

Ghandhara Leasing Company Limited

Annual Report 1998

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Company Information

BOARD OF DIRECTORS

Mr. Raza Kuli Khan Khattak	Chairman	Nominee of GNL*
Mr. Ahmed Kuli Khan Khattak		Nominee of GNL
Mr. Humayaun Sultan Mufti		Nominee of GNL
Dr. Adil Sultan Mufti		Nominee of GNL
Mr. Razi-ur-Rahman Khan		Nominee of NIT
Mr. Nasim Beg		Nominee of NIT
Mr. Michio Kuwahara		Nominee of Marubeni
Mr. Mushtaq Ahmed Khan		Nominee of Bibojee
Mr. K.U. Rahman		Nominee of Bibojee
Mr. A.G. Budhani		Nominee of ICP

Mr. Haroon A. Zuberi **Chief Executive**

*GNL: Ghandhara Nissan Limited

Acting Company Secretary

Mr. Muhammad Tahir Salam

Registered Office

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

Karachi 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.

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

Standard Chartered Bank

The Bank of Tokyo

The Bank of Khyber

The Bank of Punjab

Auditors

Taseer Hadi Khalid & Co,

Chartered Accountants,

1st Floor,

Shaikh Sultan Trust,

Building No, 2,

Beaumont Road

Karachi-75530

Ph: 5681912, 5682290, 5680934, 5671761-63

Notice of Annual General Meeting

Notice is hereby given that the Seventh Annual General Meeting of the Company will be held on 31st December, 1998 at 2nd Floor, State Life Building, 34, The Mall, Peshawar Cantt., Peshawar at 12:00 noon to transact the following business:

ORDINARY BUSINESS

- To receive, consider and adopt the Audited Accounts of the company for the year ended June 30th 1998, together with the Directors' and Auditors' Report thereon.

- 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

Muhammad Tahir Salam

Acting Company

Secretary

Karachi: 9th December, 1998

NOTES:

1. The share transfer books of the company will remain closed from 29th December, 1998 to 31st December, 1998 (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 for him/her. No person shall act as a 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	30 June	30 June	31 Dec	31 Dec	31 Dec
1998	1997	1996	1994	1993	1992

(18 Months)

Balance sheet (Rupees in million)

Net Investment in Leases	512.914	519.822	496.881	339.581	191.289	55.522
Total Equity	147.942	172.530	160.771	72.886	66.552	55.162
Total Assets	612.672	631.294	581.052	437.996	259.025	126.177
Break-up value (Amount in rupees)	17.91	20.89	19.46	14.57	13.31	11.03

Income Statement (Rupees in million)

Gross Income	92.169	99.826	137.603	66.416	30.091	8.966
Financial charges	72.709	67.343	87.670	37.514	11.710	0.364
Other expenses	41.297	16.128	26.312	12.087	6.850	3.440
Net (Loss)/Profit	(24.588)	11.759	22.932	16.315	11.390	5.162

Lease portfolio (Percentage)

Plant & Machinery	56.96	73.10	66.33	77.00	78.60	74.00
Equipment	9.20	10.31	9.23	11.50	9.20	10.80
Private vehicles	8.79	7.05	9.67	11.00	9.40	8.10
Commercial vehicles	25.05	9.54	14.77	0.50	2.80	7.10

Pattern of Shareholding

No. of Shareholders	Shareholding		Total shares held
	From	To	
83	1	100	8,300
395	101	500	173,300
158	501	1,000	154,500
66	1,001	5,000	153,000
21	5,001	10,000	165,100
8	10,001	15,000	94,000
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	120,001	125,000	125,000
1	295,001	300,000	300,000
1	335,001	340,000	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
-----			-----
746		Total	8,259,700
=====			=====

Categories of Shareholders**As at 30 June 1998**

Categories	No. of Shareholders	Share held	Percentage
Individuals	731	866,700	10.4931
Insurance Companies	1	337,700	4.0885

Joint Stock Companies	6	4,257,800	51.5491
Financial Institutions	6	2,296,500	27.8037
Modaraba	1	1,000	0.0121
Foreign Companies	1	500,000	6.0535
-----	-----	-----	-----
	746	8,259,700	100.000
=====	=====	=====	=====

Chairman's Review

I am pleased to present before you the seventh annual report of the company together with the audited account for the year ended 30th June, 1998,

AN OVERVIEW:

During the past few years, our economy has been passing through a recessionary phase. The present government is trying its best for the revival of economic activities, but it is facing difficulties in accomplishment of its objectives. However, during the financial year 1997-98, the economic indicators showed a positive sign, but the overall industry remained stagnant.

The decision of nuclear detonation was the major event of the year. It was immediately followed by sanctions imposed on Pakistan, which resulted in further deterioration of an already frail economy. The freeze of dollar accounts also had negative impact on the economic activities and created an atmosphere of uncertainty in the country. The aftermath of the nuclear explosion was worse on the economy in general and on the financial sector in particular. Your company was also no exception to it.

During the year under review, your company faced some tough times and found it difficult to maintain the growth, as achieved in previous years. The stagnancy in the economy had its toll on your company as well. Due to a crises-like situation in the financial sector, it was extremely difficult to borrow funds from various institutions. The financial institutions also increased their lending rates on one hand and on the other hand, competition reduced the mark-up rate charged to the quality customers by the leasing companies, thus reducing their margins and spreads. The availability of quality customers also became scarce. The air of uncertainty that prevailed in the country also made the leasing business very difficult.

REVIEW OF OPERATIONS:

The business of your company was affected by the overall economic situation of the country. However, your company managed to survive in these difficult time. Limited leases were written during the period due to scarcity of funds and quality/credit worthy customers. Therefore, company ~~~~ adopted the policy of consolidation, While disbursing the funds, the main objective of maintaining quality and well diversified lease portfolio remained in the forefront. During the year, the emphasis was placed on leasing of commercial vehicles, as it provides an edge to the company due to its back-ground and also commercial vehicles provide additional initial depreciation compared with other assets, which helps the company in determent of tax liability.

As on 30th June, 1998, company's lease portfolio amounted to Rs. 512.914 million, out of which maximum outstanding exposure is in the cement sector, which is Rs. 107.345 million or 19.93% followed by textile and transport & communication, amounting to Rs. 84.747 million and Rs. 65.362 million or 15.74% and 12.14% respectively. The composition of the portfolio constituted 73.81% in Machinery, 13.49% in commercial Vehicles, 7.04% in equipment and 5.67% in Private Vehicles. The disbursement followed the pattern of 56.96% in Machinery, 9.20% in Equipment, 25.05% in commercial Vehicles and 8.79% in Private Vehicles.

Recovery was one of the main concerns of the company, as due to overall stagnation, a number of clients started delaying their rentals, The company also filed cases against a few such clients.

However, with the timely interference of management and strenuous efforts, recovery position came into control.

Your company incurred a loss of Rs. 24.588 million during the year as against Rs. 11,759 million profit last year, The loss has been primarily caused due to certain extraordinary adjustments aggregating to Rs. 28.721 million, which have been incorporated in these accounts in view of general economic conditions and stock market crises. So as to follow a conservative and prudent approach in the interest of shareholders despite the firm belief by the management that these adjustments would eventually reverse and the amounts would be realised. The adjustments were as follows:

(Rs. in million)

1. Provision in diminution of long term investments to bring them at market value although diminution is considered by management as temporary.	7,760
2. Provision for doubtful debts in addition to NBFI Regulations for a client in textile sector.	6,456
3. Non-recognition of lease rentals of certain customers in cement sector.	14,505

	28,721
	=====

In case the above items were not considered, the profit for the year would have been Rs. 4.133 million.

The major expenses incurred were financial charges and Admin & Operating expenses, Financial charges stood at Rs. 72.709 million, which increased by 7.97% over the previous year. The increase is mainly attributed to increase in mark up rates charged by the financial institutions. Administrative and Operating Expenses amount to Rs. 25.676 million, which also includes separation benefits for the Ex-chairman and Chief-Executive Officer, expenditure on COIs and the legal matters for filling of cases against the lessees for recovery of lease rentals.

The term of directors also expired on 27th June, 1998 and fresh elections were held on 27th June, 1998. In the election, besides Ghandhara, following nominees of Marubeni corporation of Japan National Investment Trust and Investment corporation of Pakistan were elected.

Mr. Michio Kuwahara	Nominee Marubeni
Mr. Razi-ur-Rahman Khan	Nominee NIT
Mr. Nasim Beg	Nominee NIT
Mr. A. G. Budhani	Nominee ICP

As mentioned in the last annual report, that your company has been approved in the credit line financial Sector Intermediation Loan (FSIL) of ADB. During the period, your company forwarded three proposals for reimbursement, out of which one has already been approved and other two are under process. However, later this year, i.e. on 30th September, 1998. ADB suspended its credit line before date and would entertain proposals received upto 30th September, 1998.

FUTURE PROSPECTS.

Considering the overall economic situation, the year ahead, appears to be a difficult one for the country in general and leasing sector in particular, Trend of consolidation would continue in the year to come in almost all the sectors of the economy and your company will not be an exception. However, the company will continue to provide lease financing to quality customers and specially to the commercial vehicle segment of the market.

STAFF:

I would like to appreciate the efforts, hard work and dedication of the management and all the staff members. which they have extended in the operations of the company even in a difficult and challenging year.

ACKNOWLEDGMENT:

I would like to extend my gratitude toward Regulatory Authorities, DFIs, banks and investment banks for extending their full cooperation and guidance to the company.

RAZA KULI KHAN KHATTAK
CHAIRMAN

Directors' Report

The directors have pleasure in submitting the Seventh Annual Report together with Audited Accounts and the Auditors' Report thereon for year ended 30 June, 1998,

FINANCIAL RESULTS	30th June 1998	30th June 1997
Total Income	92,169,383	9,982,621
Expenses	114,006,075	87,567,614
	-----	-----
Net (Loss)/Profit before tax	(21,836,692)	12,258,597
Taxation	2,751,715	499,131
	-----	-----
(Loss)/Profit after taxation	(24,588,407)	11,759,466
Profit brought forward	17,013,682	8,146,868
	-----	-----
(Loss)/Profit available for appropriation	(7,574,725)	19,906,334
Appropriations		
Transfer to statutory reserve	-	2,351,893
Transfer to contingency reserve	21,771	540,759
Dividend - Nil	-	-
	-----	-----
	21,771	2,892,652
	-----	-----
Unappropriated (Loss)/Profit	(7,552,954)	17,013,682
	=====	=====

AUDITOR'S

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.

For and on behalf of the Board.

Haroon A. Zuberi
Chief Executive

Raza Kuli Khan Khattak
Chairman

Auditors' Report to the Members

We have audited the annexed balance sheet of Ghandara Leasing Company Limited (Formerly Ghemni Leasing Company Limited) as at 30 June 1998 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with 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 1998 and of the Loss 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,

TASEER HADI KHALID & CO.

CHARTERED ACCOUNTANTS

Karachi: 10th December, 1998

Balance Sheet as at 30 June, 1998

	NOTE	1998	1997
ASSETS			
OPERATING FIXED ASSETS - At cost less			
accumulated depreciation	3	7,122,415	6,673,072
LONG TERM DEPOSITS		230,922	247,922
LONG TERM INVESTMENTS	4	4,176,036	11,935,759
NET INVESTMENT IN LEASE FINANCE - Secured	5	267,815,746	326,698,202
ADVANCE AGAINST LEASE COMMITMENTS - Unsecured		7,529,750	7,019,470
DEFERRED COST	6	948,461	1,422,701
CURRENT ASSETS			
current maturity of net investment in leases Finance and			
overdue lease rentals	7	270,743,447	200,221,702

Federal investment Bonds	8	50,000	50,000
Shot Term Advances - Secured	9	41,162,413	-
Advances, deposits, prepayments and other receivables	10	12,469,915	15,737,777
Cash and Bank balances	11	422,628,612,288,308]	
		-----	-----
		324,848,403	277,297,787
		-----	-----
	Rupees	612,671,733	631,294,913
		=====	=====

EQUITY AND LIABILITIES

SHARE CAPITAL	12	82,597,000	82,597,000
SHARE PREMIUM		48,895,500	48,895,500
RESERVES	13	24,002,942	24,024,713
(ACCUMULATED LOSS)/UNAPPROPRIATED PROFIT		(7,552,954)	17,013,682
		-----	-----
		147,942,488	172,530,895
LONG TERM FINANCES - Secured	14	70,467,595	141,946,361
CERTIFICATES OF INVESTMENT	15	24,815,250	40,260,000
LONG TERM DEPOSITS	16	52,747,235	56,580,431

CURRENT LIABILITIES

Current maturity of long term finances		39,719,723	117,830,614
Current maturity of long term deposits		25,257,752	15,878,544
Certificates of Investment	15 & 17	141,531,740	25,325,000
Short term finances - Secured	18	63,584,368	39,415,458
Short term finances - Unsecured	19	23,000,000	7,000,000
Accrued expenses and other liabilities	20	19,683,038	13,311,616
Provision for taxation		3,459,669	707,954
Unclaimed Dividend		462,875	508,040
		-----	-----
		316,699,165	219,977,226

COMMITMENTS

	21		
		-----	-----
	Rupees	612,671,733	631,294,913
		=====	=====

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

Haroon A. Zuberi
Chief Executive

Raza Kuli Khan Khattak
Chairman

Profit and Loss Account for the year ended 30 June, 1998

	NOTE	1998	1997
REVENUE			
Lease revenue	22	859,318,231	97,361,040
Markup on short term advances		5,609,147	-
Other Income	23	6,284,131	2,465,171
		-----	-----
		92,169,383	99,826,211

EXPENDITURE			
Administrative expenses	24	25,676,224	15,315,630
Financial charges	25	72,709,293	67,343,628
Amortisation of deferred cost		474,240	811,825
Provision against repossessed asset held for sale		1,566,616	-
Provision for diminution in value of investments		7,759,723	-
Provision for potential lease losses		5,819,979	4,096,531
		-----	-----
		114,006,075	87,567,614
		-----	-----
(LOSS)/PROFIT BEFORE TAXATION		(21,836,692)	12,258,597
TAXATION			
Current		14,400,071	499,131
Prior		1,311,708	-
		-----	-----
		2,751,715	499,131
		-----	-----
(LOSS)/PROFIT AFTER TAXATION		(24,588,407)	11,759,466
UNAPPROPRIATED PROFIT BROUGHT FORWARD		17,013,682	8,146,868
		-----	-----
(Loss)/Profit available for appropriation		(7,574,725)	19,906,334
APPROPRIATIONS			
Statutory reserve		-	2,351,893
Contingency reserve		21,771	540,759
		-----	-----
		21,771	2,892,652
		-----	-----
(ACCUMULATED LOSS)/UNAPPROPRIATED		-----	-----
PROFIT CARRIED FORWARD	Rupees	(7,552,954)	17,013,682
		=====	=====

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

Haroon A. Zuberi
Chief Executive

Raza Kuli Khan Khattak
Chairman

**Statement of Changes in Financial Position for the
for the year ended 30 June, 1998**

	1998	1997
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(21,836,692)	12,258,597
Adjustment for:		
Depreciation	1,723,782	1,603,837
Amortisation of deferred cost	474,240	811,825
Accrued mark-up	71,621,896	66,636,972
Provision for potential lease losses	5,819,979	4,096,531
Provision for diminution in the value of investments	7,759,723	-
Provision for separation benefits	1,056,171	-
Provision for gratuity	4,698,900	-

Provision against repossessed assets held for sale	1,566,616	-
Income on investments	(411,037)	(1,205,433)
Gain on sale of fixed assets	(76,700)	-
	-----	-----
	72,396,878	84,202,329

CHANGES IN OPERATING ASSETS AND LIABILITIES

Decrease in long term deposits	17,000	-
(Increase) in Investment in lease finance	(6,911,441)	(27,037,960)
(Increase) in overdue lease rentals	(10,547,827)	(4,060,209)
(increase)in advance against lease commitments	(510,280)	(1,013,811)
(Increase) in short term advances	(41,162,413)	-
Decrease/(Increase) in advances, deposits, prepayments and other receivables	3,897,550	(8,244,265)
Increase in long term deposits	5,546,012	2,814,912
(Decrease)/Increase in accrued expenses and other liabilities	(1,532,262)	315,850
	-----	-----
	(51,203,661)	(37,225,483)
	-----	-----
	21,193,217	46,976,846
Mark-up paid	(69,473,283)	(68,736,780)
Taxes paid	(2,196,304)	(1,938,891)
	-----	-----
Net cash used in operating activities	(50,476,370)	(23,698,825)

CASH FLOW FROM INVESTING ACTIVITIES

Additions to fixed assets	(3,775,817)	(3,454,789)
Mark-up on Federal Investment Bonds	142,500	142,500
Income from deposits account	35,334	783,154
Dividend Income-net	233,203	279,779
Proceeds from sale of fixed assets	1,679,392	-
	-----	-----
Net cash used in investing activities	(1,685,388)	(2,249,356)

CASH FLOW FROM FINANCING ACTIVITIES

Long term financing	(149,589,657)	63,199,413
Certificates of investment	100,761,990	65,585,000
Short term financing	40,168,910	(79,784,543)
Dividend paid	(45,165)	(11,485,075)
	-----	-----
Net cash generated from financing activities	(8,703,922)	37,514,795
	-----	-----
Net (decrease)/increase in cash and bank balances	(60,865,680)	11,566,614
Cash and bank balances at beginning of year	61,288,308	49,721,694
	-----	-----
Cash and bank balances at end of year	Rupees 422,628	61,288,308
	=====	=====

Haroon A. Zuberi
Chief Executive

Raza Kuli Khan Khattak
Chairman

**Notes to the Accounts
for the year ended 30 June, 1998**

1. STATUS AND NATURE OF BUSINESS

The Ghandhara Leasing Company Limited was incorporated on 12 May 1991 as a public limited company under the Companies Ordinance, 1984 and was listed on all the Stock Exchanges in Pakistan. During the year ended 30 June 1997, the name of the company was changed from Ghemni Leasing Company Limited to Ghandhara Leasing Company Limited.

Its principal activity is leasing of machineries, equipment and vehicles. Other activities are short term advancing and investment in securities,

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention,

2.2 Operating Fixed assets and depreciation

The cost of operating fixed assets is depreciated over the useful life of related assets under the declining balance method. A full year's depreciation is charged on assets acquired during the year, whereas no depreciation is charged in the year of disposal. Gains and losses on disposal of assets are included in income currently, Normal repairs and maintenance are charged to income as and when incurred.

2.3 Investments

Long term investments are stated at cost less provision for diminution in value to recognise a decline other than temporary. Short term investments are valued at lower of cost and market value determined on an aggregate portfolio basis. Cost is determined on moving average basis and the market values are taken from closing rates of the Karachi Stock Exchange (Guarantee) Limited on the last working day of the income year.

2.4 Deferred cost

This is being amortised over a period of five years.

2.5 Net investments in lease finance

This is stated at cost less specific provision. Specific provision is made in accordance with the requirements of Non Bank Financial Institutions Regulations issued by the State Bank of Pakistan.

2.6 Revenue recognition

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Lease revenue

The company follows the finance method in accounting for lease income. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of lease so as to produce a constant periodic rate of return on the outstanding net cash investment in lease.

Unrealised lease income is suspended, where necessary, in accordance with the Requirements of Non Bank Financial Institutions Regulations issued by the State Bank of Pakistan. Commitment charges, gains on termination of lease contracts, documentation charges, late payment surcharge and other lease income are recognised as income when they are realised.

Markup income

This is recognised on a time proportion basis.

Dividend income

This is recognised at the time of closure of share transfer book of the company declaring the dividend.

Capital gains and losses

These are recorded on the date of sale of investment.

2.7 Foreign currencies

Foreign currency transactions are translated into Pak Rupees at exchange rate prevailing on the date of the transaction. Assets and liabilities in foreign currencies at the year end are translated into Pak Rupees at the rate of exchange prevailing at the balance sheet date, Exchange gains and losses are included in the profit and loss account currently.

2.8 Taxation**Current**

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates, if any. Income for the purposes of computing current taxation is determined under the provisions of the tax laws whereby lease rentals received or receivable are deemed to be income.

Deferred

The company accounts for deferred taxation using the liability method on all major timing differences, However, deferred tax debits are not accounted for.

2.9 Staff retirement benefits**Defined contribution plan**

The company operates an approved provident fund scheme for all its eligible employees, Equal monthly contributions are made, both by the company and its employees, to the fund at the rate of 7.5 per cent of basic salary.

Defined benefit plan

The company operates an unfunded gratuity scheme covering all its employees who have completed their minimum qualifying period of services with the company. Provision is made annually to cover its obligation under the scheme.

3. OPERATING FIXED ASSETS - At cost less accumulated depreciation

	COST				Rate	DEPRECIATION				
	As at 01 July 1997	Additions	(Disposals)	As at 30 June 1998		As at 01 July 1997	For the year	(Disposals)	As at 30 June 1998	Written down value as at 30 June 1998
Furniture and fixtures	1,164,616	62,852	-	1,227,468	10%	428,664	122,747	-	551,411	676,057
Office equipment	3,746,240	320,348	-	4,066,588	10%	1,030,041	406,659	-	1,436,700	2,629,888
Vehicles	5,563,753	3,392,617	(2,984,489)	5,971,881	20%	2,342,832	1,194,376	(1,381,797)	2,155,411	3,816,470
1998 Rupees	10,474,609	3,775,817	(2,984,489)	11,265,937		3,801,537	1,723,782	(1,381,797)	4,143,522	7,122,415
1997 Rupees	7,019,820	3,454,789	-	10,474,609		2,197,700	1,603,837	-	3,801,537	6,673,072

3.1 DISPOSAL OF FIXED ASSETS

Mode of disposal	Cost	Accumulated depreciation	Book Value	Sales Proceeds	Particulars of buyers
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Leasing companies				
29,200	29,200	Natover Motor Lease Limited	292,000	292,000
5,500	5,000	Saudi Pak Leasing company Limited	103,251	103,251
Investment companies/Banks				
3,681	2,945	Al-Faysal Investment Bank Limited	113,383	113,383
30,500	30,500	Al-Towfeek Investment Bank Limited	800,625	800,625
18,975	16,500	Bank Al-Habib Limited	588,750	588,750
2,145	2,145	Crescent Investment Bank Limited	83,655	83,655
36,500	36,500	Pakistan Industrial Credit & Investment Corp. Ltd.	958,125	958,125
15,208	15,208	Prime Commercial Bank Limited	324,875	324,875
Textile spinning				
5,000	5,000	Faisal Spinning Mills Limited	76,250	76,250
4,536	4,124	Saif Textile Mills Limited	10,305	10,305
Textile composite				
69	69	Kohinoor Textile Mills Limited	966	966
Sugar and allied				
1,710	1,710	Sanghar Sugar Mills Limited	36,604	36,604
2,156	2,156	Shahmurad sugar Mills Limited	27,000	27,000
Cement				
52,625	52,625	Cherat Cement Company Limited	3,104,875	3,104,875
17,480	17,480	D.G. Khan Cement Co. Limited	744,072	744,072
17,787	16,170	Essa Cement Industries Limited	433,400	433,400
Chemical and pharmaceutical				
15,000	15,000	Biafo Industries Limited	157,500	157,500
5,000	5,000	Wah noble Chemicals Limited	230,000	230,000
Paper and board				
26,400	26,400	Century Paper & Board Mills Limited	907,500	907,500
Energy				
39,146	34,040	Sui Northern Gas Pipelines Limited	943,575	943,575
			-----	-----
			10,985,759	10,985,759
		Provision for diminution in value	(7,759,723)	-
			-----	-----
		Rupees	3,226,036	10,985,759
			=====	=====

4.3 All the holdings are in modaraba certificates and ordinary shares of Rs. 10 each.

4.4 The aggregate market value of investments in listed securities as at 30 June 1998 amounted to Rs. 3,226,036 (1997: Rs. 5,699,636).

5. NET INVESTMENT IN LEASE FINANCE

	1998	1997
Lease rentals receivable	572,525,622	582,510.50
Residual value	78,004,987	72,458,975
	-----	-----

Minimum lease payments	650,530,609	654,969,473
Unearned income	(125,961,471)	(137,311,776)
	-----	-----
Present value of minimum lease payments	524,569,138	517,657,697
Current maturity	(245,098,259)	(185,124,341)
Provision for potential lease losses	(11,655,133)	(5,835,154)
	-----	-----
Rupees	267,815,746	326,698,202
	=====	=====

5.1 In terms of the requirements of Rule 7(1)(ii) of the Leasing Companies (Establishment and Regulations) Rules, 1996, the company's aggregate exposure under lease financing exceeding 20 per cent of the paid up capital and free reserves in respect of two public limited companies amounted to Rs. 76,405,814 (1997: two public limited companies Rs.99,920,000).

6. DEFERRED COST

Cost incurred	5,747,087	5,747,087
Amortised to date	(4,798,626)	(4,324,386)
	-----	-----
Rupees	948,461	1,422,701
	=====	=====

7. CURRENT MATURITY OF NET INVESTMENT IN LEASE FINANCE AND OVERDUE LEASE RENTALS

Current maturity of net investment in lease finance	245,098,259	185,124,341
Overdue lease rentals	25,645,188	15,097,361
	-----	-----
Rupees	270,743,447	200,221,702
	=====	=====

8. FEDERAL INVESTMENT BONDS

These bonds have matured.

9. SHORT TERM ADVANCES-SECURED

This represents financing given to a private limited company and individuals for three months and carries mark-up at rates ranging from 21 per cent to 25 per cent per annum payable on maturity. The advances are secured by pledge of cars. mortgage of building (owned by an associated company) and lien on certificates of investment issued by the company itself.

10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances		
Staff	128,500	286,000
Taxation	4,582,941	2,386,637
Others	120,710	844,940
Deposits	328,000	-
Prepayments	1,373,803	226,583
Accrued profit on deposit accounts	-	1,584,632
Accrued mark-up on advance against lease commitments	127,850	1,363,234
Accrued mark-up on short term advances	2,109,660	-
Repossessed asset held for sale	10.1	3,500,000
Others	198,451	479,135
	-----	-----
Rupees	12,469,915	15,737,777
	=====	=====

		1998	1997
10.1 Repossessed assets held for sale			
As at 01 July		5,066,616	8,566,616
Provision against repossessed assets held for sale		(1,566,616)	-
		-----	-----
As at 30 June	Rupees	3,500,000	8,566,616
		=====	=====

This represents value of an asset (1997: two assets) repossessed by the company in settlement of the outstanding dues of defaulting lessee. The carrying value has been reduced in accordance with the value realised on similar assets disposed off during the current year.

11. CASH AND BANK BALANCES

Cash with State Bank of Pakistan	11.1	100,000	100,000
Cash with commercial banks in current accounts		318,717	61,188,308
Cash in hand		3,911	-
		-----	-----
	Rupees	422,628	61,288,308
		=====	=====

11.1 This has been kept to meet the liquidity requirements under the Non Bank Financial Institutions Regulations issued by the State Bank of Pakistan.

12. SHARE CAPITAL

Authorised			
20,000,000 ordinary shares of Rs. 10 each		200,000,000	200,000,000
		=====	=====
Issued subscribed and paid up			
8,259,700 ordinary shares of Rs. 10 each			
Fully paid in cash	Rupees	82,597,000	82,597,000
		=====	=====

13. RESERVES

Statutory reserve	13.1	13,511,559	13,511,559
Contingency reserve	13.2	10,491,383	10,513,154
		-----	-----
	Rupees	24,002,942	24,024,713
		=====	=====

13.1 Statutory reserve

As at 01 July		13,511,559	11,159,666
Transferred from profit and loss account		-	2,351,893
		-----	-----
As at 30 June	Rupees	13,511,559	13,511,559
		=====	=====

In accordance with the Non Bank financial Institutions Regulations issued by the State Bank of Pakistan, company is required to transfer 20 per cent of its after tax profit to statutory reserve until the reserve equals its paid up share capital. Thereafter, 5 per cent of profit after tax is required to be transferred to reserve.

13.2 Contingency reserve

As at 01 July		10,513,154	9,972,395
Transferred (to)/from profit and loss account		(21,771)	540,759
		-----	-----
As at 30 June	Rupees	10,491,383	10,513,154
		=====	=====

This is being maintained at the rate of 2 per cent of the present value of minimum lease payments as an appropriation from profit available for appropriation for potential lease losses which can reasonably be anticipated.

		1998	1997
14. LONG TERM FINANCES-SECURED			
From a commercial bank			
Finance A	14.1	48,340,730	44,599,773
From financial institutions			
Finance B	14.2	6,543,693	11,927,202
Finance C	14.3	18,302,895	25,000,000
Finance D	14.4	10,000,000	20,000,000
Finance E	14.5	7,500,000	15,000,000
Finance F	14.6	9,500,000	-
Finance G	14.7	10,000,000	-
Various finances		-	143,250,000
		-----	-----
		110,187,318	259,776,975
Current maturity		(39,719,723)	(117,830,614)
		-----	-----
	Rupees	70,467,595	141,946,361
		=====	=====

14.1 This represents a running finance facility of Rs. 50,000,000 obtained from a commercial bank and carries markup at a rate of 21.5 per cent per annum payable on half yearly basis. The facility is repayable by December 1999. The facility is secured by hypothecation of leased assets, irrevocable assignment of rentals receivable under lease contracts and floating charge on current assets of the company.

14.2 This represents a funding line obtained from a development finance institution and carries markup at a rate of 20 per cent per annum. The principal and markup is payable in sixteen equal quarterly installments of Rs. 1,845,398 from September 1995 to June 1999. The funding line is secured by hypothecation of leased assets, irrevocable assignment of rentals receivable under lease contracts and floating charge on current assets of the company.

14.3 This represents a funding line obtained from a development finance institution and carries markup at a rate of 21 per cent per annum. The principal and markup is payable in twelve equal quarterly installments of Rs. 2,860,545 from September 1997 to June 2000. The funding line is secured by hypothecation of leased assets, irrevocable assignment of rentals receivable under lease contracts and floating charge on current assets of the company.

14.4 This represent a morabaha financing obtained from an investment bank. The mark up is payable on quarterly basis and the mark up rate for next quarter is reviewed at each payment of markup. The markup rate for quarter ended September 1998 is 21 per cent per annum. The principal is payable in four equal half yearly installments of Rs. 5,000,000 from

June 1997 to March 1999. The morabaha financing is secured by first charge ranking parri passu over present and future leased assets and rentals receivable under lease contracts of the company.

14.5 This represent a morabaha financing obtained from an investment bank. The mark up is payable on quarterly basis and the mark up rate for next quarter is reviewed at each payment of markup. The markup rate for quarter ended August 1998 is 21 per cent per annum. The principal is payable in four equal half yearly installments of Rs. 3,750,000 from November 1997 to May 1999. The morabaha financing is secured by first charge ranking parri passu over present and future leased assets and rentals receivable under lease contracts of the company.

14.6 This represent a morabaha financing obtained from an investment bank. The mark up is payable on quarterly basis and mark up rate for next two quarters is reviewed on half yearly basis by adding 1 per cent to the prevailing discounting rate of the State Bank of Pakistan with the floor of 19.5 per cent per annum. The mark-up rate for half year ending Dec. 1998 is 19.5 percent per annum. The principal is payable in four equal half yearly installments of Rs. 2,375,000 from Dec. 1998 to June 2000. The morabaha financing is secured by first charge ranking parri passu over leased assets of the company.

14.7 This represents a credit facility obtained from a development finance institution and carries markup at a rate of 20 per cent per annum. The principal and markup is payable in twelve equal quarterly installments of Rs. 1,128,254 from July 1998 to April 2001.

15. CERTIFICATES OF INVESTMENT

These represent the mobilization of funds under the scheme of certificates of investment introduced with the permission of Corporate Law Authority. The certificates are for terms ranging from three months to five years and carry profit ranging from 16 per cent to 24 per cent per annum. These include certificates of investment of Rs. 20,000,000 (1997: Rs. 40,000,000) issued to various financial institutions.

		1998	1997
16. LONG TERM DEPOSITS			
Lease key money	16.1	78,004,987	72,369,903
Current maturity		(25,257,752)	(15,878,544)
		-----	-----
		52,747,235	56,491,359
Others		-	89,072
		-----	-----
	Rupees	52,747,235	56,580,431
		=====	=====

16.1 This represents interest free security deposits received from lessees against lease contracts and are refundable/adjustable at the expiry/termination of the respective leases.

17. CERTIFICATES OF INVESTMENT

These include certificates of investment of Rs. 140,000,000. (1997: Rs. 25,000,000) issued to various financial institutions.

18. SHORT TERM FINANCES-SECURED

From commercial banks

Finance A	18.1	29,584,368	29,415,458
Finance B	18.2	4,000,000	-

From financial institutions

Finance C	18.3	20,000,000	-
Finance D	18.4	10,000,000	-
Finance E		-	10,000,000
		-----	-----
	Rupees	63,584,368	39,415,458
		=====	=====

18.1 This represents a running finance facility of RS. 30,000,000 obtained from a commercial bank and carries markup at a rate of 18.5 percent per annum payable on quarterly basis. The facility is repayable by November 1998. The facility is secured by hypothecation of leased assets of the company.

18.2 This represents a demand finance obtained from a commercial bank and carries markup at a rate of 19.5 per cent per annum payable on quarterly basis. The demand finance is for one year and will mature in October 1998. The demand finance is secured by first charge ranking pari passu over leased assets and rentals receivable under lease contracts of the company.

18.3 This represents a promissory note discounting facility obtained from an investment bank and carries mark up at a rate of 21 per cent per annum payable on quarterly basis. The principal is payable in five equal quarterly installments of Rs. 2,000,000 by September 1998.

The discounting facility is secured by first charge ranking parri passu over leased assets and rentals receivable under lease contracts of the company.

18.4 This represents a placement made by a venture capital company and carries markup at a rate of 18.75 per cent per annum payable on half yearly basis. The placement is for one year and will mature in October 1998. The placement is secured by first charge ranking parri passu over the leased assets of the company.

		1998	1997
19. SHORT TERM FINANCES - UNSECURED			
Finance A	19.1	15,000,000	-
Finance B	19.2	5,000,000	-
Finance C	19.3	3,000,000	-
Various finances		-	7,000,000
		-----	-----
	Rupees	23,000,000	7,000,000
		=====	=====

19.1 This represents a placement made by a venture capital company and carries markup at a rate of 21 per cent per annum payable on maturity. The placement is for three months and maturing in July 1998.

19.2 This represents a placement made by a constituent and carries markup at a rate of 20 per cent per annum payable on maturity. The placement is for three months and maturing in July 1998.

19.3 This represents a musharaka finance obtained from a modaraba and carries markup at a rate of 20 per cent per annum payable on maturity. The musharaka finance is for one month and maturing in July 1998.

20. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued markup on long term finances		622,119	4,724,478
Accrued markup on short term finances		2,415,933	1,513,881
Accrued markup on certificates of investment		7,168,417	1,819,497
Advance lease rentals		2,336,991	3,291,983
Auditors' remuneration		50,000	40,000
Tax deducted at source		358,168	49,784
Excise duty on lease rentals		158,891	233,618
Unearned front end fee		392,023	390,389
Bonus		-	236,315
Provision for gratuity		1,056,171	-
Provision for separation benefits		4,698,900	-
Others		425,425	1,011,671
		-----	-----
	Rupees	19,683,038	13,311,616
		=====	=====

21. COMMITMENTS

Commitments for lease disbursements	Rupees	10,130,000	15,500,000
		=====	=====

22. LEASE REVENUE

Lease income		84,215,567	92,791,501
Commitment charges		450,000	100,000
Markup on advance against lease commitments		126,658	3,273,726
Gain on cancellation of lease contracts		4,224	79,317
Documentation charges		112,000	106,000
Late payment surcharge		1,008,441	954,363
Other lease income		14,933	56,133
		-----	-----
	Rupees	85,931,823	97,361,040
		=====	=====

23. OTHER INCOME

Mark-up on Federal Investment Bonds		142,500	142,500
Profit on deposit accounts		35,334	783,154
Dividend income		233,203	279,779
Gain on disposals of fixed assets		76,700	
Exchange gain		-	1,208,241
Others		140,676	51,497
		-----	-----
	Rupees	628,413	2,465,171
		=====	=====

24. ADMINISTRATIVE EXPENSES

Salaries and other benefits		6,299,261	5,570,658
Separation benefits	24.1	4,698,900	-
Staff gratuity		1,056,171	-
Staff welfare and training		718,613	986,782
Bonus		-	238,044
Rent, rates and taxes		1,610,333	1,020,567
Travelling and conveyance		1,609,137	1,558,619
Legal and professional		1,199,732	588,772
Telephone, telex and postage		661,488	542,815
Printing and stationery		668,309	424,911
Depreciation		1,723,782	1,603,837
Fees and subscription		338,346	244,213

Utilities		590,384	605,822
Advertisement		1,146,524	276,989
Auditors' remuneration	24.2	81,980	90,000
Repairs and maintenance		772,561	417,135
Entertainment		341,067	211,780
Insurance		724,000	488,790
General expenses		806,321	445,896
Zakat		629,315	-
		-----	-----
	Rupees	25,676,224	15,315,630
		=====	=====

24.1 These represent separation benefits subsequently paid to the Ex-Chairman amounting to Rs.630,000 and payable to the Chief Executive amounting to Rs. 4,068,900. They are also entitled to purchase cars in their use at Rs. 1 each. These separation benefits have been approved by the Board of Directors and shareholders of the company.

24.2 Auditors' remuneration

Statutory audit fee		50,000	40,000
out of pocket expenses		31,980	-
Special audit fee		-	50,000
		-----	-----
	Rupees	81,980	90,000
		=====	=====

25. FINANCIAL CHARGES

Mark up on Long term finances		26,382,449	36,155,033
Short term finances		16,170,670	18,620,193
Certificates of investment		29,068,777	11,861,746
Bank charges		1,087,397	706,656
		-----	-----
	Rupees	72,709,293	67,343,628
		=====	=====

26. TAXATION

In view of tax loss from lease operation for the current year, tax on other income has been provided at the applicable tax rate.

The income tax assessments of the company have been finalised upto and including assessment year 1997-98 (income year ended 30 June 1997). The income tax department has filed appeals for the assessment years 1995-96 and 1996-97 with Income Tax Appellate Tribunal against the decisions made by the Commissioner of Income Tax (Appeals). The company has also filed appeals for the same assessment years and for assessment 1994-95 with Income Tax Appellate Tribunal against certain disallowances retained by the Commissioner of Income Tax (Appeals). In addition to these assessment years, the company is in process of filing an appeal for the assessment year 1997-98 with Commissioner of Income Tax (Appeals). In case of adverse decision, an additional tax liability of Rs. 4,103,134 would arise which has not been provided in these accounts as the management expects a favorable outcome.

As on 30 June 1998, net taxable temporary differences amounted to approximately Rs. 63,070,229. However, no accrual for deferred tax liability has been made in these accounts due to carry forward of unused tax losses of Rs. 86,041,627 approximately.

27. TRANSACTIONS WITH ASSOCIATED COMPANIES

Lease income	Rupees	23,108	108,468
		=====	=====
Insurance premium	Rupees	585,916	155,752
		=====	=====
Lease disbursed	Rupees	-	1,344,810
		=====	=====

28. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives	
	1998	1997	1998	1997
Managerial remuneration	828,000	828,000	736,392	561,896
House rent	372,000	372,000	327,744	244,010
Provided fund	62,100	62,100	54,648	29,741
Utilities	82,800	82,800	72,852	58,572
Medical	82,800	82,800	46,806	38,225
Others	84,000	84,000	-	-
Separation benefit	4,068,900	-	-	-
Gratuity	759,000	-	-	-
Rupees	6,339,600	1,511,700	1,238,442	932,444
Number of persons	1	1	2	2

The chief executive and executives were also entitled to free use of company maintained Cars.

The Chairman was entitled for emolument of Rs. 35,000 per month.

The aggregate amount of fee paid to nine non salaried directors was Rs. 12,000 (1997: Rs. 19,500).

Medical insurance cover was also provided to all executives,

29. YEAR 2000 COMPLIANCE OF COMPUTER SYSTEM

The company is considering the impact of year 2000 issue on its computer systems and applications and would develop a remediation plan.

30. COMPARATIVE FIGURES

Figures of the previous year have been rearranged, wherever necessary, to facilitate comparison.

Figures have been rounded off to the nearest rupee.