

First Fidelity Leasing Modaraba Annual Report 1998

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COMPANY INFORMATION

Board of Directors

Chairman	Mr. Masood Akbar
Chief Executive	Mr. Wasim-ul-Haq Osmani
Directors	Mr. Javaid B. Sheikh Mr. Arshad I. Khan
Corporate Secretary	Mr. Imran Hameed
Auditors	Riaz Ahmad & Company Chartered Accountants
Legal Advisor	Cornelius, Lane & Mufti Advocate & Solicitors
Bankers	Muslim Commercial Bank Limited Union Bank Limited Habib Bank A.G. Zurich
Modaraba Company	Fidelity Capital Management (Private) Limited (wholly owned subsidiary of Fidelity Investment Bank Limited)
Principal Place of Business	97-A, Aziz Avenue, Canal Bank, Lahore.
Registrars	Hameed Majeed Associates 7-Bank Square, H.M. House The Mall, Lahore.

DIRECTORS' REPORT

The Directors have pleasure in submitting the 7th Annual Report of the Modaraba together with the audited accounts and the auditors' report for the year ended June 30, 1998.

The overall business environment during the year remained subdued. According to the Economic Survey of Pakistan our GDP grew by 5.4 percent during the year 1997-98 as compared to 1.3 percent in the previous year, yet most of the economic targets were not met. The decline in imports year on year provided a small positive impact on our current account and balance of payments. However, in the post-nuclear scenario, the impositions of economic sanctions have struck a major blow to our limited economic achievements of last year.

Almost four years have now passed since bearish sentiments took hold of the capital market and are still persisting. Any improvement during this period has only been short-lived. Investors' confidence in the capital market remained very low for most part of the current year. KSE-100 index closed at 880 points in June 30, 1998 from 1,566 at the end of June 30, 1997 i.e. a decline of 43.8%. Subsequently KSE Index touched an all time low of 766 in July 1998. The daily volume on the KSE vary from 80 million to 120 million but only five major stocks account for 90% of total volume. The rest of the market for all practical purposes does not exist. Furthermore the decision of the Government of Pakistan to block Foreign Currency Accounts fearing major withdrawals in view of likely post nuclear sanctions has totally eroded foreign investors confidence. The foreign fund managers have now started selling their stocks and even the low prices of some blue chip stocks have not convinced them to reinvest the proceeds in the local market. It is going to take some time before foreign funds again make their presence felt locally.

The Modaraba during the year has earned a net profit before tax of Rs.13.21 million as compared to Rs. 12.45 million earned last year. In arriving at this profit, provisions have been made against doubtful lease rental receivables amounting to Rs.19.6 million. Adopting a prudent approach and instead of deferring matters, the Modaraba has always made substantial provisions in its accounts which in case of an economic revival can turn into additional reserves for the Modaraba.

FUTURE OUTLOOK

In the past, we did not come up with the required strategy to overcome the economic crisis, nor undertook efforts to delve on the solutions considered to be the correct ones. Although it is very easy to blame post nuclear sanctions for the crisis but careful analysis show that it has been in the making over the years caused by excessive official spending and economic mismanagement.

We have to keep in mind that the economic bailout package being negotiated with IMF and other international agencies is going to bring only temporary relief and it is imperative that long term strategy to be in place soon to solve the urgent outstanding economic problems. Now that the economic team at the Federal level has been changed we hope that consistent long term policies are put in place.

Future growth of the Modaraba depends very much on economic revival in the country. A majority of business executives foresee stagnation in economic growth. However, one hopes that international lending agencies will come forward and provide much needed assistance to Pakistan. In such a situation we can perceive a moderate growth in economy and some increase in businesses. Economic growth will not only help create corporate activities but

also the businesses which at present have weak financial standing will start earning and able to meet their liabilities towards Modaraba.

To tap the middle class and to take benefit of low percentage of default by small lenders, the Modaraba has launched and pursued consumer leasing using a prudent selection criteria. The Modaraba experience in this category is very good and we intend to pursue this mode more aggressively in the year 1999.

The Modaraba has made adequate arrangements in its software installations so that millennium bug does not effect its operations.

APPROPRIATION

The Beard has made following appropriations:-

	Rupees
Net profit after taxation for the year	15,012,229
Un-appropriated profit brought forward	2,579,869

Available for appropriation	17,592,098
Transfer to special reserve as per requirement of rule 3 (a) of NBF1 Circular No. 1 dated December 5, 1991	3,002,446
Transfer from general reserve	(10,000,000)
Transfer to Final Dividend payable account Rs. 1.15 per certificate	23,728,409

	16,730,855

Unappropriated profit carried forward	861,243
	=====

DECLARATION OF DIVIDEND

The Directors of Modaraba are pleased to announce a final dividend of 11.50% for the year ended June 30, 1998. The Certificate Transfer Books of the Modaraba will remain closed from January 08, 1999 to January 16, 1999 (both days inclusive) for determination of dividend entitlement.

AUDITORS

The present Auditors Messrs. Riaz Ahmed & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

In the end, I conclude by reaffirming the Management's commitment to a sound approach based on high standards of professional ethics and moral integrity with a note of thanks to all the staff members of the Modaraba.

For and on behalf of the
Board of Directors

Lahore
Dated: December 18, 1998

MASOOD AKBAR
Chairman

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet as at 30 June 1998 and the related profit and loss account and statement of sources and application of funds together with the notes to the accounts for the year ended 30 June 1998 of FIRST FIDELITY LEASING MODARABA which are modaraba company's [Fidelity Capital Management (Private) Limited] representation and we state that we have obtained all the information and explanations which we required and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the modaraba company in respect of First Fidelity Leasing Modaraba as required by the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modarabas Rules, 1981;

(b) in our opinion, the balance sheet and the profit and loss account have been drawn up in conformity with the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980, and Modaraba Companies and Modarabas Rules, 1981; and

(c) in our opinion and to the best of our information and according to the explanations given to us;

i) the balance sheet and the related profit and loss account and statement of sources and application of funds, which are in agreement with the books of account, exhibit respectively a true and fair view of the state of the modaraba's affairs as at 30 June 1998 and the profit and the changes in the sources and application of funds for the year ended on that date;

ii) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, has been deducted by the modaraba and deposited in Central Zakat Fund established under section 7 of that ordinance; and

iii) the business conducted, investments made and expenditure incurred by the modaraba are in accordance with the objects, terms and conditions of the modaraba.

Lahore
Dated: December 18, 1998

RIAZ AHMAD & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1998

Note	1998 Rupees	1997 Rupees
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CAPITAL AND RESERVES

Authorised capital

30,000,000 modaraba certificates of Rupees 10 each		300,000,000	300,000,000
		=====	=====
Issued, subscribed and paid up capital	3	206,333,990	206,333,990
Reserves and surplus			
Capital reserve	4	17,695,677	14,693,231
Revenue reserve-General		5,000,000	15,000,000
Unappropriated profit		861,243	2,579,869
		-----	-----
		229,890,910	238,607,090
LONG TERM DEPOSITS	5	12,267,353	12,216,488
DEFERRED TAXATION		1,000,000	1,000,000
CURRENT LIABILITIES			
Short term finance	6	-	4,995,700
Creditors, accrued and other liabilities	7	1,888,609	2,040,307
Provision for taxation		4,972,688	11,690,660
Dividend payable		23,728,409	-
		-----	-----
		30,589,706	18,726,667
CONTINGENCIES AND COMMITMENTS		-	-
		-----	-----
		273,747,969	270,550,245
		=====	=====
TANGIBLE FIXED ASSETS			
Operating assets in own use	8	148,036	998,020
Operating assets given on lease	9	105,230,078	85,347,179
		-----	-----
		105,378,114	86,345,199
INVESTMENTS	10	35,925,297	33,823,823
CURRENT ASSETS			
Morabaha finances	11	42,218,009	53,718,009
Other receivables	12	28,600,652	39,617,549
Cash in hand and bank balances	13	61,625,897	57,045,665
		-----	-----
		132,444,558	150,381,223
		-----	-----
		273,747,969	270,550,245
		=====	=====

The annexed notes form an integral part of these accounts.

MASOOD AKBAR
Chairman

WASIM-UL-HAQ OSMANI
Chief Executive

JAVAID B. SHEIKH
Director

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

	Note	1998 Rupees	1997 Rupees
REVENUES			
Lease rentals		21,344,328	39,741,993
Profit on morabaha finances		9,766,860	4,307,505
Other income	14	11,530,520	8,612,275
		-----	-----
		42,641,708	52,661,773
OPERATING EXPENSES			
	15	16,362,258	21,580,502
FINANCIAL AND OTHER CHARGES	16	11,745,998	17,381,194
		-----	-----
		28,108,256	38,961,696
		-----	-----
		14,533,452	13,700,077
MODARABA COMPANY'S MANAGEMENT FEE			
		1,321,223	1,245,462
		-----	-----
PROFIT BEFORE TAXATION		13,212,229	12,454,615
PROVISION FOR TAXATION	17	18,000,000	(7,190,660)
		-----	-----
PROFIT AFTER TAXATION		15,012,229	5,263,955
UNAPPROPRIATED PROFIT BROUGHT FORWARD		2,579,869	13,368,705
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		17,592,098	18,632,660
APPROPRIATIONS			
Transfer to statutory reserve		3,002,446	1,052,791
Transfer to/(from) general reserve		(10,000,000)	15,000,000
Final Dividend Rs. 1.15 per certificate (1997: Nil)		23,728,409	-
		-----	-----
		16,730,855	16,052,791
		-----	-----
UNAPPROPRIATED PROFIT		861,243	2,579,869
		=====	=====

The annexed notes form an integral part of these accounts.

MASOOD AKBAR
Chairman

WASIM-UL-HAQ OSMANI
Chief Executive

JAVAID B. SHEIKH
Director

**STATEMENT OF SOURCES AND APPLICATION OF FUNDS
FOR THE YEAR ENDED JUNE 30, 1998**

	1998	1997
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from/used by operations	12,704,008	(35,829,962)
Long term advances and deposits - Net	-	5,999,479
Lease rentals	14,669,023	24,168,741
Profit paid on musharika finance	(332,275)	(114,931)
Profit received on morabaha finance	9,786,592	4,615,174
Income tax paid	(8,005,914)	(1,436,866)
	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	28,821,434	(2,598,365)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	457,229	797,240
Sale proceeds from sale of shares/certificates	6,618,297	23,856,981
Lessees security deposits	50,865	133,133
Sale proceeds of leased assets sold	3,325,983	702,194
Sale proceeds of own assets sold	815,628	460,000
Fixed assets acquired-Own use	-	(44,300)
Fixed assets-Leased out	(35,493,400)	(2,382,333)
	-----	-----
NET CASH FLOWS FROM INVESTING ACTIVITIES	(24,225,398)	23,522,915
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(15,804)	(31,686)
	-----	-----
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	4,580,232	20,892,864
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		
	57,045,665	36,152,801
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR		
	61,625,897	57,045,665
	=====	=====
CASH GENERATED FROM/USED BY OPERATIONS		
Profit before taxation	13,212,229	12,454,615
Adjustment for non-cash charges and other items:		
Provision for diminution in the value of investment and doubtful lease rentals receivable	11,636,411	16,645,707
Depreciation	12,327,880	18,753,250
Amortization of deferred costs	-	191,204

Profit on musharika finances obtained	83,174	364,032
Dividend income	(457,229)	(797,240)
Profit on morabaha finances given	(9,766,860)	(4,307,505)
(Gain)/loss on sale of fixed assets	(21,042)	69,920
(Gain)/loss on sale of shares/certificates	(698,342)	-
Lease rentals	(21,344,328)	(39,741,993)
Fixed assets discarded	12,037	-
Working capital changes	7,720,078	(39,461,952)
	-----	-----
	12,704,008	(35,829,962)
	=====	=====

WORKING CAPITAL CHANGES**(Increase)/decrease in operating assets**

Morabaha finances	11,500,000	(43,218,009)
Other receivables	918,476	701,322
	-----	-----
	12,418,476	(42,516,687)

Increase/(decrease) in operating liabilities

Short term finances	(4,995,700)	4,995,700
Creditors, accrued and other liabilities	297,302	(1,940,965)
	-----	-----
	(4,698,398)	3,054,735
	-----	-----
	7,720,078	(39,461,952)
	=====	=====

MASOOD AKBAR

Chairman

WASIM-UL-HAQ OSMANI

Chief Executive

JAVAID B. SHEIKH

Director

NOTES TO THE ACCOUNTS**FOR THE YEAR ENDED JUNE 30, 1998****1. LEGAL STATUS AND NATURE OF BUSINESS**

First Fidelity Leasing Modaraba was formed under the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Fidelity Capital Management (Private) Limited. The Modaraba commenced its business operations from 05 December, 1991. It is listed on all the stock exchanges in Pakistan.

The Modaraba is a perpetual, multipurpose and multidimensional Modaraba and is primarily engaged in the business of leasing, musharika and morabaha financing, investment in marketable securities and other related business.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Overall valuation policy**

These accounts have been prepared under the historical cost convention.

2.2 Tangible fixed assets

2.2.1 Assets in own use and depreciation.

Operating fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the reducing balance method whereby the cost of an asset is written off over its estimated useful life. Full year's depreciation is charged on additions while no depreciation is charged on assets disposed of during the year.

Maintenance and normal repairs are charged to income as and when incurred. Gain/loss on disposal of fixed assets are included in income currently.

2.2.2 Assets given on lease and depreciation

Leased assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying annuity method whereby the cost of an asset less salvage value is written off over its lease period. In respect of additions and disposals during the year, depreciation is charged proportionately to the period of the leases.

2.3 Accounts receivables

Provision for doubtful receivables is made/adjusted after a review of the outstanding portfolio at year end on the basis of Prudential Regulations as applicable and management's own judgement.

2.4 Investments

Investments are valued at cost. Full provision is made against permanent diminution in the value of investments.

2.5 Revenue recognition

Rental income is recognized on accrual basis over the lease period. In previous years, it was recognized as income when due. This change has been made for recognition of income on a basis more systematic and representative of the time pattern in which leased assets are depreciated. However, there is no material financial impact due to this change.

Front end fee is taken to income on receipt basis.

Profit on morabaha and musharika finances is recognized on accrual basis, calculated on number of days for which funds were utilized.

Profit or loss on sale of investments is accounted for in the year in which it arises. Dividend income is recognized on receipt basis.

Profit on bank deposit is recognized on time proportion basis taking into account period of deposit and rate of return applicable thereon.

2.6 Taxation

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits receivable.

The Modaraba accounts for deferred taxation on all major timing differences,

using the liability method excluding the tax effect of those timing differences which are not likely to reverse in the foreseeable future.

2.7 Deferred cost

Deferred costs are amortized over a period of five years.

	1998 Rupees	1997 Rupees
3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
16,656,491 modaraba certificates of Rupees 10 each	166,564,910	166,564,910
3,976,908 modaraba certificates of Rupees 10 each issued as bonus	39,769,080	39,769,080
	-----	-----
	206,333,990	206,333,990
	=====	=====
4. CAPITAL RESERVES		
Opening balance	14,693,231	13,640,440
Transferred from profit and loss account	3,002,446	1,052,791
	-----	-----
	17,695,677	14,693,231
	=====	=====

This statutory reserve has been created to comply with the Non-Banking Financial Institutions (NBFIs) Prudential Regulations as applicable to the Modarabas.

5. LONG TERM DEPOSITS

These represent the interest free security deposits (lease key money) received against lease contracts and are repayable/adjustable at the expiry/termination of respective lease.

6. SHORT TERM FINANCE

This represents the finance obtained from Prime Commercial Bank Limited under musharika arrangement on profit and loss sharing basis and is secured against first charge on present and future leased out assets, shares of a listed company and demand promissory note.

7. CREDITORS, ACCRUED AND OTHER LIABILITIES

	1998 Rupees	1997 Rupees
Profit accrued on musharika finances obtained	-	249,101
Lease rentals received in advance	75,891	259,986
Accrued and other payables	1,069,799	772,497
Unclaimed dividend	742,919	758,723
	-----	-----
	1,888,609	2,040,307

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8. OPERATING ASSETS IN OWN USE

Description	COST		ACCUMULATED DEPRECIATION			BOOK VALUE		DEPRECIATION	
	As at 01 July 1997	Additions/ (Deletions)	As at 30 June 1998	As at 01 July 1997	Adjustments	As at 30 June 1998	As at 30 June 1998	Charge for the year	Rate %
Vehicles	1,753,800	(1,753,800)	-	963,413	963,413	-	-	-	20
Computer and other office equipment	378,528	(67,280)	311,248	260,133	52,708	242,029	69,219	34,604	33.33
Furniture and fixtures	117,900	(2,900)	115,000	28,662	1,237	36,183	78,817	8,758	10
1998 Rupees	2,250,228	(1,823,980)	426,248	1,252,208	1,017,358	278,212	148,036	43,362	
1997 Rupees	3,125,928	44,300 (920,000)	2,250,228	1,375,588	390,081	1,252,208	998,020	266,701	

8.1 DISPOSAL OF FIXED ASSETS

Description	Cost Rupees	Accumulated Depreciation Rupees	Book Value Rupees	Sale Proceeds Rupees	Mode of Disposal	Particulars of Purchasers
Honda Civic	693,800	294,172	399,628	399,628	Negotiation	Mr. Shahid Mansoor, 145AA, L.C.C.H.S., Lahore Cantt.
Honda Civic	1,060,000	669,240	390,760	408,000	Negotiation	Mr. Shahid Chaudhry, Lahore.
Fax Machine	17,000	12,802	4,198	8,000	Negotiation	Messrs Fastdeck Computers, Lahore.

9. OPERATING ASSETS GIVEN ON LEASE

Description	COST		ACCUMULATED AMORTIZATION			BOOK VALUE	AMORTIZATION	
	As at 01 July 1997	Additions/ (Deletions)	As at 30 June 1998	As at 01 July 1997	Adjustments	As at 30 June 1998	As at 30 June 1998	Charge for the year
Plant and machinery	98,200,000	31,400,000 (3,200,000)	126,400,000	24,841,478	2,880,000	30,552,824	95,847,176	8,591,346
Vehicles	19,434,584	3,980,000 (12,723,251)	10,691,333	9,228,953	10,016,380	2,564,711	8,126,622	3,352,138
Office equipment	2,642,700	113,400 (712,700)	2,043,400	859,674	413,588	787,120	1,256,280	341,034

1998 Rupees	120,277,284	35,493,400	139,134,733	34,930,105	13,309,968	33,904,655	105,230,078	12,284,518
		(16,635,951)						
1997 Rupees	118,705,951	2,382,333	120,277,284	16,552,361	108,805	34,930,105	85,347,179	18,486,549
		(811,000)						

9.1 Detail of leased out assets disposed of after expiry/termination of leases during the year under reference:

DESCRIPTION	COST	ACCUMULATED AMORTIZATION	BOOK VALUE	SALE PROCEEDS	PARTICULARS OF PURCHASERS
	Rupees	Rupees	Rupees	Rupees	
Office equipment	712,700	413,588	299,112	299,112	Kohinoor Motor Works Limited
Textile machinery	3,200,000	2,880,000	320,000	320,000	Kohinoor Industries Limited
Vehicles					
Mitsubishi Galant	1,770,000	1,270,823	499,177	499,177	Kohinoor Motor Works Limited
Honda Civic	710,000	509,765	200,235	200,235	Kohinoor Motor Works Limited
Suzuki Margala	441,000	280,354	160,646	160,646	Kohinoor Motor Works Limited
Suzuki Margala	234,064	148,800	85,264	85,264	Kohinoor Motor Works Limited
Suzuki Mehran	240,000	152,573	87,427	87,247	Kohinoor Motor Works Limited
Suzuki Mehran	250,100	139,072	111,028	111,028	Kohinoor Motor Works Limited
Suzuki Margala	461,250	256,486	204,764	204,764	Kohinoor Motor Works Limited
Suzuki Mehran	252,150	140,212	111,938	111,938	Kohinoor Motor Works Limited
Suzuki Khyber	356,700	189,244	167,456	167,456	Kohinoor Motor Works Limited
Suzuki Bolan	260,869	198,096	62,773	62,773	Kohinoor Motor Works Limited
Suzuki Mehran	204,021	154,927	49,094	49,094	Kohinoor Motor Works Limited
Suzuki Khyber	390,000	351,000	39,000	39,000	Sidat Hyder Morshad Associate (Pvt.) Ltd.
Suzuki Mehran	238,000	149,940	88,060	88,060	Pakistan Mobile Communications
Suzuki Potohar	550,000	346,500	203,500	203,500	Pakistan Mobile Communications
Suzuki Bolan	254,872	229,385	25,487	25,487	Mr. Khurshid Alam
Toyota Corolla	794,000	714,600	79,400	79,400	Lahore Society for Education and Research
Toyota Hiace	1,200,000	1,080,000	120,000	120,000	Lahore Society for Education and Research
Toyota Hiace	1,200,000	1,080,000	120,000	120,000	Lahore Society for Education and Research
Mitsubishi Lancer	755,625	680,062	75,563	75,563	Lahore Society for Education and Research
Mitsubishi Lancer	755,625	680,062	75,563	75,563	Lahore Society for Education and Research
Honda Civic	741,975	667,777	74,198	74,198	Lahore Society for Education and Research
Suzuki Khyber	331,500	298,350	33,150	33,150	Lahore Society for Education and Research
Suzuki Khyber	331,500	298,350	33,150	33,150	Lahore Society for Education and Research

10. INVESTMENTS

1998		1997	
Cost Rupees	Market Value Rupees	Cost Rupees	Market Value Rupees

Shares/certificates of listed companies/funds (Note 10.1)	49,212,143	15,132,542	55,132,098	33,823,823
Less: Provision for the diminution in the value of investments	13,286,846	-	21,308,275	-
	35,925,297	15,132,542	33,823,823	33,823,823
	=====			

10.1 SHARES/CERTIFICATES OF LISTED COMPANIES/FUNDS

	1998		Average Cost	1997	
	Cost	Market Value	Per Share	Cost	Market Value
	Rupees	Rupees	Rupees	Rupees	Rupees
D.G.Khan Cement Company Limited 82,000 (1997: 82,005) fully paid ordinary of Rupees 10 each	4,912,515	465,900	59.91	4,912,515	1,000,400
Nishat Mills Limited 70,500 (1997:70,500) fully paid ordinary of Rupees 10 each	5,586,890	599,250	79.25	5,586,890	1,410,000
Muslim Commercial Bank Limited 465,500 (1997: 465,600) fully paid ordinary shares of Rupees 10 each	15,779,004	8,658,300	33.90	15,779,004	15,245,125
First Leasing Corporation Limited 75,500 (1997: 152,600) fully paid ordinary shares of Rupees 10 each	1,274,018	490,750	16.87	1,274,018	641,750
Sui Southern Gas Pipelines Limited Nil (1997: 5,500) fully paid ordinary shares of Rupees 10 each	-	-	-	173,130	156,750
ICl Pakistan Limited Nil (1997:136,000) fully paid ordinary shares of Rupees 10 each	-	-	-	3,475,500	3,298,000
Faysal Bank Limited Nil (1997: 11,000) fully paid ordinary shares of Rupees 10 each	-	-	-	424,000	295,350
Kohinoor Weaving Mills Limited Nil (1997:10,000) fully paid ordinary shares of Rupees 10 each	-	-	-	205,505	100,000
Maple Leaf Electric Company Limited 1,300,000 (1997:1,000,000) fully paid ordinary shares of Rupees 10 each	20,000,000	4,550,000	15.38	20,000,000	9,250,000
Pakistan Telecommunication Company Ltd. Nit (1997:20,000) fully paid ordinary shares of Rupees 10 each	-	-	-	862,000	613,000

ICP (S.E.M.E) Mutual Fund

41,000 (1997:61,500) certificates
of Rupees 10 each

	1,559,750	373,100	38.04	2,339,570	1,722,000
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National Investment Trust Limited

6,675 (1997: 6,675) units of Rupees 10 each

	99,966	45,056	14.97	99,966	91,448
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BONUS SHARES

Askari Leasing Limited

40 fully paid ordinary shares
of Rupees 10 each

	-	396	-	-	-
--	---	-----	---	---	---

AI-Faysal Investment Bank Limited

975 fully paid ordinary shares
of Rupees 10 each

	-	9,750	-	-	-
--	---	-------	---	---	---

National Development Leasing Corporation Limited

10 fully paid ordinary shares
of Rupees 10 each

	-	40	-	-	-
--	---	----	---	---	---

	-----	-----		-----	-----
	49,212,143	15,132,542		55,132,098	33,823,823
	=====	=====		=====	=====

11. MORABAHA FINANCES

These represent the morabaha finances provided under morabaha arrangements at profit margin ranging from 19 to 21 percent per annum. These finances are secured by pledge of shares, bank guarantee, personal guarantees, letters of hypothecation and demand promissory note.

12. OTHER RECEIVABLES

	1998 Rupees	1997 Rupees
Profit on morabaha finances	388,632	408,364
Profit accrued on bank deposits	960,504	992,863
Lease rentals receivable (Note: 12.1)	20,499,522	33,666,153
Income tax refundable	6,021,449	2,933,507
Due from management company	210,343	1,265,913
Short term prepayments	232,756	135,827
Advances to staff-Considered good	287,446	214,922
	-----	-----
	28,600,652	39,617,549
	=====	=====

12.1 LEASE RENTALS RECEIVABLES

Lease rentals receivables	40,157,362	33,666,153
Less: Provision for doubtful receivables	19,657,840	-
	-----	-----
	20,499,522	33,666,153

=====

13. CASH IN HAND AND BANK BALANCES

With banks

On current accounts (Note: 13.1)	200,000	200,000
On PLS-Saving accounts	2,184,195	861,373
On deposit accounts	59,213,967	55,971,547
	-----	-----
	61,598,162	57,032,920
In hand	27,735	12,745
	-----	-----
	61,625,897	57,045,665
	=====	=====

13.1 This represent interest free deposit with State Bank of Pakistan as required under the Prudential Regulations for Non-Banking Financial Institutions (NBFIs).

14. OTHER INCOME

Profit on bank deposits	10,217,830	7,652,037
Dividend income	457,229	797,240
Fees, commission, etc.	124,648	162,998
Gain on sale of shares/certificates	698,342	-
Gain on disposal of fixed assets	21,042	-
Miscellaneous	11,429	-
	-----	-----
	11,530,520	8,612,275
	=====	=====

15. OPERATING EXPENSES

Salaries and other benefits (Note 15.1)	2,567,692	1,174,459
Legal and professional	476,437	493,506
printing and stationery	303,466	248,335
Travelling and vehicle running	216,920	230,211
Fee, subscription and taxes	315,606	270,443
Postage, telephone and telexes	1,717	112,302
Auditors' remuneration (Note 15.2)	39,380	102,920
Zakat	29,325	11,682
Penalties levied by State Bank of Pakistan	-	32,625
Miscellaneous	83,835	150,769
Depreciation	12,327,880	18,753,250
	-----	-----
	16,362,258	21,580,502
	=====	=====

15.1 The aggregate amount charged in the accounts for the year for remuneration, including certain benefits to the officers/employees of modaraba is as under:

Remuneration	1,281,168	598,741
House rent	576,586	269,435
other allowances and perquisites	709,938	306,283
	-----	-----
	2,567,692	1,174,459
	=====	=====

15.2 Auditor's remuneration

Audit fee	35,000	35,000
Fee for special audit under the instructions of State Bank of Pakistan	-	55,000
Out of pocket expenses	4,380	12,920
	-----	-----
	39,380	102,920
	=====	=====

15.3 Office space, utilities and related expenditure have been borne by the management company.

16. FINANCIAL AND OTHERS CHARGES

Financial

Profit on musharika finances	83,174	364,032
Bank charges and commission	14,376	110,331
	-----	-----
	97,550	474,363

1998	1997
Rupees	Rupees

Others

Amortization of deferred cost	-	191,204
Loss on sale of fixed assets	-	69,920
Fixed assets discarded	12,037	
Provision for diminution in the value of investments and doubtful lease rentals receivables	11,636,411	16,645,707
	-----	-----
	11,745,998	17,381,194
	=====	=====

17. PROVISION FOR TAXATION

Current year	2,200,000	9,000,000
Prior years	-	-
Current	(4,000,000)	(1,009,340)
Deferred	-	(800,000)
	-----	-----
	(4,000,000)	(1,809,340)

-----	-----
(1,800,000)	7,190,660
=====	=====

18. LEASE RENTALS RECEIVABLE WITHIN NEXT TWELVE MONTHS

Lease rentals receivable during the next twelve months ending on 30 June 1999 on the basis of lease agreements executed upto 30 June 1998, aggregate to approximately Rupees 39.183 million (1998: Lease repayment schedules were revised by enhancing the repayment period, therefore, rental amounting to Rupees 21.344 million were accrued as against Rupees 38.215 million disclosed in the last years accounts).

19. CORRESPONDING FIGURES

Previous year's figures have been re-arranged, Wherever necessary for the purpose of comparison.

MASOOD AKBAR
Chairman

WASIM-UL-HAQ OSMANI
Chief Executive

JAVAID B. SHEIKH
Director

PATTERN OF CERTIFICATE HOLDINGS

Number of Certificate Holders	From Certificate	To Certificate	Total Certificate Held
868	1	100	63,918
1,055	101	500	277,970
1,158	501	1,000	919,127
2,146	1,001	5,000	4,357,770
294	5,001	10,000	2,113,064
93	10,001	15,000	1,089,674
40	15,001	20,000	714,580
34	20,001	25,000	739,153
16	25,001	30,000	440,272
12	30,001	35,000	386,059
10	35,001	40,000	369,361
12	40,001	45,000	506,328
5	45,001	50,000	234,240
5	50,001	55,000	262,500
2	55,001	60,000	116,180
2	60,001	65,000	123,610
4	65,001	70,000	271,478
1	70,001	75,000	71,040
0	75,001	80,000	0
2	80,001	85,000	167,700
2	85,001	90,000	173,497
0	90,001	95,000	0
1	95,001	100,000	96,700
1	100,001	105,000	104,850
0	105,001	120,000	0
1	120,001	125,000	120,400

1	125,001	130,000	125,090
1	130,001	135,000	131,940
0	135,001	155,000	0
1	155,001	160,000	158,322
0	160,001	225,000	0
1	225,001	230,000	228,160
0	230,001	390,000	0
1	390,001	395,000	393,186
0	395,001	815,000	0
1	815,001	820,000	817,299
0	820,001	875,000	0
1	875,001	880,000	875,431
0	880,001	2,085,000	0
1	2,085,001	2,090,000	2,087,500
0	2,090,001	2,095,000	0
1	2,095,001	2,100,000	2,097,000

5,773		TOTAL	20,633,399
=====			

CATEGORIES OF CERTIFICATE HOLDERS

Category Code	Description	Number of Certificate holders	Certificates Held	Percentage of T. Capital.
1.	Individuals	5,705	12,296,994	59.60
2.	Investment Companies	10	1,034,701	5.01
3.	Insurance Companies	3	1,038,253	5.03
4.	Joint Stock Companies	8	591,229	2.87
5.	Financial Institutions	6	2,377,260	11.52
6.	Modaraba Companies	5	198,820	0.96
7.	Foreign Investors	2	177,640	0.86
8.	Others	11	52,658	0.26
9.	Sponsors	23	2,865,844	13.89

	Total	5,773	20,633,399	100.00
=====				