

Security Leasing Corporation Limited

(Annual Report 1996)

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COMPANY INFORMATION

BOARD OF DIRECTORS

M.R. Khan	Chairman & Chief Executive
Muhammad Khalid Ali	Managing Director & Chief Operating Officer
S. M. Nadim Shafiqullah	
Parvez Hussain Sufi	
Ariff Ali Rashid	
Arshad Abdulla	
Ebrahim Qassim	
Iskandar Sultan Khwaja	
Javed Shakoor	
Zahid Rashid Khwaja	

EXECUTIVE COMMITTEE

M.R. Khan	Chairman & Chief Executive
Muhammad Khalid Ali	Managing Director & Chief Operating Officer
S. M. Nadim Shafiqullah	Director
Ariff Ali Rashid	Director
Ebrahim Qassim	Director

CREDIT COMMITTEE

M.R. Khan	Chairman & Chief Executive
Muhammad Khalid Ali	Managing Director & Chief Operating Officer
Mohammed Rahmatullah	General Manager - Finance
Ghulam Qadir Khan	Head of Marketing

COMPANY SECRETARY

Mohammed Rahmatullah

AUDITORS

Khalid Majid Husain Rahman
Chartered Accountants

LEGAL ADVISORS

Khalid Anwar & Co.
Advocates

REGISTERED OFFICE & SHARE TRANSFER OFFICE

B 901-902, 9th Floor, Lakson Square Building No. 3
Sarwar Shaheed Road, Karachi-74200, Pakistan.

Tel: 518806, 518822, 5683902 & 5686372

Fax: 5689854

NOTICE OF MEETING

Notice is hereby given that the Third Annual General Meeting of the Members of Security Leasing Corporation Limited will be held on Wednesday, October 16, 1996 at 3:00 p.m. at Rafia Chaudhri Memorial Hall, Sidco Avenue Centre, 264 R.A. Lines, Karachi-74200, to transact the following business:

Ordinary Business

1. To confirm the minutes of the Extra-ordinary General Meeting of the Company held on May 23, 1996.
2. To receive, consider and adopt the audited accounts for the year ended June 30, 1996 and the reports of the Directors and the auditors thereon.

3. To appoint auditors and fix their remuneration. The present auditors Messrs. Khalid Majid Husain Rahman, Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To transact any other business with the permission of the Chair.

Special Business

5. To consider, ratify and approve the remuneration of full time working executive elected as director to fill casual vacancy and pass the following resolution as ordinary resolution.

"Resolved that the remuneration of Mr. Mohammed Khalid Ali, Chief Operating Officer of the Company, elected as director to fill a casual vacancy, is approved from the date of his election as director to the extent of the amount determined by the Board of Directors from time to time together with other benefits as per company policy."

September 23, 1996 By Order of the Board
Mohammed Rahmatullah
Company Secretary

- Notes:
1. The Share transfer books of the Company shall remain closed from October 10 to 16, 1996 (both days inclusive).
 2. A member entitled to attend, speak and vote at these meetings may appoint a proxy to attend, speak, and vote on his/her behalf. A proxy need not be a member.
 3. An instrument of proxy and the Power of Attorney or other authority (if any) under which it is signed or a notarially certified copy of such Power of Attorney or other authority, in order to be valid must be deposited at the Registered Office of the Company, not less than 48 hours before the time of the respective meeting.
 4. Members are requested to notify change in their address, if any.

STATEMENT UNDER SECTION 160(1) OF THE COMPANIES ORDINANCE, 1984

Mr. Mohammed Khalid Ali, Chief Operating Officer, was elected as director to fill casual vacancy on the Board arisen due to resignation of Mr. Nazim Haji. He is currently being paid remuneration of Rs. 143,995 per month by virtue of his being Chief Operating Officer and is entitled to annual bonus and other benefits as per company policy.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED JUNE 30, 1996

The Board of Directors has pleasure in presenting the Annual Report together with the audited financial statements for the year ended June 30, 1996.

Review

As your Company had commenced its operations on May 21, 1995, this is the first report depicting full year's operations. Your directors are pleased to report steady growth in the operations of the Company. During the year, the lease disbursements amounted to Rupees 133.3 million and the net investment in leases amounted to Rupees 166.6 million at the year end. The Company has taken a very diversified exposure as would be seen from the following table:

Net Investment in Leases

Sector	% of total exposure
Textile	18
Cement	17
Publications	10
Energy	9
Sugar	8
Engineering	7
Health care	7
Others	24
Total	100

The diversity of the lease portfolio has substantially reduced the risk of potential losses. There were no rental dues outstanding at the year end which is very encouraging. The Company has also arranged further lines of credit amounting to Rupees 90 million and is also pursuing additional lines of credit from local as well as foreign lending institutions.

Future Business Prospects

The leasing business in the country is still comparatively small and offers substantial growth potential. The share of the leasing sector in the total capital investment is around 3% compared to 7-15% in the Asian region. However, the present economic climate is likely to result in slowing down the growth rate and to put pressure on the profitability of the leasing companies. Therefore, the opportunities will lie with those leasing companies which are efficiently managed and are able to mobilise financial resources at competitive cost.

The recent fiscal measures relating to the levy of Central Excise Duty, General Sales Tax and other provincial taxes are likely to present additional challenge to the leasing companies.

These issues have been taken up at the appropriate level of the Government and are also subject of constitutional petitions filed by the leasing companies through the Leasing Association of Pakistan.

Your company will continue its efforts to consolidate its position and to tap opportunities for its sustained growth. Further, to ensure efficient and profitable utilization of the available resources, the Company will continue to spread its exposure over a broad spectrum of clients and industries taking exposure on such borrowers who have a proven track record of timely repayments, adequate profitability and strong cash flows from their existing operations.

Financial Results

During the year, the lease disbursements amounted to Rupees 133.3 million and income from the leasing business was Rupees 25.9 million. Net profit after tax was Rupees 9.1 million. The profits and appropriations for the year ended June 30, 1996 were as follows:

	Rs. in million
Net profit after tax	9.103
Unappropriated profit brought forward	0.520
Profit available for appropriation	9.623
Appropriations:	
Transfers to:	
Statutory reserve	1.820
Reserve for contingencies	1.666
	3.486
Unappropriated profit carried forward	6.137

Directors

Mr. Nazim Fidahussain Haji, one of your directors, resigned during the year due to his numerous other commitments. In his place, Mr. Mohammed Khalid Ali, Chief Operating Officer, was elected as director and was also appointed as the Managing Director. Your Board wishes to place its appreciation of the services of Mr. Haji for the Company and welcomes Mr. Mohammed Khalid Ali on the Board.

The members of the Company, at the extra-ordinary general meeting held on May 23, 1996, had also approved the increase in the number of directors on the Board and consequently, Mr. Stephen Potter, nominee of Commonwealth Development Corporation, United Kingdom, was elected as the director of your Company. Necessary approval for this appointment has been applied to the Corporate Law Authority. The Board believes that your Company will greatly benefit from the experience of Mr. Stephen Potter.

Human Resources

It is the policy of the Company to engage personnel of high calibre and experience at all levels to enable it to perform better and grow in an ever increasing competitive environment. The company is also committed to the continued professional development and motivation of its personnel.

The directors express their deep appreciation of the efforts and dedication of all personnel of the Company which enabled it to conduct its operations efficiently and to maintain steady growth during the year.

Auditors

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

Pattern of Shareholding

The pattern of shareholdings as at June 30, 1996 is annexed to this report.

September 23, 1996

For and on behalf of the Board of Directors
M. R. Khan
Chairman & Chief Executive

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1996

Shareholding	Number of Shareholders	Total Shares Held	Percentage
--------------	------------------------	-------------------	------------

From	To			
1	100	3	300	0.00
101	500	942	470,700	4.71
501	1,000	4	4,000	0.04
1,001	5,000	18	53,500	0.54
5,001	10,000	5	49,600	0.50
15,001	20,000	1	19,300	0.19
20,001	25,000	2	50,000	0.50
45,001	50,000	3	146,200	1.46
65,001	70,000	1	70,000	0.70
95,001	100,000	1	96,200	0.96
145,001	150,000	1	150,000	1.50
150,001	155,000	1	151,000	1.51
190,001	195,000	1	192,400	1.92
245,001	250,000	1	250,000	2.50
295,001	300,000	4	1,200,000	12.00
380,001	385,000	1	384,800	3.85
480,001	485,000	2	962,000	9.62
1,495,001	1,500,000	1	1,500,000	15.00
4,245,001	4,250,000	1	4,250,000	42.50
		-----	-----	-----
		993	1,000,000	100.00
		=====	=====	=====

CATEGORIES OF SHAREHOLDERS

Particulars	Shareholders	Shareholding	Percentage
Individuals	985	2,364,600	23.65
Investment Companies	2	731,000	7.31
Investment Banks	2	673,400	6.73
Modarabas	2	481,000	4.81
Foreign Investors	2	5,750,000	57.50
	-----	-----	-----
Total	993	10,000,000	100.00
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Security Leasing Corporation Limited as at June 30, 1996 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 period 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 30, 1996 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.

Khalid Majid Husain Rahman
Chartered Accountants

Karachi: September 23, 1996

BALANCE SHEET AS AT JUNE 30, 1996

	Note	1996 Rupees	1995 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital			
25,000,000 ordinary shares of Rs. 10 each		250,000,000	250,000,000
Issued, subscribed and paid up capital			
10,000,000 (1995: 10,000,000) ordinary shares			
of Rs. 10 each fully paid in cash		100,000,000	100,000,000
Reserves	3	9,753,514	650,812
		-----	-----
		109,753,514	100,650,812
LONG TERM LOANS	4	39,000,000	-
LONG TERM DEPOSITS	5	15,439,745	5,628,328
CURRENT LIABILITIES	6	26,164,371	648,226
CONTINGENCIES AND COMMITMENTS	7	-	-
		-----	-----
		190,357,630	106,927,366
		=====	=====
ASSETS			
TANGIBLE FIXED ASSETS	8	12,172,983	12,715,171
CAPITAL WORK-IN-PROGRESS	9	280,587	35,000
LONG TERM INVESTMENTS	10	4,360,824	3,006,810
NET INVESTMENT IN LEASES			
Minimum lease rentals receivable	11	207,681,544	78,599,229
Add: Residual value		18,409,568	7,097,201
Lease contracts receivable		226,091,112	85,696,430
Less: Unearned income		59,480,259	31,043,450
Net investment in leases		166,610,853	54,652,980
Less: Current portion of net investment in leases		35,152,387	5,438,957
		-----	-----
		131,458,466	49,214,023
DEFERRED COSTS	12	1,868,420	2,395,987
LONG TERM ADVANCES & DEPOSITS	13	1,001,847	1,335,289
CURRENT ASSETS	14	39,214,503	38,225,086
		-----	-----
		190,357,630	106,927,366
		=====	=====

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

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 1996

	Note	1996 Rupees	From May 21, to June 30, 1995 Rupees
Income from leasing operations	15	25,926,267	1,070,730
Other income	16	2,255,179	755,480
		-----	-----
		28,181,446	1,826,210
Financial charges	17	6,811,563	426
Administrative and operating expenses	18	12,043,627	1,169,772
		-----	-----
		18,855,190	1,170,198
Operating profit for the year		9,326,256	656,012
Provision for taxation	19	223,554	5,200
		-----	-----
Profit after taxation		9,102,702	650,812
Unappropriated profit brought forward		520,650	-
		-----	-----
		9,623,352	650,812
Appropriations:			

Transfers to:		
Statutory reserve	1,820,540	130,162
Reserve for contingencies	1,666,000	-
	-----	-----
	3,486,540	130,162
	-----	-----
	6,136,812	520,650
	=====	=====

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, 1996

	1996	From Jan 1, to June 30, 1995
	Rupees	Rupees
Cash flows from operating activities		
Net profit before taxation	9,326,256	656,012
Adjustments for items not involving movement of funds:		
Depreciation	1,583,368	149,135
Amortization of deferred costs	622,806	49,916
Gain on disposal of fixed assets	-970	-
Gain on disposal of listed securities	(704,223)	-
	-----	-----
Operating profit before working capital changes	10,827,237	855,063
Advances, prepayments and other receivable	(902,805)	390,352
Deposits from lessees	9,811,417	5,628,328
Short term/running finances	19,719,512	-
Accrued and other current liabilities	1,599,000	(118,355)
Payment of tax	(25,561)	(3,200)
	-----	-----
Net cash flow from operating activities	41,028,440	6,752,188
Cash flows from investing activities		
Net investment in leases	(111,957,878)	54,652,980
Capital expenditure	(1,334,297)	(6,119,795)
Proceeds from disposal of fixed assets	48,500	-
Long term investments	(5,419,641)	(3,006,810)
Proceeds from disposal of listed securities	4,769,850	-
Deferred costs	(95,239)	(305,076)
Recovery of long term advance	496,869	165,847
Long term deposits	(163,427)	(62,100)
	-----	-----
Net cash used in investing activities	(113,655,258)	63,980,914
Cash flows from financing activities		
Proceeds from issuance of share capital	-	40,000,000
Proceeds from long term loans	45,000,000	-
Repayment of long term loans	(2,000,000)	-
	-----	-----
Net cash flow from financing activities	43,000,000	40,000,000
	-----	-----
Net decrease in cash and cash equivalents	(29,626,818)	(17,228,726)
Cash and cash equivalents at beginning of the period	32,135,169	49,363,895
	-----	-----
Cash and cash equivalents at end of the year (Note A)	2,508,351	32,135,169
	=====	=====
Note A: Cash and cash equivalents at end of the period.		
Cash and bank balances	608,351	27,135,169
Short term investments	1,900,000	5,000,000
	-----	-----
	2,508,351	32,135,169
	=====	=====

32.13

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1996**

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated on December 6, 1993 and commenced its operations

on May 21, 1995. The Company is principally engaged in the business of leasing and is listed on the Karachi Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

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

2.2 Revenue recognition

The Company follows the financing method in accounting for recognition of lease income. The unearned lease income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of leased assets is taken to income over the term of the lease, so as to produce a systematic return on net investment in leases.

Front end fee and profit on bank deposits and Federal Investment Bonds are accrued when due.

Dividend income and profit on term finance certificates are taken into account on accrual basis.

2.3 Deferred costs and amortization

Deferred costs are written off during the period not exceeding five years commencing from the year of incurrence.

2.4 Investments

Long term investments are stated at cost. Provision is made for other than temporary diminution in value of investments.

Short term investments are valued at the lower of cost or market value on an aggregate portfolio basis.

The charges or credits, if any, arising from adjustments in carrying amounts are taken to profit and loss account currently.

2.5 Tangible fixed assets and depreciation

These are stated at cost less accumulated depreciation depreciation is charged applying the straight line method at the rates specified in note 8. In respect of additions during the year, depreciation is charged from the month of acquisition. No depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to income as and when incurred.

2.6 Employees' retirement benefits

The company operates a contributory provident fund for all its permanent employees and contributions are made monthly in accordance with the fund rules to cover the obligations.

2.7 Taxation

Current

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

Deferred

Deferred taxation is accounted for using the liability method on all major timing differences excluding the effects of those timing differences which are not likely to reverse in the foreseeable future.

3. RESERVES

	Note	1996 Rupees	1995 Rupees
Statutory reserve	3.1	1,950,702	130,162
General reserve			
Reserve for contingencies	3.2	1,666,000	-
Unappropriated profit		6,136,812	520,650
		-----	-----
		9,753,514	650,812
		=====	

3.1 Statutory reserve

At July 1		130,162	-
Transfer from profit and loss account		1,820,540	130,162
		-----	-----

1,950,702 130,162
=====

This represents transfer of after tax profits as required under the relevant provision of the State Bank of Pakistan's Prudential Regulations for Non-Banking Financial Institutions.

3.2 Reserve for contingencies

This represents reserve for meeting any potential lease losses.

4. LONG TERM LOANS - Secured	4.1	23,000,000	-
From commercial banks	4.2	20,000,000	-
From other financial institutions		-----	-----
		43,000,000	-
Less: Current maturity	6	4,000,000	-
		-----	-----
		39,000,000	-
		=====	=====

4.1 This represents loan obtained for lease financing and carry mark-up at the average rate of Rupee 0.508 per Rupees 1,000 per day. Out of these loans, Rupees 15 million are repayable on July 31, 1997 and are secured by pari passu charge over present and future movable assets and lease rental receivable whereas the remaining Rupees 8 million are repayable in eight instalments upto June 17, 1998 and are secured by a first charge on certain specific leased assets and related lease rentals receivable.

4.2 This represents finances obtained under mark-up and pro-note discounting facilities and are repayable in full between July 5, 1997 and November 5, 1997. These arrangements carry mark-up at the average rate of 18% per annum and are secured by pari passu charge over present and future movable assets and lease rentals receivable.

5. LONG TERM DEPOSITS

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

6. CURRENT LIABILITIES

Current maturity of long term loan	4	4,000,000	-
Short term finances-secured			
- from financial institution	6.1	10,000,000	-
Running finance under mark-up			
arrangements-secured	6.2	9,719,152	-
Accrued and other liabilities	6.3	2,445,219	648,226
		-----	-----
		26,164,371	648,226
		=====	=====

6.1 This represents finance obtained under morabaha facility from an investment bank. The purchase price of this facility is Rupees 11.850 million and is repayable in full on September 19, 1996. The finance is secured by a pari passu charge on all movable assets and lease rentals receivable.

6.2 This represents running finance utilized against aggregate facility of Rupees 10 million from a bank. It carries mark-up at a rate of Rupee 0.52 per Rupees 1,000 per day and is secured by a pari passu charge on movable assets and lease rentals receivables.

6.3 Accrued and other liabilities

Accrued liabilities		74,170	499,792
Accrued mark-up on secured			
loans/finances		1,127,672	-
Advance against leases		996,238	-
Taxation		199,993	2,000
Other Liabilities		47,146	146,434
		-----	-----
		2,445,219	648,226
		=====	=====

7. CONTINGENCIES & COMMITMENTS

7.1 Lease rentals payable under various lease agreements for motor vehicles are as detailed below:

Payable in the year ending June 30, 1996	-	1,874,892
1997	2,256,984	1,874,892
1998	754,130	285,788
1999	114,735	-
	-----	-----
	3,125,849	4,035,572
	=====	=====

7.2 Commitments for lease finance	10,900,000	25,110,000
	=====	=====

7.3 Commitments for capital expenditure	48,000	40,000
	=====	=====

7.4 Guarantees issued	1,800,000	-
	=====	=====

8. TANGIBLE FIXED ASSETS

Description	COST		DEPRECIATION			WRITTEN DOWN VALUE		Rate of depreciation
	As at July 1, 1995	Additions/ (deletions) during the year	As at June 30, 1996	As at July 1, 1995	Charge for the year/ (Adjustments)	As at June 30, 1996	As at June 30, 1996	
				Rupees				%
OWNED								
Office premises-Leasehold	7,306,560	-	7,306,560	30,444	365,328	395,772	6,910,788	5
Leasehold improvements	1,637,707	-	1,637,707	20,471	245,652	266,123	1,371,584	15
Furniture and fixtures	1,382,174	701,480	2,083,654	41,747	378,303	420,050	1,663,604	20
Office equipment	704,012	48,000	752,012	21,805	147,108	168,913	583,099	20
Computer equipment	658,840	236,600	895,440	21,059	201,940	222,999	672,441	25
Generator and airconditioners	1,128,279	45,000	1,173,279	18,805	233,910	252,715	920,564	20
Vehicles(note 8.1)	52,810	57,630	57,630	880	11,127	6,727	50,903	20
		(52,810)			(5,280)			
June 30, 1996	12,870,382	1,088,710	13,906,282	155,211	1,583,368	1,733,299	12,172,983	
		(52,810)			(5,280)			
June 30, 1995	102,286	12,768,096	12,870,382	6,076	149,135	155,211	12,715,171	

8.1 Disposal of Assets - Vehicles

Description	Book Value	Sale Proceeds	Gain on Disposal	Mode of Disposal	Buyer
Motor cycle	47,530	48,500		970 Insurance claim	EFU General Insurance Company Limited

9. CAPITAL WORK-IN-PROGRESS

	1996	1995
	Rupees	Rupees
Leasehold improvements	280,587	15,000
Furniture and fixtures	-	20,000
	-----	-----
	280,587	35,000
	=====	=====

10. LONG TERM INVESTMENTS

	Number of ordinary shares/certificates of Rs. 10 each	Rupees
Listed Securities		
25th ICP Mutual Fund	5,000	39,483
Al-Ghazi Tractors Limited	7,000	366,600
First Equiry Modaraba	44,500	289,335
First Ibrahim Modaraba	32,700	280,406
First UDL Modaraba	33,000	225,340
Genertech Pakistan Limited	10,000	245,950
Golden Arrow Selected Stocks Fund Limited	7,000	28,310

Ibrahim Energy Limited	12,500	345,500
Ibrahim Fibres Limited	20,000	187,600
ICI Pakistan Limited	5,000	352,225
KASB Mutual Fund Limited	50,000	335,500
Kohinoor Power Company Limited	5,000	84,400
Nishat Tek Limited	10,000	258,000
Sitara Energy Limited	20,000	632,925
Sui Northern Gas Pipelines Limited	12,000	389,250

		4,060,824
Federal Investment Bonds (note 10.1)		300,000

		4,360,824
		=====
As at June 30, 1995		3,006,810
		=====

Aggregate market value of the above investments is Rupees 3, 058,080 (1995: Rupees 2,796,600).

10.1 This represents investment made as required under the relevant provision of the State Bank of Pakistan's Prudential Regulations for Non-Banking Financial Institutions under REPO arrangement with an investment bank.

	Note	1996 Rupees	1995 Rupees
11. MINIMUM LEASE RENTALS RECEIVABLE			
Due within one year		63,525,593	15,089,180
Due after one year		144,155,951	63,510,049
		-----	-----
		207,681,544	78,599,229
		=====	=====
12. DEFERRED COSTS			
Registration fees		382,500	382,500
Formation expenses		505,500	410,261
Underwriting commission		250,000	250,000
Brokerage		252,170	252,170
Listing fee		155,774	155,774
Share issue expenses		870,394	870,394
Pre-operating expenses		124,804	124,804
		-----	-----
		2,541,142	2,445,903
Less: Amortisation to-date		672,722	49,916
		-----	-----
		1,868,420	2,395,987
		=====	=====
13. LONG TERM ADVANCES AND DEPOSITS			
Advance	13.1	212,965	709,834
Deposits-against leases		611,382	515,455
-Others		177,500	110,000
		-----	-----
		1,001,847	1,335,289
		=====	=====
13.1 Advance			
Advance to an executive/director			
- considered good		301,694	798,563
Less: Current maturity	14.2	88,729	88,729
		-----	-----
		212,965	709,834
		=====	=====
Included in the above are amounts:			
Due within next three years		177,458	177,458
Due after three years		35,507	532,376
		-----	-----
		212,965	709,834
		=====	=====

This represents outstanding amount of advance due to former employer of an executive/director, settled by the Company in accordance with the terms of employment. This advance is repayable by the year 2004 and carry mark-up @ 2% per annum on the outstanding balance. Against this advance, a promissory

note is obtained and title documents of the property are retained by the Company.

Maximum aggregate amount due from the executive/director at the end of any month during the year was Rs. 788,563 (1995: Rs. 874,497)

14. CURRENT ASSETS

Current portion of net investment in leases		35,152,387	5,438,957
Short term investments	14.1	1,900,000	5,000,000
Advances, prepayments and other receivables	14.2	1,553,765	650,960
Cash and bank balances	14.3	608,351	27,135,169
		-----	-----
		39,214,503	38,225,086
		=====	=====

14.1 Short term investments

This represents Term Finance Certificates (TFCs) issued by Nishat Tek Limited of the face value of Rupees 100,000 each, carrying a mark-up rate of 18% per annum. These TFCs are redeemable in 10 semi-annual instalments with the last being due on January 16, 1999.

14.2 Advances, prepayments and other receivables

Current maturity of long term advance		88,729	88,729
Advances—considered good		779,870	68,990
Prepayments		527,721	274,566
Accrued return on investments		156,477	102,850
Other receivables		968	115,825
		-----	-----
		1,553,765	650,960
		=====	=====

14.3 Cash and bank balances

Cash in hand		3,879	3,362
Balances with banks on:			
Current accounts		604,472	2,131,807
Deposit accounts		-	25,000,000
		-----	-----
		604,472	27,131,807
		-----	-----
		608,351	27,135,169
		=====	=====

15. INCOME FROM LEASING OPERATIONS

Income on lease contracts		24,029,186	683,894
Front end fee		1,873,641	386,836
Lease termination charges		23,440	-
		-----	-----
		25,926,267	1,070,730
		=====	=====

16. OTHER INCOME

Profit from banks under cash management scheme		402,533	640,179
Mark-up on Term Finance Certificates		163,845	-
Profit on Musharika finance		236,000	-
Profit on modaraba certificates		28,250	102,850
Return on other investments		393,342	9,164
Mark-up on advance to an executive/director		13,131	1,764
Fees, commissions and other charges		312,885	1,523
Gain on disposal of listed securities		704,223	-
Gain on disposal of fixed assets		970	-
		-----	-----
		2,255,179	755,480
		=====	=====

17. FINANCIAL CHARGES

Mark-up on long term loans		4,743,508	-
Mark-up on short term loans		1,719,519	-
Mark-up on running finance		259,823	-
Documentation charges		68,850	-
Excise duty and bank charges		19,863	426
		-----	-----
		6,811,563	426
		=====	=====

18. ADMINISTRATIVE & OPERATING EXPENSES

Directors' fee		10,000	3,000
Salaries, allowances and benefits		5,070,884	421,485
Telephone and fax		289,316	31,790
Postage and courier		14,937	1,155
Electricity		226,809	32,010
Office maintenance		362,870	52,350
Insurance		42,633	5,156
Business promotion expenses		329,573	14,660
Canteen expenses		53,711	5,650
Vehicle running expenses		716,601	60,869
Travelling and conveyance		54,241	-
Advertisement expenses		50,800	-
Printing and stationery		162,801	36,967
Subscriptions		91,598	-
Legal and professional charges	18.1	136,673	20,511
Stock exchange listing fee		25,000	14,583
Statutory filing fees		3,505	1,600
Depreciation		1,583,368	120,984
Amortization of deferred costs		622,806	49,916
Lease rentals		2,144,789	292,271
Zakat		9,671	-
Miscellaneous		41,041	4,815
		-----	-----
		12,043,627	1,169,772
		=====	=====

18.1 Legal and professional charges include auditors' remuneration, as follows:

Annual audit	25,000	15,000
Audit of Statutory report	7,500	-
Consultancy services	10,000	-
Out-of-pocket expenses	4,667	-
	-----	-----
	47,167	15,000
	=====	=====

18.2 Remuneration of Chief Executive and Executives

	1996			1995		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
	Rupees			Rupees		
Managerial remuneration	634,815	3,037,738	3,672,553	225,236	977,227	1,202,463
Medical expenses	50,348	67,198	117,546	73,412	5,911	79,323
Provident fund contribution	-	174,532	174,532	-	19,664	19,664
	-----	-----	-----	-----	-----	-----
	685,163	3,279,468	3,964,631	298,648	1,002,802	1,301,450
	=====	=====	=====	=====	=====	=====
Number of persons	1	5	6	1	4	5
	=====	=====	=====	=====	=====	=====

In addition, the Chief Executive and certain executives were also provided with free use of company cars and certain household items in accordance with their terms of employment. All executives were also provided with medical insurance cover.

An executive was inducted in the board of directors during the year to fill a casual vacancy.

19. TAXATION**Current**

This represents the provision for minimum tax under section 80D of the Income Tax Ordinance, 1979.

Deferred

There was no deferred tax liability as on the balance sheet date.

20. GENERAL

Figures have been rounded to the nearest Rupee and previous period's figures have been rearranged wherever necessary to facilitate comparison.