

National Asset Leasing Corporation Limited

Annual Report 1998

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COMPANY INFORMATION

Chairman

Dr. Khalid Iqbal

Chief Executive/Managing Director

Shamim I. Junejo

Directors

Mohammad Ashiq Rehmani

Azhar Tariq Khan

Syed Naveed H. Zaidi

Rana M. Abu Obaida

Sohail Ali

Company Secretary

Zafar A. Badami

Bankers of the Company

Crescent Investment Bank Limited

Habib Bank Limited

Muslim Commercial Bank Limited

National Development Finance Corporation

National Bank of Pakistan

Bank of Punjab

Auditors

Ford, Rhodes, Robson, Morrow

Chartered Accountants,

Finlay House, I. I. Chundrigar Road, Karachi.

Share Registrars

Noble Computer Services (Private) Limited

2nd Floor, AI-Manzoor Building,

Dr. Ziauddin Ahmed Road, Karachi.

Registered Office

1-B, First Floor, All Plaza,

Khayaban-e-Quaid-e-Azam,

Blue Area, Islamabad

Phones: 270626 & 822513

Fax: (92-51) 272506

Head Office

9th Floor, Lakson Square, Building No. 1,

265 R. A. Lines, Karachi.

Phones: 5687412, 5687419, 5689580 & 5682027

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Telex: 20538 ASSET PK.
E-mail: natlease@khi.fascom.com

NOTICE OF MEETING

Notice is hereby given that the Eighth Annual General Meeting of National Asset Leasing Corporation Limited will be held at 1-B, First Floor, Ali Plaza, Khayaban-e-Quaid-e-Azam, Blue Area, Islamabad on Tuesday, December 29, 1998 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the Minutes of the Seventh Annual General Meeting held on December 29, 1997.
2. To receive, consider and adopt the Audited Accounts of the Company together with Directors' Report thereon for the year ended June 30, 1998.
3. To appoint Auditors and to fix their remuneration for the year 1998-99. M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants, the present Auditors, retire and being eligible, offer themselves for reappointment.
4. To transact any other business with the permission of the Chair.

By order of the Board

Zafar A. Badami
Company Secretary

Islamabad: December 05, 1998

NOTES:

1. The Share Transfer Book of the Company will remain closed from December 23 to December 29, 1998 (both days inclusive).
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. Proxies in order to be effective must be received at the Company's Registered Office at Islamabad at-least 48 hours before the time of holding the meeting.
3. The members are requested to please notify to the Company any change in their addresses.

DIRECTORS' REPORT

The Board of Directors of National Asset Leasing Corporation Limited is pleased to present the Annual Report of the Company for the year ended June 30, 1998.

Financial Results:

	1998	1997
	Rupees	Rupees
Gross Revenue	43,578,270	42,200,174
Expenditure	37,064,553	39,792,525
	-----	-----
Net profit before provisions	6,513,817	2,407,649
Provisions	(500,000)	(3,961,412)
	-----	-----
Net (Loss)/Profit	6,013,817	(1,553,763)
	=====	=====

The financial results for the year ended June 30, 1998 show an improvement over previous year's performance, yet it does not reflect the true picture due to the economic turmoil faced by the country in general and the industry in particular. The leasing business is directly related to the performance of the business and industry which has gone through adverse conditions. The economic experts have been regularly writing and giving fair opinion about the economic situation and does not need any further explanation and elaboration to defend the results of your leasing company.

Nevertheless, the management of the company adopted prudent policies which enable the company not only to achieve a net profit of Rs. 6,013,817/-, an increase of Rs. 7,567,580/-

over previous year, but also controlling the level of provisions.

Business Prospects

The business prospects of the company depends on availability of long term funds on competitive rates. Negotiations are under way for procuring credit from foreign and local lending agencies. The company is also preparing to launch an aggressive marketing of Certificate of Investment at reasonable profit rates. The management of the company is confident that it has the professional capability to manage profitable business operations by broadening the funding base through various means and enhancing professional techniques to meet the challenges to achieve the desired results.

Auditors

The auditors, M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants, retire and 'offer themselves for re-appointment.

Pattern of Shareholding

The pattern of shareholding as on June 30, 1998 is annexed.

Acknowledgement

The board likes to place on record the commitment, dedication and hard work of all staff members and sincere thanks to our clients, financial institutions and shareholders. We would also like to thank Corporate Law Authority and State Bank of Pakistan for their support and guidance. We trust and pray for Allah's blessings, mercy and guidance for achieving desired results in years to come (Ameen)

Dr. Khalid Iqbal

Chairman

Islamabad: December 2, 1998

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of NATIONAL ASSET LEASING CORPORATION LIMITED as at June 30, 1998 and the related profit and loss account and statement of changes in financial position (cash flow statement), 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 (cash flow statement), 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 (cash flows) for the year then ended; and

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

sd/-

FORD, RHODES, ROBSON, MORROW

Chartered Accountants

Karachi: December 2, 1998

BALANCE SHEET AS AT JUNE 30, 1998

	Note	1998 Rupees	1997 Rupees
SHARE CAPITAL AND RESERVES			
Authorised			
10,000,000 ordinary shares of Rs. 10 each		100,000,000 =====	100,000,000 =====
Issued, subscribed and paid-up 9,536,800 (1997: 9,536,800) ordinary shares of Rs. 10 each fully paid in cash		95,368,000	95,368,000
Reserves			
Reserve fund (capital reserve)	3	9,828,840	8,848,215
Unappropriated profit		10,104,876 -----	6,182,377 -----
		19,933,716 -----	15,030,592 -----
		115,301,716	110,398,592
REDEEMABLE CAPITAL-SECURED			
LONG TERM FINANCE-SECURED	4	41,464,385	34,374,511
OBLIGATION UNDER FINANCE LEASES	5	20,000,000	26,716,001
LEASE KEY MONEY	6	585,498	942,073
CERTIFICATES OF INVESTMENT	7	15,989,396	19,160,216
	8	2,100,000	7,800,000
CURRENT LIABILITIES			
Current portion of redeemable capital	4	9,968,949	9,213,069
Current portion of long term finance	5	23,996,868	24,612,017
Current portion of obligation under finance leases	6	920,772	571,925
Current portion of lease key money		3,907,045	5,553,936
Certificates of investment	8	9,000,000	8,500,000
Short term musharika fund and finance	9	17,207,628	24,656,371
Book overdraft with banks/DFI		1,517,435	8,321,502
Accrued and other liabilities	10	31,521,021 -----	25,216,663 -----
		98,039,718	106,645,483
COMMITMENTS AND CONTINGENCIES			
	11	----- 293,480,713 =====	----- 306,036,876 =====
TANGIBLE FIXED ASSETS			
NET INVESTMENT IN LEASE FINANCE	12	6,245,715	6,449,932
LONG TERM INVESTMENTS	13	150,587,507	136,956,655
LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS	14	43,081,048	43,581,048
	15	477,750	1,099,100
CURRENT ASSETS			
Current portion of net investment in lease finance	13	74,883,050	107,628,486
Advances, deposits, prepayments and other receivables	16	3,750,980	4,602,267
Cash and bank balances	17	14,454,663 -----	5,719,388 -----
		93,088,693 -----	117,950,141 -----
		293,480,713	306,036,876

=====

The annexed notes form an integral part of these accounts.

DR. KHALID IQBAL
Chairman

SHAMIM I. JUNEJO
Chief Executive

M.A. REHMANI
Director

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

		1998	1997
	Note	Rupees	Rupees
REVENUE			
Income from leasing operations	18	41,117,507	40,627,995
Income from Government securities		(359,709)	892,154
Dividend income		293,971	285,742
Income from bank deposits		2,519,185	364,283
Profit on disposal of fixed assets		416	-
Other income		7,000	30,000
		-----	-----
		43,578,370	42,200,174
EXPENDITURE			
Return and financial charges	19	25,106,462	28,233,403
Administrative and operating expenses	20	11,958,091	11,505,429
Amortisation of deferred costs		-	53,693
		-----	-----
		37,064,553	39,792,525
		-----	-----
PROFIT BEFORE PROVISIONS		6,513,817	2,407,649
PROVISIONS			
Provision for doubtful debts		-	3,461,412
Provision for diminution in value of investment		500,000	-
		-----	-----
		500,000	3,461,412
		-----	-----
PROFIT/(LOSS) BEFORE TAXATION		6,013,817	(1,053,763)
TAXATION	21		
- current year		500,000	500,000
- prior years		610,693	-
		-----	-----
		1,110,693	500,000
		-----	-----
PROFIT/(LOSS) AFTER TAXATION		4,903,124	(1,553,763)
UNAPPROPRIATED PROFIT BROUGHT FORWARD		6,182,377	7,736,140
		-----	-----
APPROPRIATION		11,085,501	6,182,377
Transfer to reserve fund		980,625	-
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		10,104,876	6,182,377
		=====	=====

The annexed notes form an integral part of these accounts

DR. KHALID IQBAL
Chairman

SHAMIM I. JUNEJO
Chief Executive

M.A. REHMANI
Director

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1998

1998
Rupees

1997
Rupees

CASH FLOWS FROM OPERATING ACTIVITIES

Net profit/(loss) for the year before tax	6,013,817	(1,053,763)
Adjustment for:		
Depreciation on fixed assets	1,467,485	1,337,949
Amortisation of deferred costs	-	53,693
Income from long term investments	359,709	(892,154)
Gain on sale of fixed assets	(416)	-
Provision for doubtful debts	-	3,461,412
Provision for diminution in value of investment	500,000	-
Return and financial charges on borrowings	21,514,827	21,996,236
	-----	-----
	23,841,605	25,957,136
	-----	-----
	29,855,422	24,903,373
Decrease in advances, prepayments and other receivables	935,282	14,239,739
Increase in accrued other liabilities	6,304,358	9,828,936
Payment of income tax	(509,877)	(451,360)
Increase in long term deposits	(63,450)	(2,197)
Decrease in lease key money	(4,817,711)	(367,665)
	-----	-----
	1,848,602	23,247,453
	-----	-----
Net cash generated in operating activities	31,704,024	48,150,826

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(1,491,611)	(1,601,248)
Sale of fixed assets	228,750	130,849
Investment in lease finance (net of recoveries)	19,114,581	(4,269,295)
(Increase)/decrease in income from Government securities	(359,709)	892,154
	-----	-----
Net cash generated/(used) in investing activities	17,492,011	(4,847,540)
	-----	-----
Total carried forward	49,196,035	43,303,286
Total brought forward	49,196,035	43,303,286

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in redeemable capital	7,845,754	9,623,573
(Decrease)/increase in long term finance	(7,331,150)	13,333,333
(Decrease)/increase in obligation under finance leases	(7,728)	478,628
(Decrease)/increase in short term finance	(7,448,742)	5,149,809
Decrease in Certificates of Investment	(5,200,000)	(25,000,000)
Return and financial charges on borrowings	(21,514,827)	(21,996,236)
	-----	-----
Net cash (used) in financing activities	(33,656,693)	(18,410,893)
	-----	-----
Net increase in cash and cash equivalents	15,539,342	24,892,393
Cash and cash equivalents at July 1, 1997/1996	(2,602,114)	(.27,494,507)
Cash and cash equivalents at June 30, 1998/1997	-----	-----
	12,937,228	(2,602,114)
	=====	=====

DR. KHALID IQBAL
Chairman

SHAMIM I. JUNEJO
Chief Executive

M.A. REHMANI
Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

The Company is incorporated in Pakistan as a public limited company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. It essentially carries on the business of leasing.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

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

2.2 Tangible fixed assets and depreciation thereon

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method whereby the cost of the asset less estimated residual value is written off over its estimated useful life. Depreciation on fixed assets is charged proportionately from the month of acquisition (full month's depreciation being charged in the month of acquisition) upto the month prior to deletion.

Assets obtained under finance leases are included as tangible fixed assets and depreciation thereon is charged over the useful life of the assets or the lease term whichever is shorter. However, if there is reasonable certainty that the ownership of the assets would transfer to the company at the end of the lease term, the asset is depreciated at the same rates as the Company's own assets.

Profit or loss on disposal of fixed assets is included in income currently.

2.3 Employees' retirement benefits

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

2.4 Investments

Long term investments: These are stated at moving average cost of the respective entities shares/certificates Provision is made for any diminution in value, if considered permanent.

Short term investments: These are stated at moving average cost of the respective entities' shares/certificates less provision for diminution in market value. The adjustment in respect of diminution in market value is determined on a portfolio basis and is charged or credited to income currently.

Profit or loss on sale of investments is accounted for currently.

2.5 Government securities repurchase/resale transactions

The Company enters into transactions of repurchase or resale in registered Government securities at contracted rates for specified periods of time. These are recorded as follows:

(a) in the case of sale under repurchase obligations the securities are deleted from the books at cost (whilst the coupon income continues to be accrued) and the charges arising from the differential in sale and repurchase values are accrued on a pro-rata basis and recorded under income from Government securities. Upon repurchase the securities are reinstated at their respective original cost.

(b) in the case of purchases under resale obligations the securities are booked at the contracted purchase price and the differential of the contracted purchase and resale prices is amortized over the period of the contract and recorded under income from Government securities.

2.6 Revenue recognition

The Company follows the "financing method" in recognizing income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortized over the term of the lease, so as to produce a constant rate of return on net investment in the lease.

Dividend income from quoted entities is recognized at the time of closure of share transfer books of the company declaring the dividend.

Income on Government securities is recognized by pro-rate accruals of the differential in cost and maturity values and/or the coupon rate applicable.

Project examination, consultancy, commitment and other charges are taken to income when realized.

2.7 Taxation

Current: The charge for current taxation is based on taxable income which is computed as if all leases are accounted for as operating leases.

Deferred: The Company accounts for deferred taxation expense using the liability method on all significant timing differences which are expected to reverse within the next three years.

	1998 Rupees	1997 Rupees
3. RESERVE FUND (CAPITAL RESERVE)		
At the beginning of the year	8,848,215	8,848,215
Transfer from profit and loss account	980,625	-
	-----	-----
At the end of the year	9,828,840	8,848,215
	=====	=====

The reserve fund is created by transferring 20% of the profit after tax for the year, This reserve is required to be maintained under the provisions of the regulations issued by the State Bank of Pakistan for Non-Banking Financial Institutions,

	Note	1998 Rupees	1997 Rupees
4. REDEEMABLE CAPITAL-SECURED			
Musharika fund	4.1	21,433,334	13,000,000
Finance against TFC's	4.2	30,000,000	30,587,580
		-----	-----
		51,433,334	43,587,580
Less: Current portion		9,968,949	9,213,069
		-----	-----
		41,464,385	34,374,511
		=====	=====

4.1 This includes-

Rs. 13,000,000 Musharika fund obtained from a Modaraba for a period of three years. The share in the profit between the Company and the Modaraba is in the ratio of their respective contributions. The share of the Modaraba during the year was Rs. 2,405,000. The profit is payable in quarterly installments commencing from September 1997.

Rs. 8,433,334 Musharika fund obtained from a commercial bank. The balance represents two lines of Rs. 6 million and Rs. 4 million repayable in 60 and 36 equal installments commencing from October 10, 1997 and December 26, 1997 respectively. The expected rate of mark-up is 19.5%. This facility is secured by a mortgage or charge on present and future book debts of the company and hypothecation of plant and machinery.

4.2 This represents credit line obtained from a DFI. The finance is repayable in four half-yearly and eleven quarterly installments. The facility carries mark-up at the rate of 20.5% per annum. The installments will commence from October 1, 1998. The facility is secured by way of assignment of lease rentals and personal guarantees of directors of the company.

5. LONG TERM FINANCE-SECURED

From-			
Commercial bank	5.1	31,143,685	37,994,685
Modaraba	5.2	12,853,183	13,333,333
		-----	-----
		43,996,868	51,328,018
Less: Current portion		23,996,868	24,612,017
		-----	-----
		20,000,000	26,716,001
		=====	=====

5.1 This represents balance of two term finance facilities of Rs. 20 million each obtained from a commercial bank. The facilities carry a mark-up rate of Rs.0.48 per Rs. 1,000 per day. The two lines are repayable in four and twelve quarterly installments. The installments will commence from September 30, 1998 and September 30,1999 respectively. The facilities are secured by registered deed of assignment of lease rentals of specific leases.

5.2 This represents Morabaha finance facility of Rs.20 million obtained from a Modaraba. The facility carries a mark-up rate of Rs.0.50 per Rs. 1,000 per day. The finance is repayable in three equal annual installments alongwith mark-up. The installments commenced from August 17, 1996. The facility is secured by deed of assignment of lease rentals of specific leases and personal guarantees of Directors of the company.

6. OBLIGATION UNDER FINANCE LEASES

This represents the outstanding balance against obligation under finance leases. The rates of return used as discounting factor range from 18.72% to 20,32% per annum. The lease rentals are payable in equal monthly installments.

	Note	1998 Rupees	1997 Rupees
Obligation under finance leases		1,506,270	1,513,998
Less: Current Portion		920,772	571,925
		-----	-----
		585,498	942,073
		=====	=====

The future minimum lease payments to which the Company is committed under the lease agreements are due as follows:

During the year 1997-1998	-	825,120
During the year 1998-1999	1,138,565	966,145
During the year 1999-2000	451,777	78,990
During the year 2000-2001	213,845	-
	-----	-----
	1,804,187	1,870,255
	=====	=====

At the end of the lease term assets held under finance lease will be transferred on payment of the residual value of Rs.262,550.

7. LEASE KEY MONEY

This represents the security deposits received against lease contracts. The amounts are refundable at the expiry of the respective lease periods.

8. CERTIFICATES OF INVESTMENT

The Certificates of investment are issued for maturity periods of three months to five years, The return on certificates ranges from 14.5% to 21%,

	Note	1998 Rupees	1997 Rupees
--	------	----------------	----------------

9. SHORT TERM MUSHARIKA FUND AND FINANCE

Musharika fund		-	10,000,000
----------------	--	---	------------

Short term finance			
from investment bank-unsecured	9.1	5,000,000	-
from commercial bank-secured	9.2	12,207,628	14,656,371
		-----	-----
		17,207,628	14,656,371
		-----	-----
		17,207,628	24,656,371
		=====	=====

9.1 This represents placement made by an Investment Bank of Rs.4,000,000 and Rs. 1,000,000 repayable on August 6, 1998 carrying markup at the rate of 18.25% per annum and July 27, 1998 carrying mark-up at the rate of 17.90% per annum respectively.

9.2 Represents running finance availed out of total sanctioned facility of Rs.15 million from a commercial bank. The facility is secured by way of registered hypothecation of leased assets. The rate of mark-up charged by the bank is Rs.0.50 per Rs.1,000 per day.

10. ACCRUED AND OTHER LIABILITIES

Accrued return/mark-up on secured loans and finance	28,828,993	21,325,545
Accrued return on Certificates of investment	1,999,393	2,113,373
Accrued operating expenses	352,221	274,500
Unclaimed dividend	149,778	153,078
Other liabilities	190,636	1,350,167
	-----	-----
	31,521,021	25,216,663
	=====	=====

11. CONTINGENCIES AND COMMITMENTS

Contingencies

11.1 Guarantees given for repayment of finances amount to Rs. 21,773,300 (1997: Rs. 21,773, 300)

11.2 Debt disputed by the company amounts to Rs. 4 million of which Rs.2 million has not been accrued as negotiations for waiver of this amount are in progress. The company is confident of a favourable outcome.

Commitments

11.3 Repurchase obligations of FIBs [Note 2.5(a)]	4,164,548	--
	=====	=====

12. TANGIBLE FIXED ASSETS

	Cost at the beginning of the year	Additions/ (disposals)/ adjustments	Cost at the end of the year	Accumulated depreciation at the end of the year	Book value at the end of the year	Depreciation for the year	Depreciation rates
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	%
Owned-							
Office premises and car parking	369,000	-	369,000	132,228	236,772	18,453	5
Office equipment	1,464,389	306,150	1,770,539	899,387	871,152	128,105	20
Furniture and fixtures	885,255	232,492	1,117,747	421,556	696,191	81,414	10
Office renovation	1,832,172	318,469	2,150,641	1,495,998	654,643	330,396	33.33
Vehicles	5,257,418	-	4,481,188	2,714,137	1,767,051	565,685	20
		(776,230)					
Sub-total	9,808,234	857,111	9,889,115	5,663,306	4,225,809	1,124,053	
		(776,230)					

Under Finance Lease-

Vehicles	2,025,160	634,500	2,659,660	639,754	2,019,906	343,432	20
Sub-total	2,025,160	634,500	2,659,660	639,754	2,019,906	343,432	
	11,833,394	1,491,611	12,548,775	6,303,060	6,245,715	1,467,485	
		(776,230)					
1997	10,481,376	2,722,273	11,833,394	5,383,462	6,449,932	1,337,949	
		(1,370,255)					

12.1 Particulars of disposals of fixed assets

	Original cost Rupees	Accumulated depreciation Rupees	Written down value Rupees	Sale proceeds Rupees	Mode of disposal	Particulars of purchaser
Suzuki Khyber	249,230	152,646	96,584	97,000	Negotiation	Mr. Ayyaz Abroad (Ex-employee) Gulshan-e-Iqbal, Karachi.
Mitsubishi Lancer	527,000	395,250	131,750	131,750	Negotiation	Ms. Suriya Begum, North Nazimabad, Karachi.
	776,230	547,896	228,334	228,750		
1997	249,230	118,381	130,849	130,849		

	Note	1998 Rupees	1997 Rupees
13. NET INVESTMENT IN LEASE FINANCE			
Minimum lease payments receivable		245,112,404	294,071,463
Add: Residual value		24,172,441	28,823,546
		269,284,845	322,895,009
Less: Unearned finance income		39,493,569	73,989,150
Net investment in lease finance		229,791,276	248,905,859
Less: Current portion of net investment in lease finance	13.1	79,203,769	111,949,204
		150,587,507	136,956,655
13.1 Current portion of net investment in lease finance		79,203,769	111,949,204
Less: Provision for doubtful debts		4,320,719	4,320,718
		74,883,050	107,628,486

14. LONG TERM INVESTMENTS

15% 10 year registered WAPDA Bonds (maturity 2002)		4,500,000	4,500,000
15% 10 year Federal Investment Bonds (maturity 2003)	14.1	1,000,000	1,000,000
		5,500,000	5,500,000

The above investments are made to meet the liquidity requirement as per NBFIs regulations.

Investment in-

Associated unlisted undertaking	14.2	2,000,000	2,500,000
Listed companies/modarabas [Aggregate market value Rs.21,306, 182 (1997: Rs. 20,900,552)]	14.3	32,081,048	32,081,048
other unlisted company	14.4	3,500,000	3,500,000
		-----	-----
		37,581,048	38,081,048
		-----	-----
		43,081,048	43,581,048
		=====	=====

14.1 As at June 30,1998 the company sold Government securities valuing Rs.4,000,000 (1997:Nil) under repurchase arrangement for a specified period of time.

14.2 Investment in associated unlisted undertaking

National Industrial Management Limited 250,000 (1997: 250,000) ordinary shares	14.2.1	2,500,000	2,500,000
Less: provision for diminution in value of investment		500,000	-
		-----	-----
		2,000,000	2,500,000
		=====	=====

14.2.1 Percentage of equity held in the investee company is 25% of its capital. The Chief Executive of the associated company is Mr. Rana M. Abu Obaida. Audit for the year ended June 30, 1998 of the investee company is in progress; the break-up value as per draft accounts is Rs. 9.5/-.

14.3 Investment in listed companies/modarabas

Associated undertakings

Industrial Capital Modaraba 574,436 (1997:574,436) modaraba certificates		5,742,575	5,742,575
--	--	-----------	-----------

Asset Investment Bank Limited 990,000 (1997: 990,000) ordinary shares		9,949,500	9,949,500
		-----	-----
		15,692,075	15,692,075

Others

First Hajveri Modaraba 193,286 (1997:193,286)modaraba certificates		1,424,615	1,424,615
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Sui Northern Gas Pipeline Limited 26,478 (1997: 23,024) ordinary shares		697,503	697,503
First International Investment Bank Limited 100 (1997: 100) Ordinary shares		3,328	3,328
Pakistan Industrial Leasing Corporation Limited 5,000 (1997: 5,000) ordinary shares		186,000	186,000

Nayab Spinning & Weaving Mills Limited 750,000 (1997: 750,000) ordinary shares		7,500,000	7,500,000
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Caravan East Fabrics Limited 650,000 (1997: 650,000) ordinary shares		6,500,000	6,500,000
Pakistan Telecommunication Corporation Limited 2,000 ordinary shares (1997:2,000 vouchers)		77,527	77,527
		-----	-----
		16,388,973	16,388,973
		-----	-----
		32,081,048	32,081,048

=====

14.4 Investment in other unlisted company

Safe Rice Mills Limited
350,000 (1997:350,000)
ordinary shares

14.4.1	3,500,000	3,500,000
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=====

14.4.1 Percentage of equity held in the investee company is 12.28% of its capital. The name of the Chief Executive of the investee company is Mr. Parvaiz Aslam. As per last available audited accounts for the year ended August 31,1997 of the company, the break-up value per share including surplus on revaluation of fixed assets is Rs. 31.44. The break-up value per share excluding surplus on revaluation of fixed assets is Rs.3.82.

14.5 Unless otherwise stated all shares/certificates/vouchers are of Rs.10 each.

15. LONG TERM DEPOSITS AND PREPAYMENTS

Deposits on lease contracts	262,550	199,100
Prepaid office rent (to an associated company)	900,000	1,500,000
	-----	-----
	1,162,550	1,699,100
Less: Current portion	684,800	600,000
	-----	-----
	477,750	1,099,100
	=====	=====

16. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Current portion of deposits on lease contracts	84,800	-
Current portion of prepaid office rent	600,000	600,000
Prepayments	110,353	403,031
Accrued income	338,789	286,448
Advance income tax paid net of provision for taxation	81,656	682,461
Other advances and receivables	16.1 1,918,896	2,630,327
Other charges recoverable from lessees	616,486	-
	-----	-----
	3,750,980	4,602,267
	=====	=====

16.1 Includes expenses incurred of Rs. 1,489,968 receivable from lessee. (1997: Rs. 1,489,968).

Note	1998 Rupees	1997 Rupees
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17. CASH AND BANK BALANCES

Cash in hand	39	1,427
Balance with State Bank of Pakistan	300,000	300,000
Balance with banks/DFIS		
- on current accounts	58,152	310,198
- on deposit accounts	17.1 14,096,472	5,107,763
	-----	-----
	14,454,663	5,719,388
	=====	=====

17.1 Includes Rs.9,089,317 (1997: Rs.5,000,000) deposited with an associated undertaking.

18. INCOME FROM LEASING OPERATIONS

Return on lease contracts	41,038,687	39,587,008
Commitment and other fees	74,470	1,021,967
Mark-up on pre-leasing advances	4,350	19,020

	41,117,507	40,627,995
	=====	=====
19. RETURN AND FINANCIAL CHARGES		
Mark-up on long term finance	14,030,114	16,298,623
Mark-up on short term finance	1,905,145	3,992,460
Musharika profit on long term fund	3,000,734	1,145,087
Musharika profit on short term fund	2,150,761	118,356
Charges on obligation under finance leases	290,309	307,293
Return on Certificates of Investment	3,591,635	6,237,167
Other financial charges	137,764	134,417
	-----	-----
	25,106,462	28,233,403
	=====	=====

20. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and benefits		5,801,085	5,203,405
Rent		600,000	600,000
Telephone, electricity and utilities		1,047,243	1,170,100
Printing and stationery		177,519	352,819
Insurance		354,520	452,441
Travelling and conveyance		479,518	457,537
Vehicle running expenses		836,350	770,189
Office maintenance		180,871	111,316
Legal and professional charges	20.1	261,513	606,800
Depreciation on fixed assets		1,467,485	1,337,949
Donation/Zakat	20.2	1,624	4,363
Other operating expenses		750,363	438,510
		-----	-----
		11,958,091	11,505,429
		=====	=====

20.1 Legal and professional charges includes auditors' remuneration and expenses as follows:

	1998 Rupees	1997 Rupees
Audit fee	50,000	50,000
Tax service	75,000	75,000
Out-of-pocket expenses	10,000	10,000
	-----	-----
	135,000	135,000
	=====	=====

20.2 None of the directors or their spouses had any interest in the donees to whom the donation was made.

21. TAXATION

21.1 The assessments of all the years upto and including assessment year 1997-98 have been finalized by the Income Tax Department. However, the company has filed appeals against all the orders passed by the Deputy Commissioner Income Tax in respect of certain disallowances. The appeals have been heard but the decisions are awaited. However, full provision for taxation has been made in these accounts.

21.2 The deferred tax liability on major timing differences at June 30,1998 amounts to Rs.8.3 million of which Rs.3.3 million is credit for the year (1997:Rs.5 million of which Rs.3 million was debit for the year). However, since these timing differences are not expected to reverse within three years, no provision for deferred taxation has been made in these accounts.

22. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The remuneration of Chief Executive and whole time working Directors and Executives charged in these accounts is as follows:

	Chief Executive Rupees	Directors Rupees	Executives Rupees	Chief Executive Rupees	Directors Rupees	Executives Rupees
Managerial remuneration	580,644	1,064,514	1,016,333	483,871	1,161,290	522,977
Housing and utilities	319,356	585,485	519,949	266,129	638,710	287,637
Reimbursement of medical expenses	958	-	126,660	36,788	41,419	39,455
	900,958	1,649,999	1,662,942	786,788	1,841,419	850,069
Number of persons	1	2	4	1	2	2

The Chief Executive., Directors and Executives are also provided with free use of Company maintained cars.

23. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS/RELATED PARTIES OTHER THAN THOSE STATED HERE IN ABOVE

	1998 Rupees	1997 Rupees
Rent for office premises charged by National Industrial Management Limited	600,000	600,000
Placement of deposit (net) with Asset Investment Bank Limited	3,086,680	5,000,000
Profit on deposit from Asset Investment Bank Limited	2,410,256	138,959
Lease rentals paid on behalf of Asset Investment Bank Limited	29,192	-
	6,126,128	5,738,959

24. GENERAL

24.1 All figures have been rounded off to the nearest rupee.

24.2 Previous year's figures have been re-arranged wherever necessary for the purposes of comparison.

DR. KHALID IQBAL
Chairman

SHAMIM I. JUNEJO
Chief Executive

M.A. REHMANI
Director

PATTERN OF SHARE HOLDINGS AS AT JUNE 30, 1998

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS			TOTAL SHARES HELD	
57	1	-	100	5,700	
194	101	-	500	78,200	
185	501	-	1000	174,900	
158	1001	-	5000	445,000	
35	5001	-	10000	268,200	
10	10001	-	15000	124,800	
9	15001	-	20000	178,500	
3	25001	-	30000	87,000	
4	30001	-	35000	126,300	
1	35001	-	40000	39,900	
2	40001	-	45000	84,700	
2	45001	-	50000	96,000	
1	50001	-	55000	50,400	
2	55001	-	60000	118,700	
1	65001	-	70000	70,000	

1	85001	-	90000	89,600
1	95001	-	100000	100,000
1	105001	-	110000	108,000
1	135001	-	140000	137,700
1	155001	-	160000	160,000
1	190001	-	195000	191,600
1	195001	-	200000	200,000
2	200001	-	205000	405,400
1	215001	-	220000	220,000
1	230001	-	235000	234,400
2	255001	-	260000	520,000
3	345001	-	350000	1,045,300
1	360001	-	365000	361,500
1	395001	-	400000	400,000
1	795001	-	800000	800,000
1	805001	-	810000	810,000
1	850001	-	855000	855,000
1	945001	-	950000	950,000
-----				-----
686				9,536,800
=====				=====

**CATEGORIES OF
SHAREHOLDERS**

**MEMBER OF
SHAREHOLDERS** **SHARES
HELD** **PERCENTAGE**

INDIVIDUALS	665	4,877,700	51.146
INVESTMENT COMPANIES	5	1,317,100	13.811
JOINT STOCK COMPANIES	8	1,659,000	17.396
FINANCIAL INSTITUTIONS	1	810,000	8.493
MODARABAS	6	872,400	9.148
OTHERS	1	600	0.006

TOTAL	686	9,536,800	100.000
=====			