
	=====	=====

**13. LONG TERM INVESTMENTS**

**Quoted:**

Dewan Salman Fibers Ltd. (78,873 Ordinary shares of Rs.10/-each)	8,845,000	8,845,000
Pakistan Synthetics Ltd. (125,000 Ordinary shares of Rs.10/-each)	7,865,875	7,865,875
	-----	-----
	16,710,875	16,710,875
Federal Investment Bonds	1,600,000	1,600,000
	-----	-----
	18,310,875	18,310,875
	-----	-----
Aggregate Market Value.	3,301,616	5,257,755
	=====	=====

13.1 The company's holding does not exceed 10 percent of equity of any investee company.

13.2 No provision has been made for diminution in value as it is considered temporary in the context of the company's intentions to hold these investments on a long term basis.

	1998 Rupees	1997 Rupees
<b>14. LONG TERM DEPOSITS AND DEFERENT COST</b>		
<b>Security deposits for:</b>		
Lease assets	383,972	123,272
Rented premises	172,500	109,455
Others	20,683	16,183
	-----	-----
	577,155	248,910
Deferred cost (Note:14.1)	-	-
	-----	-----
	577,155	248,910
	=====	=====

	1998 Rupees	1997 Rupees
<b>14.1 Deferred cost</b>		
Preliminary expenses	-	172,945
Share issue expenses	-	1,638,389
Pre-operating expenses	-	1,931,118
	-----	-----
	-	3,742,452
Less: Amortized to date	-	3,742,452
	-----	-----
	-	-
	=====	=====

**15. CURRENT PORTION OF NET INVESTMENT IN LEASES**

Current portion of net investment in lease (Note 12)	71,666,492	82,013,071
	=====	=====

**16. INVESTMENT IN QUOTED SHARES AGAINST SALE PURCHASE CONTRACT**

This represent investment made in quoted shares against sale/purchase contract.

**17. SHORT TERM INVESTMENTS**

**QUOTED**

Fidelity Investment Bank Ltd. (57,500 Ordinary shares of Rs. 10/-each)	2,871,500	2,871,500
The Bank of Punjab (26,000 ordinary shares of Rs. 10/-each)	1,688,250	1,688,250
	-----	-----



	4,559,750	4,559,750
<b>LESS: DIMINUTION IN VALUE OF INVESTMENTS</b>		
- Opening balance	3,675,500	3,675,500
- Provided during the year	497,965	-
	-----	-----
	4,173,465	3,675,500
	-----	-----
	386,285	884,250
	-----	-----
Aggregate Market Value of investments	386,285	1,118,490
	=====	=====

The company's holding does not exceeds 10 percent of equity of any investee company.

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>18. ADVANCES PREPAYMENTS AND OTHER RECEIVABLES</b>		
Lease rentals due from lessees	13,869,581	23,112,113
<b>Advances:</b>		
- Employees	298,710	216,500
- Income tax	-	118,069
- Telephone	10,329	15,294
- Purchase of assets	-	283,000
	-----	-----
	309,039	632,863
Prepayments	491,249	394,297
Profit on bank deposits	64,360	65,865
Mark up on shod term advances	-	284,796
Other receivables	19,591	41,633
	-----	-----
	14,753,820	24,531,567
	=====	=====

	<b>1998</b>	<b>1997</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>19. CASH AND BANK BALANCES</b>		
Cash in hand		
Stamps in hand	574,289	137,351
<b>Cash with banks</b>	4,876	7,699
- Current account		
- Deposit account	11,370,023	811,922
	700,000	700,000
	-----	-----
	12,649,188	1,656,972
	=====	=====

**20. INCOME FROM LEASE OPERATIONS**

Lease income	47,117,749	42,534,036
Front end Fees	1,045,042	509,401
Documentation & other fees	446,761	142,979
	-----	-----
	48,609,552	43,186,416
	=====	=====

**21. OTHER INCOME**

Income from bank deposits		
Profit/Mark-up on short term advances	399,056	452,947
Dividend income	1,583,677	358,196
Miscellaneous income	51,461	287,336
	36,006	117,200
	-----	-----
	2,070,200	1,215,679
	=====	=====

**22. FINANCIAL AND BANK CHARGES**

Mark-up on long/short term finance	13,921,742	11,466,698
Bank charges	41,928	96,112
Loan processing fee	327,070	539,085
Excise Duty on loans	45,833	357,241
Financial charges on lease liability	312,187	85,683
Mark-up on COIs	3,758,139	5,621,932
Interest on provident fund	79,154	-
	-----	-----
	18,486,053	18,166,751
	=====	=====

**23. ADMINISTRATIVE AND OPERATING EXPENSES**

Directors' remuneration	3,137,374	2,319,523
Staff salaries and other benefits	1,803,793	1,386,408
Gratuity	150,191	109,800
Legal and professional	502,563	501,771
Registrar's services	180,000	158,000
Rent	585,880	556,020
Travelling and conveyance	238,281	398,734
Postage, telephone and telex	383,545	378,873
Electricity, Water & Gas	202,159	208,637
Stationery and other supplies	195,646	214,018
Vehicles running	602,764	474,756
Auditor's remuneration (Note 23.1)	90,000	128,500
News papers & periodicals	10,570	7,421
Insurance	502,886	431,774
Entertainment	74,118	72,483
Repairs & maintenance	200,424	160,669
Fees & subscriptions	103,295	423,760
Depreciation (Note 11)	1,407,225	1,095,314
Amortization of deferred cost	-	374,248
Advertisement	83,237	35,885
Donation (Note 23.2)	6,000	-

-----  
 10,459,951    9,436,594  
 =====

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

**23.1 Auditors' Remuneration**

Audit fee	40,000	40,000
Tax consultancy	50,000	50,000
Special audit fee	-	38,500
	-----	-----
	90,000	128,500
	=====	=====

23.2 Donation do not include any amount paid to any person or organization in which the Chief Executive, Director or their spouses have any interest.

**24. TAXATION**

**24.1 Current year**

This represents the minimum tax due under section 80(d) of the Income Tax Ordinance, 1979.

Income tax assessment of the company has been finalised upto the income year ended June 30, 1997 (assessment year 1997-98).

**24.2 Deferred**

The liability for deferred tax is not likely to reverse in the foreseeable future and therefore, no provision for deferred tax has been made in these accounts.

**25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	1998	1997	1998	1997	1998	1997
Managerial Remuneration	387,000	318,000	696,600	558,600	332,178	281,465
Bonus	60,000	46,000	108,000	78,200	37,500	32,500
House rent & utilities	342,220	198,188	632,452	372,927	196,638	133,506
Personal staff	234,780	193,200	469,560	386,400	-	-
Reimbursement of medical expenses	6,562	2,715	100,948	77,633	12,821	11,352
Provident fund	38,700	31,800	60,552	55,860	33,218	23,400
	-----	-----	-----	-----	-----	-----
	1,069,262	789,903	2,068,112	1,529,620	612,355	482,223
	=====	=====	=====	=====	=====	=====
No. of person	1	1	2	2	3	2

In addition, the Chief Executive, two Directors and three Executives are provided with free use of company maintained cars, while Chief Executive and Directors are also provided with reimbursement of residential telephone bills.

Directors fee totalling Rs 1,000 (1997: Rs. 1,000/-) was paid to two Directors for attending two Board meetings (1996:2 Meetings) held during the year.

**26. OTHER INFORMATION**

The company has made an assessment of its computer system related to the year 2000 problem and is satisfied that the same is Y2K compliant.

**27. GENERAL**

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

- Figures have been rounded off to the nearest rupee.

**CHIEF EXECUTIVE**

**DIRECTOR**

**PATTERN OF SHAREHOLDING**

**AS AT JUNE 30, 1998**

Number of Shareholders	From	Shareholding	To	Total Shares held
82	1	-	100	8,200
757	101	-	500	356,700
178	501	-	1,000	173,600
189	1,001	-	5,000	495,400
35	5,001	-	10,000	307,600
9	10,001	-	15,000	110,400
5	15,001	-	20,000	97,000
1	20,001	-	25,000	20,500
10	25,001	-	30,000	289,500
2	30,001	-	35,000	66,800
4	35,001	-	40,000	145,600
1	40,001	-	45,000	45,000
7	45,001	-	50,000	349,000
3	50,001	-	55,000	157,600
1	60,001	-	65,000	63,700
2	70,001	-	75,000	143,400
2	95,001	-	100,000	200,000
2	145,001	-	150,000	300,000
1	170,001	-	175,000	174,500
1	245,001	-	250,000	250,000
1	285,001	-	290,000	287,500
1	345,001	-	350,000	350,000
1	445,001	-	450,000	450,000
1	480,001	-	485,000	480,500
1	595,001	-	600,000	600,000
1	825,001	-	830,000	825,700
1	1,250,001	-	1,255,000	1,251,800
-----			-----	
1,299				8,000,000

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<b>S. No.</b>	<b>Categories of Shareholders</b>	<b>Number of Shareholders</b>	<b>Total Shares Held</b>	<b>Percentage</b>
1	Individual	1,280	4,696,300	58.70
2	Investment Companies	10	1,336,400	16.70
3	Insurance Companies	1	480,500	6.01
4	Joint Stock Companies	2	9,300	0.12
5	Financial Institutions	5	1,476,500	18.46
6	Modaraba Companies	1	1,000	0.01
		-----	-----	-----
		1,299	8,000,000	100.00
		=====	=====	=====