

GHANDHARA LEASING COMPANY LTD
(ANNUAL REPORT 1997)

CONTENTS

Company Information
Notice of Annual General Meeting
Financial Highlights
Graphic Presentation
Chairman's Review
Directors' Report
Pattern of Shareholding
Auditors' Report to the Members
Balance Sheet
Profit & Loss Account
Statement of Changes in Financial Position
Notes to the Accounts
Form of Proxy

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Salahuddin Qureshi	Chairman	Nominee of NIT
Mr. Raza Kuli Khan Khattak		Nominee of GNL *
Mr. Ahmed Kuli Khan Khattak		Nominee of GNL
Begum Tehmina Habibullah Khan		Nominee of GNL
Mr. Humayaun Sultan Mufti		Nominee of GNL
Dr. Adil Sultan Mufti		Nominee of GNL
Mr. Shahid Ghaffar		Nominee of NIT
Mr. Mushtaq Ahmed Khan		Nominee of GNL
Mr. Kazunori Namekata (Alternate Mr. M. Tanaka)		Nominee of Marubeni
Mr. Haroon A. Zuberi	Chief Executive	Nominee of GNL

* GNL: Gandhara Nissan Limited

COMPANY SECRETARY

Mr. Muhammad Shabbir Kasbati

REGISTERED OFFICE

2nd Floor, State Life Building,
34, The Mail, Peshawar Cantt.

HEAD OFFICE

1-D, 3rd Floor, Sunset Tower,
Sunset Boulevard, Karachi.
Ph: 5890751-5
Fax: 5888513, 5880687

BANKERS TO THE COMPANY

American Express Bank Ltd.
Allied Bank of Pakistan Ltd.
National Bank of Pakistan Ltd.
Societe Generale, The French & International Bank
Standard Chartered Bank
The Bank of Tokyo

LEGAL ADVISORS

Shaukat Law Associates,
217, Central Hotel Annexe,
Abdullah Haroon Road,
Karachi.
Ph: 5681495, 5686223

SHARE REGISTRARS

THK Associates (Pvt) Ltd.
Ground Floor,
Shaikh Sultan Trust,
Building No. 2,
Beaumont Road,
Karachi-75530
Ph: 5686658, 5685687

AUDITORS

Taseer Hadi Khalid & Co.
Chartered Accountants,
1st Floor, Shaikh Sultan Trust,
Building No. 2, Beaumont Road,
Karachi-75530
Ph: 5681912, 5671761-63

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixth Annual General Meeting of the Company will be held on Monday, 29th day of December, 1997 at Hotel Pearl Continental, Peshawar Cantt., Peshawar at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

- receive, consider and adopt the audited accounts together with the Directors' and Auditors' Report for the year ended 30 June, 1997.

- To appoint Auditors and fix their remuneration. The present Auditors Messrs. Taseer Hadi Khalid & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.

OTHER BUSINESS

To transact any other business as may be placed before the meeting with the permission of the Chairman.

By order of the Board

M. Shabbir Kasbati
Company Secretary

Karachi: 3 December, 1997

NOTES:

1. The Register of members of the company will remain closed from 24 December, 1997 to 29 December, 1997 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote on his behalf. No person shall act as proxy who is not a member of the company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Shareholders are requested to immediately notify the Company of any change in their addresses.

FINANCIAL HIGHLIGHTS

	30 June 1997	30 June 1996	31 Dec 1994	31 Dec 1993	31 Dec 1992
Balance sheet (Rupees in million)					
Net investment in leases	519.82	496.88	339,581	191.29	55.52
Total equity	172.53	160.77	72.87	66.55	55.16
Total assets	631,294	581.05	438.00	259.03	126.18
Break-up value (Amount in rupees)	20.89	19.46	14.57	13.31	11.03
Income statement (Rupees in million)					
Gross income	99.83	137.60	66.42	30.09	8.97
Financial charges	67.34	87.67	37.51	11.71	0.36
Other expenses	16.13	26.31	12.09	6.85	3.44
Net profit	11,759	22.93	16.32	11.39	5.16
Lease portfolio (Percentage)					

Plant & machinery	73.10	66.33	77.00	78.60	74.00
Equipments	10.31	9.23	11.50	9.20	10.80
Private vehicles	7.05	9.67	11.00	9.40	8.10
Commercial vehicles	9.54	14.77	0.50	2.80	7.10

CHAIRMAN'S REVIEW

It gives me great pleasure in presenting to you the 6th Annual Report of the company together with the audited accounts for the year ended on 30 June 1997,

An Overview

The year under review followed the same pattern of stagnation as of previous year. The major reason was political instability during the year. The overall economic activities witnessed the negative growth as the GDP declined to 3.1% from 4.6%. The financial sector also suffered from this decline, specially, due to retarded growth rate in manufacturing sector, which reduced to 1.8% from 4.4%. Particularly, large scale manufacturing sector, which declined by 1.4%. Further, the public sector enterprises as well as large business houses faced cash-flow problems due to depressed economic conditions. having chain effect on the industry. However, with the change in government, upliftment of economic activities was expected but it has not yet come upto the mark.

In the budget for the year 1996-97, government also imposed 1% per annum Central Excise Duty on lease rentals, which affected the leasing industry. However, this levy was withdrawn in the current budget for 1997-98.

During the year under review, State Bank of Pakistan (SBP) also revised its discount rate from 17% to 20%. This resulted in higher lending rates by the banks. On top of increasing the discount rate, government borrowed excessive funds against STFBS at the rate as high as 17.50% per annum, which created a liquidity crunch in the market. However, subsequently, SBP has readjusted the discount rate from 20% to 19% in June 1997 and from 19% to 18% in July 1997.

Review of Operations

I am pleased to inform that despite the difficult economic conditions, your company performed satisfactorily during the year. Once again, the main emphasis remained on building of quality and well diversified lease portfolio in order to avoid credit risk. The company also placed special emphasis on leasing of commercial vehicles and developed it as niche market.

The lease portfolio composition constituted 73.10% Plant & Machinery, 10.31% Equipments, 7.05% Private Vehicles and 9.54% Commercial Vehicles, where as the disbursement during the year followed the pattern of 68.63% Plant & Machinery, 14.32% Equipments, 5.13% Private Vehicles and 11.92% Commercial Vehicles.

The company's revenues amounted to Rs. 99.83 million, with a net profit of Rs. 11.76 million. The major portion of expenses comprised of financial charges, which amounted to Rs. 67.34 million. As I have already mentioned that SBP had increased its discount rate, and higher returns on STFBS, causing increase in lending rates by banks and DFI's which resulted in sharp increase of financial charges. To take care of any future lease losses, the company has made a provision of Rs. 4.10 million, these are Rs. 3.11 million in excess of what is required by the leasing regulations. The company continued to maintain its Contingency and Statutory reserves. Contingency reserve is 2% of net investment in lease, whereas Statutory reserve is 20% of net profit. These reserves amounted to Rs. 10.51 million and Rs. 13.52 million respectively as on 30 June 1997.

During the year under review, the company also changed its name from 'Ghemni Leasing Company Limited' to 'Ghandhara Leasing Company Limited'.

Fundings

Your company has been approved for participation in 'Financial Sector Intermediation Loan' of US \$100 million extended by Asian Development Bank. The company has also been successful in arranging three

additional Rupee funding lines from investment banks and DFIs for the period of two to three years.

Future Prospects

Since past couple of years, the overall economic activities are facing a stand still situation, which has resulted in a stiff competition among leasing companies. With the change in government, economic activities are expected to revive, which may result in setting up of new industries and expansion of established ones and more business for the teasing sector. With the reduction in discount rate and other steps taken by SBP, mark-up rates have also shown downward trend and we expect it to reduce further, which will have a positive impact on the earnings of the leasing companies.

Staff

I would like to congratulate the Management and all company employees for their dedication and hard work in maintaining the company's efficiency during a challenging year.

Acknowledgment

I would also like to thank Regulatory Authorities, DFIs, banks and investment banks for extending their full co-operation and guidance to the company in achieving the results.

DIRECTOR'S REPORT

The Directors have pleasure in presenting the Sixth Annual Report together with Audited Accounts and the Auditors' Report thereon for year ended 30 June, 1997.

Financial Results

	Year ended 30 June 1997	Eighteen months period ended 1996
Total income	99,826,211	137,602,549
Expenses	87,567,614	113,982,542
Net profit before tax	12,258,597	23,620,007
Taxation - current	499,131	688,012
Profit after taxation	11,759,466	22,931,995
Profit brought forward	8,146,868	9,492,254
Profit available for appropriation	19,906,334	32,424,249
Appropriations		
Transfer to statutory reserve	2,351,893	4,586,399
Transfer to contingency reserve	540,759	3,171,582
Interim cash dividend - Nil (1995-96'10%)	-	8,259,700
Final cash dividend - Nil (1995-96 · 10%)	-	8,259,700
	2,892,652	24,277,381
	-----	-----
Unappropriated profit carried forward	17,013,682 =====	8,146,868 =====

Auditors

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

Pattern of Shareholding

The pattern of shareholding is annexed.

Staff

The Directors would like to place on record their appreciation of the hard work and dedication of staff members in achieving the results being presented.

PATTERN OF SHAREHOLDING

As at 30 June 1997

No. of Shareholders	Shareholding		Total shares held
	From	to	
83	1	100	8,300
393	101	500	172,400
156	501	1,000	152,900
66	1,001	5,000	153,000
21	5,001	10,000	165,100
8	10,001	15,000	96,000
3	15,001	20,000	59,000
1	25,001	30,000	28,000
2	30,001	35,000	64,500
2	50,001	55,000	105,800
1	125,001	130,000	125,500
1	295,001	300,000	300,000
1	335,001	430,000	337,700
1	495,001	500,000	500,000
1	1,245,001	1,250,000	1,250,000
1	1,840,001	1,845,000	1,841,500
1	2,895,001	2,900,000	2,900,000
-----			-----
742		Total	8,259,700
=====			=====

CATEGORIES OF SHAREHOLDERS

As at 30 June 1997

Categories

	No. of Shareholders	Share held	Percentage
Individuals	728	865,200	10.48
Insurance Companies	1	337,700	4.09
Joint Stock Companies	6	4,257,800	51.55
Financial Institutions	6	2,229,000	2,783
Foreign Companies	1	500,000	6.05
	-----	-----	-----
	742	8,259,700	100.00
	=====	=====	=====

AUDITOR'S REPORT TO THE MEMBERS

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

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

Ordinance, 1984;

(b) in our opinion:

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

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

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

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

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

Karachi' 2 December 1997

Taseer Hadi Khalid & Co.
Chartered Accountants

BALANCE SHEET

As at 30 June 1997

	Note	30 June 1997	30 June 1996
ASSETS			
Fixed assets - at cost less accumulated depreciation	3	6,673,072	4,822,120
Net investment in leases	4	326,698,202	324,069,532
Long term investments	5	11,935,759	11,935,759
Deferred cost	6	1,422,701	2,234,526
CURRENT ASSETS			
Current maturity of net investment in leases including overdue rentals		193,124,341	172,811,582
Investments		50,000	50,000
Advances against lease commitments - unsecured		7,019,470	6,005,659
Advances, deposits, prepayments and other receivables	7	23,083,060	9,400,670
Cash and bank balances	8	61,288,308	49,721,694
		284,565,179	237,989,605
		-----	-----
	Rupees	631,294,913	581,051,542
		=====	=====

SHAREHOLDERS' EQUITY AND LIABILITIES

Share capital	9	82,597,000	82,597,000
Share premium		48,895,500	48,895,500
Reserves	10	24,024,713	21,132,061
Unappropriated profit		17,013,682	8,146,868
Shareholders' equity		172,530,895	160,771,429
Long term financing - secured	11	141,946,301	192,148,535
Certificates of investment	12	40,200,000	-
Long term deposits	13	56,580,431	55,925,877

CURRENT LIABILITIES

Current maturity of long financing, long term deposited and lease facility	14	133,709,158	18,147,213
Finance under mark-up arrangements -secured	15	46,415,458	126,200,001
Certificates of Investment	12	25,325,000	-
Accrued expenses and other liabilities	16	13,311,616	15,095,574~
Provision for taxation		707,954	769,798
Dividend payable		508,040	11,993,115
		219,277,226	172,205,701
CONTINGENCIES AND COMMITMENTS	17	--	--
		-----	-----
	Rupees	631,294,913	581,051,524

These accounts should be read in conjunction with the attached notes.

PROFIT AND LOSS ACCOUNT

For the year ended 30 June 1997

	Note	Year ended 30 June 1997	Eighteen months period ended 30 June 1996
REVENUE			
Income from leasing operations	18	97,361,040	134,962,810
Income on investments	19	1,205,433	929,997
Other income	20	1,259,738	1,709,742
		-----	-----
		99,826,211	137,602,549
EXPENDITURE			
Administrative and operating expenses	21	15,315,630	19,276,008
		811,825	1,487,012
Amortisation of deferred cost	22	67,343,628	87,670,306
		83,471,083	108,433,326
		-----	-----
Profit before provisions		16,355,128	29,169,223

Provision for diminution in the value of investments	-	4,270,593
Provision for doubtful bets	23	4,096,531
		1,278,623
		4,096,531
		5,549,216

Profit before taxation		12,258,597
		23,620,007
TAXATION		
Current		499,131
		688,012

Profit after taxation		11,759,466
Unappropriated profit brought forward		8,146,868
		9,492,254

Profit available for appropriation		19,906,334
		32,424,249
APPROPRIATIONS		
Statutory reserve @20% of profit		2,351,893
Contingency reserve @2% of lease contract receivables		540,759
Proposed dividend		-
Interim' NH (1996: 10%)		-
Final' Nil (1996'10%)		-
		2,892,652
		4,586,399
		3,171,582
Unappropriated profit carried forward		-
		8,259,700
		8,259,700
		24,277,381

		17,013,682
		8,146,868
		=====
		=====

These accounts should be read in conjunction with the attached notes.

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended 30 June 1997

	Year ended	Eighteen months
	30 June	period ended
	1997	30 June 1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before taxation	12,258,597	23,620,007
Adjustment for		
Depreciation	1,603,837	1,456,149
Amortisation of deferred cost	811,825	1,487,012
Accrued mark-up	66,636,972	86,781,852
Provision for doubtful debts	4,096,531	1,278,623
Provision for diminution in the value of investments	-	4,270,593
Income on investments	(1,205,433)	(929,997)
Gain on sale of fixed assets	-	(277,152)
	-----	-----
	84,202,329	117,687,087
Increase/Decrease in operating assets / liabilities		
(Increase) in Investment in leases	(27,037,960)	(158,579,041)
(Increase) / Decrease in advance against lease commitments	(1,013,811)	35,813,091

(Increase) / Decrease in advances, deposit, prepayment and other receivables	(12,304,474)	2,458,470I
Increase in long term security deposits	2,814,912	24,149,039
Increase / (Decrease) in accrued expense and other liabilities	315,850	(1,357,593)
	(37,225,483)	(97,516,034)
	-----	-----
	46,976,846	20,171,053
Mark-up paid	(68,736,780)	(92,657,367)
Taxes paid	(1,938,891)	(1,207,689)
	-----	-----
Net cash used in operating activities	(23,698,825)	(73,694,003)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to fixed assets	(3,454,789)	(4,266,482)
Long term investment in Federal Investment Bonds	-	(500,000)
Purchase of marketable securities - net	-	(1,197,147)
Decrease in long term lease deposits	-	(57,726)
Proceed from sale of marketable securities - net	-	1,358,884
Mark-up on Federal investment bonds	142,500	179,155
Income from deposits account	783,154	544,967
Dividend income - net	279,779	246,904
Sale proceeds from sale of fixed asset	-	1,541,980
Net cash used in investing activities	(2,249,356)	(2,034,013)
CASH FLOWS FROM FINANCING ACTIVITIES		
increase in long term financing	63,199,413	89,080,210
Increase in certificates of investment	65,585,000	--
Payment of lease liability	--	(230,077)
(Decrease)/Increase in finance under mark-up arrangements	(79,784,543)	(52,878,627)
Proceeds from right issue	--	81,492,500
Increase in deferred cost	--	(2,371,170)
Dividend paid	(11,485,075)	(14,526,285)
Net cash generated from financing activities	37,514,795	100,566,551
	-----	-----
Net increase in cash and bank balances	11,566,614	24,838,535
Cash and bank balances at beginning of year/period	49,721,694	24,883,159
Cash and bank balances at end of year / period	-----	-----
	Rupees	
	61,288,308	49,721,694
	=====	=====

NOTES TO THE ACCOUNTS

For the year ended 30 June 1997

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated on 12th May 1991 as a public limited company under the Companies

Ordinance, 1984. The Company is listed on all the Stock Exchanges in Pakistan. During the year name of the company was changed from Ghemni Leasing Company Limited to Ghandhara Leasing Company Limited. The principal activity of the Company is leasing of movable assets.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Fixed assets and depreciation

- a) Fixed assets are stated at cost less accumulated depreciation.
- b) A full year's depreciation is charged on all fixed assets capitalised during the year while no depreciation is charged in the year fixed assets are disposed off or scrapped.
- c) Depreciation on fixed assets is charged on written down values at the rates given in note 3 to the accounts.
- d) Normal repairs and maintenance are charged to income as and when incurred,
- e) Gains and losses on disposal of assets, if any, are taken to profit and loss account.

2.3 Investments

Long term

These are stated at cost net of provision made for decline other than temporary in value of investment, if any.

Short term

These are stated at lower of average cost and market value on an aggregate portfolio basis.

2.4 Deferred cost

Deferred cost including preliminary expenses is being amortised over a period of five years.

2.5 Reserve for potential lease losses

A reserve is maintained as an appropriation from unappropriated profit for potential losses on lease portfolio which, in the judgement of management, can be reasonably anticipated.

2.6 Revenue recognition

a) Lease Income

The Company follows the 'financing method' in accounting for recognition of lease income. Under this method the unearned lease income is taken to income over the term of lease, starting with the month in which the lease is executed, so as to produce a systematic return on the net investment in the lease.

Front-end-fee, commitment fee and other commissions are taken to income. When these are realised and financing is approved.

b) Long term investments

Return on investment is recognised at the rates specified in the respective investment

schemes and accrued for the period. The income is recognised on the assumption that such investments will be held till maturity.

c) Dividend income

Dividend income is recorded at the time of closure of share transfer books of the Company declaring the dividend and is shown net of Zakat.

d) Marketable securities

Sale and purchase of securities are recognised on the date of contract. Capital gain and loss on sale of marketable securities is taken to income in the period in which it arises.

2.7 Foreign currencies

Transactions in foreign currencies are accounted for in rupees at the rate prevailing on the date of the transaction. Assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the balance sheet date. Exchange gains/losses are recorded in income currently.

2.8 Taxation

Current

Income for the purpose of computing current taxation is determined under the provisions of the tax laws whereby lease rentals received or receivable are deemed to be income. Provision for taxation is thus based on income determined in accordance with the requirements of the tax law.

Deferred

The company accounts for deferred taxation using the liability method on all significant timing differences. However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

2.9 Staff retirement benefits

The company operates a provident fund scheme for all eligible employees. Equal contributions are made monthly both by the company and the employees in accordance with the rules of the scheme at 7.5% of basic pay.

3. FIXED ASSETS- at cost less accumulated depreciation.

	C O S T				Rate %	D E P R E C I A T I O N				
	As at 1 July 1996	Additions	(Disposal)	As at 30 June 1,997		As at 1 July 1996	Disposal	For the year / period	As at 30 June 1996	Written down value as at 30-Jun 1997
Furniture and fixture	1,053,364	111,252	-	1,164,616	10%	312,202	-	116,462	428,664	735,952
Office equipments	2,335,803	1,410,437	-	3,746,240	10%	655,417	-	374,624	1,030,041	2,716,199
Vehicles	3,630,653	1,933,100	-	5,563,753	20%	1,230,081	-	1,112,751	2,342,832	3,220,921
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Rupees										
1997	7,019,820	3,454,789	-	10,474,609		2,197,700	-	1,603,837	3,801,537	6,673,072
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

Rupees									
1996	4,767,170	4,266,482	(2,013,832)	7,019,820	1,490,557	(749,006)	14,456,149	2,197,700	4,8622,120
	=====	=====	=====	=====	=====	=====	=====	=====	=====

Note 30 ,June 30 June
1997 1996

4. NET INVESTMENT IN LEASES

Installment contract receivables		662,969,473	626,499,440
Unearned income		(137,311,776)	(127,879,703)
		-----	-----
Net Investment in leases	4.10	525,657,697	498,619,737
Current maturity including overdue rentals shown under current assets		(193,124,341)	(172,811,582)
Provision for doubtful debts		(5,835,154)	(1,738,623)
		-----	-----
	Rupees	326,698,202	324,069,532
		=====	=====

4.1 The company's aggregate exposure under lease financing exceeding 20% of the paid-up capital and free reserves in respect of two listed companies amounted to Rs. 99.92 million (1996:5 listed companies Rs. 189.63 million).

5. LONG TERM INVESTMENTS - SECURED

Federal Investment Bonds (10 years maturity)	5.1	950,000	950,000
Investment in listed securities	5.20	10,985,759	10,985,759
		-----	-----
	Rupees	11,935,759	11,935,759
		=====	=====

5.1 Investment in Federal investment Bonds (FIB's) has been made under the relevant provisions of the State Bank of Pakistan's rules for non-banking financial institutions to maintain liquidity against liabilities. The profit on FIBs' is 15% per annum which is payable half yearly from the date of issue.

			30 June 1997	30 June 1996	30 June 1997	30 June 1996
5.2			Cost	Cost		
30 June 1997	30 June 1996					
(No. of Shares)						
14,100	14,100	19th ICP Mutual Fund	238,290	2,38,290		
			152,750	152,750		
32,500	32,500	1st Elite Capital Modaraba	471,935	471,935		
51,020	51,020	1st Punjab Modaraba	178,850	178,850		
36,500	36,500	1st Mehran Modaraba	7,223	7,223		
1,070	1,070	1st HBL Modaraba				
			292,000	292,000		
29,200	292,000	Natover Leasing Limited	103,251	103,251		
5,000	103,251	Standard Chartered Merchantile Leasing Co. Ltd	113,383	113,383		
2,945	2,945	Al-Faisal Investment Bank Ltd	800,625	800,625		
30,500	30,500	Al-Towfeek Investment Bank Ltd	588,750	588,750		
16,500	15,000	Bank Commercial Al-Habib Ltd	83,655	83,655		
2,145	2,145	Crescent Investment Bank Ltd	958,125	958,125		
36,500	36,500	Pakistan Industrial Credit & Invt Corp	324,875	324,875		
15,208	13,225	Prime Commercial Bank Ltd	76,250	76,250		

5,000	5,000 Faisal Spinning Mills Ltd		
4,124	4,124 Saif Textile Mills Limited	10,305	10,305
69	69 Kohinoor Textile Mills Limited	966	966
1,710	1,710 Sangbar Sugar Mills Limited	36,604	36,604
2,156	1,960 Shahmurad Sugar Mills Limited	27,000	27,000
52,625	52,625 Cherat Cement Company Limited	3,104,875	3,104,875
17,480	17,460 D.G. Khan Cement Company Limited	744,072	744,072
16,170	14,700 Essa Cement Industries Limited	433,400	433,400
		157,500	157,500
15,000	15,000 Baifo Industries Limited	230,000	230,009
5,000	5,000 Wah Noble Chemical Limited		
26,400	24,000 Century Paper & Board Mills Limited	907,500	907,500
34,040	29,600 Sui Northern Gas Pipelines Limited	943,575	943,575
		-----	-----
	Rupees	10,985,759	10,985,759
		=====	=====

The aggregate market value of investments in listed companies as at 30 June 1997 amounted to Rs. 5,699,636 (1996:Rs. 6,500,417). The carrying value of these investments have not been reduced as in the opinion of the directors of the company, the decline is temporary.

	Note	30 June 1997	30 June 1996
6. DEFERRED COST			
Pre-operating expenses		1,976,727	1,976,727
Preliminary expenses		131,374	131,374
Share issue expenses		1,267,816	1,267,816
Right share issue expenses		2,371,170	2,371,170
		-----	-----
		5,747,087	5,747,087
Amortised to date		(4,324,386)	(3,512,561)
	'Rupees	1,422,701	2,234,526
		=====	=====

7. ADVANCES, DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES

Advances			
Staff		286,000	412,201
Taxation		2,386,637	1,008,721
Expenses		744,940	259,323
Others		235,864	235,864
		-----	-----
		3,653,441	1,916,109
Deposits		112,058	1,112,058
Prepayments		226,583	934,898
Other receivables			
Accrued return on investment		1,584,632	1,091,173
Mark-up on advance against lease commitments		1,363,234	1,024,072
Lease rentals		7,097,361	3,037,152
Overdue lease rentals	7.10	8,566,616	--

Others	479,135	285,208
	19,090,978	5,437,605
	-----	-----
Rupees	23,083,060	9,400,670
	=====	=====

7.1 The company subsequent to the year end has repossessed stock of generators and the management is confident that the proceeds from the disposal of such generators would be sufficient to fully adjust these receivables.

	30 June	30 June
Note	1997	1996

8. CASH AND BANK BALANCES

Cash at bank in:

- Current account - Pak rupees	61,288,308	4,570,795
- Term deposit account - Pak rupees	-	39,000,000
- Deposit account - Foreign currency	-	6,141,131
	-----	-----
	61,288,308	49,711,926
Cash in hand	-	9,768
	-----	-----
Rupees	61,288,308	49,721,694
	=====	=====

9. SHARE CAPITAL

Authorised

20,000,000 (1996: 20,000,000)

ordinary shares of Rs. 10/- each

Rupees	200,000,000	200,000,000
	=====	=====

Issued, subscribed and paid up

8,259,700 (1996: 8,259,700) ordinary shares of Rs. 10/- each fully paid in

cash

Rupees	82,597,000	82,597,000
	=====	=====

10. RESERVES

Statutory reserve

10.10	13,511,559	11,159,666
-------	------------	------------

Contingency reserve

10.20	10,513,154	9,972,395
	-----	-----

Rupees	24,024,713	21,132,061
	=====	=====

10. Statutory Reserve

At beginning of the year/period

11,159,666	6,573,267
------------	-----------

Transferred from profit and loss account

2,351,893	4,586,399
-----	-----

Rupees	13,511,559	11,159,666
	=====	=====

10. Contingency Reserve

At beginning of the year/period

9,972,395	6,800,813
-----------	-----------

Transferred from profit and loss account

540,759	3,171,582
-----	-----

Rupees	10,513,154	9,972,395
	=====	=====

11. LONG TERM FINANCING - SECURED

From	Limit (Rupees)	Mark-up rate (Per annum)	Note	30 June	30 June
				1997	1996
Commercial Banks	50,000,000	20% to 23%	11.1	44,599,773	61,971,333
Financial	125,000,000	19.5% to 22.75%	11.2	97,346,588	130,177,202
			Rupees	141,946,361	192,148,535
				=====	=====

The above financings are for lease operations and are secured against hypothecation of leased assets, lease rentals and floating charge on the moveable assets of the company.

11.1 Commercial banks

Due date	Number of installments	Principal Outstanding	30 June	30 June
			1997	1996
31-12-1998	On due date	44,599,773	41,971,333	
28,04,1998	On due date	--	20,000,000	
		Rupees	44,599,773	61,971,333
			=====	=====

11.2 Financial institutions

Due date	Number of installments	Principal Outstanding	30 June	30 June
			1997	1996
12-09-1998	On due date	-	20,000,000	
30-09-1998	On due date	40,000,000	40,000,000	
20-09-1995 to	16 Quarterly			
20-06-1999	installments	6,543,693	11,927,202	
22-03-1999	4 Semi-annual installments	10,000,000	-	
28-05-1999	4 Semi-annual installments	7,500,000	-	
30-06-2000	12 Quarterly installments	18,302,895	-	
15-07-1998	On due date	5,000,000	-	
27-06-1998	On due date	-	8,250,000	
11-12-1997	On due date	-	20,000,000	
17-06-1998	On due date	-	20,000,000	
30-09-1997	On due date	-	10,000,000	
30-09-1998	4 Quarterly installments	10,000,000	-	
		Rupees	97,346,588	130,177,202
			=====	=====

12. CERTIFICATES OF INVESTMENT

These represent the mobilization of funds under the scheme of certificates of investment issued with the permission of Corporate Law Authority. The scheme is based on profit and loss sharing basis. The certificates are for terms ranging from three months to five years.

	Note	1997	1996
13. LONG TERM DEPOSITS			
Customer security deposit on lease	13.10	72,369,903	69,554,991
Repayable within 12 months shown under current liabilities		(15,878,544)	(13,718,186)
		-----	-----
		56,491,359	55,836,805
Others		89,072	89,072
		-----	-----
	Rupees	56,580,431	55,925,877
		=====	=====

13.1 This represents sum received from lessees under lease contracts and are repayable/adjustable at the expiry of the lease period.

14. CURRENT MATURITY OF LONG TERM FINANCE, DEPOSITS AND LEASE FACILITY

Long term finance		117,830,614	4,429,027
Long term deposits	13	15,878,544	13,718,186
		-----	-----
	Rupees	133,709,158	18,147,213
		=====	=====

15. FINANCE UNDER MARK-UP ARRANGEMENTS

Banks and financial institutions - short term loan		-	61,117,715
Running finance under mark-up arrangements		29,415,458	20,082,286
Morabaha finance		-	20,000,000
Musharika finance		7,000,000	-
Others		10,000,000	25,000,000
		-----	-----
	Rupees	46,415,458	126,200,001
		=====	=====

The Company has financing facilities from various banks, financial institutions and others aggregating to Rs. 87 million (1996: Rs. 131 million) at mark-up ranging from 18.5% to 22% per annum. These arrangements are generally for a period of upto one year and are renewable.

The above financings are for lease operations and are secured against hypothecation of leased assets, lease rentals and floating charge on the moveable assets of the company.

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 1997	30 June 1996
Mark-up on ' Long term finance	4,724,478	7,323,486
Short term loan	181,644	1,107,465
Running finance	979,196	895,789
Morabaha finance	-	137,398
Musharika finance	23,726	-
Certificates of Investment	1,819,497	-
Others	329,315	693,526

Advance lease rentals	3,291,983	3,331,165
Accrued expenses	40,000	45,000
Other Liabilities		
Advertisement payable	116,250	-
Tax deducted at source	49,784	5,529
Excise Duty on lease rental	233,618	-
Unearned front end fee	390,389	742,389
Bonus	236,315	308,272
Others	895,421	505,555
	-----	-----
Rupees	13,311,616	15,095,574
	=====	=====

17. CONTINGENCY AND COMMITMENTS

17.1 No provision has been made in respect of Zakat deducted by a financial institution amounting to Rs. 629,315 (1996 Rs. 629,315) as in the opinion of the directors the Company did not fall under the definition of Sahib-e-Nisab under the provisions of Zakat & Ushr Ordinance, 1980 at the time of deduction.

17.2 Commitments for lease disbursements	Rupees	15.5 million	86.2 million
17.3 Letter of credit outstanding	Rupees	-	7.5 million
		=====	=====

Year Ended Eighteen months
30 June period ended
1997 30 June 1996

18. INCOME FROM LEASING OPERATIONS

Income on lease contracts	90,991,501	123,803,025
Front-end and commitment fee	99,166	4,249,077
Return on advance against leases	3,273,726	5,765,500
Gain on cancellation of lease contracts	79,317	244,727
Other lease income	2,917,330	900,481
	-----	-----
Rupees	97,361,040	134,962,810
	=====	=====

Year Ended Eighteen months
30 June period ended
Note 1997 30 June 1996

19. INCOME ON INVESTMENTS

Gain/(Loss) on sale of marketable securities - net	19.10	-	(41,029)
Mark-up on Federal Investment Bonds		142,500	179,155
Return on deposit account		783,154	544,967
Dividend income-net	19.20	279,779	246,904
		-----	-----
Rupees		1,205,433	929,997
		=====	=====

19.1 Gain/(Loss) on sale of marketable securities

Brokerage and commission	-	(1,977)
Share transfer stamps fees	-	(39,052)

	Rupees	-----	-----
		-	(41,029)
		=====	=====
19.2 Dividend income			
Dividend income		285,066	273,868
Zakat deducted		(5,287)	(26,964)

	Rupees	-----	-----
		279,779	246,904
		=====	=====

20. OTHER INCOME

Mark up commission and fee income		5,497	307,109
Gain on disposal of fixed assets		-	277,152
Exchange gain		1,208,241	655,824
Liabilities written back		-	469,657
Others		46,000	-

	Rupees	-----	-----
		1,259,738	1,709,742
		=====	=====

21. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, wages and other benefits		5,269,880	6,561,810
Staff welfare and training		986,782	655,724
Bonus		238,044	285,000
Rent, rates and taxes		1,020,567	1,300,844
Travelling and conveyance		1,558,619	2,056,430
Legal and professional		588,772	919,361
Telephone, telex and postage		542,815	769,412
Printing and stationery		424,911	723,226
Depreciation		1,603,837	1,456,149
Fees and subscription		244,213	591,165
Utilities		605,822	1,222,866
Advertisement		276,989	389,318
Auditors' remuneration	21.1	90,000	103,550
Repair and maintenance		417,135	895,402
Entertainment		211,780	270,612
Insurance		488,790	486,109
General expenses		445,896	341,294
Contribution to provident fund		200,778	247,736

	Rupees	-----	-----
		15,315,630	19,276,008
		=====	=====

Year Ended Eighteen months
 30 June period ended
 1997 30 June 1996

21.1 Auditors' Remuneration

Audit fee		40,000	45,000
Special audit		50,000	50,000
Out of pocket expenses		-	8,550

	Rupees	-----	-----
		90,000	103,550
		=====	=====

22. FINANCIAL CHARGES

Mark up on:

Long term financing	36,155,033	37,308,326
Running finance	5,168,159	6,692,068
Short term finance	5,938,549	18,034,349
Morabaha finance	3,700,820	6,466,988
Musharika finance	367,699	-
Certificates of Investment	11,861,746	-
Others	3,444,966	18,266,666
Financial charges on lease	-	13,455
Bank and other charges	706,656	888,454
	-----	-----
Rupees	67,343,628	87,670,306
	=====	=====

23. PROVISION FOR DOUBTFUL DEBTS

Provision made under Rule 14 of Rules of Business for NBFIs	989,609	1,278,623
Other provisions	3,106,922	-
	-----	-----
Rupees	4,096,531	1,278,623
	=====	=====

24. TAXATION

Current

The provision for current period taxation has not been made in view of brought forward tax losses. However, provision for minimum tax under section 80(D) of the Income Tax Ordinance, 1979 has been made in these accounts.

The income tax assessments of the company have been finalised upto and including assessment year 1996-97. The assessment for assessment year 1993-94 has been set aside by the Commissioner of Income Tax (Appeals). The company has preferred appeals against certain disallowances for assessment years 1994-95, 1995-96 and 1996-97. In case of adverse decision in appeals an additional tax liability of Rs. 4.084 million would arise which has not been provided in the accounts, as the management expects a favourable outcome of appeals.

Deferred

Deferred tax arising due to timing differences computed under the liability method is estimated at Rs. 40.587 million (1996: Rs. 18.58 million). Timing differences are not likely to reverse in the foreseeable future and therefore, no accrual for deferred tax has been made in these accounts.

Year Ended	Eighteen months
30 June	period ended
1997	30 June 1996

25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Lease disbursements		
- NIT	Rupees	1,344,810-
Underwriting commission		
paid	Rupees -	2,343,750
Mark-up paid	Rupees -	5,063,500

26. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

Chief Executive		Executives	
Year ended	Eighteen mont	Year ended	Eighteen months
30 June	period ended	30 June	period ended
1997	30 June 1996	1997	30 June 1996

Managerial remuneration	828,000	1,285,000	561,896	936,344
House rent	372,000	558,000	244,010	365,910
Provident fund	62,100	93,150	29,741	59,394
Utilities	82,800	101,948	58,572	225,510
Medical	82,800	115,684	38,225	72,889
Others	84,000	96,000	-	-
	-----	-----	-----	-----
Rupees	1,511,700	2,249,782	932,444	1,660,047
	=====	=====	=====	=====
No. of persons	1	1	2	2
	=====	=====	=====	=====

The chief executive and executives are provided with company owned and maintained cars.

The aggregate amount charged in the accounts for fee to eleven non-salaried directors was Rs. 19,500/- (1996: Rs. 31,000)

27. GENERAL

27.1 Previous year's figures have been re-arranged wherever necessary to facilitate comparison.

27.2 Figures have been rounded off to the nearest rupee.